CropLife AUSTRALIA

Representing the best of the plant science industry

2018-19 PRE-BUDGET SUBMISSION

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1 INTRODUCTION

CropLife Australia (CropLife) is the national peak industry organisation representing the agricultural chemical and biotechnology (plant science) sector in Australia. CropLife represents the innovators, developers, manufacturers and formulators 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 key to the nation's agricultural productivity, sustainability and food security. CropLife Australia is a member of CropLife Asia and part of the CropLife International Federation of 91 CropLife national associations globally.

CropLife and its members are committed to the stewardship of their products throughout their lifecycle and to ensuring that human health, environment and trade issues associated with agricultural chemical use in Australia are responsibly and sustainably managed. Our member companies contribute more than $13 million a year on stewardship activities to ensure the safe and effective use of their products. CropLife ensures the responsible use of these products through its mandatory industry code of conduct and has set a benchmark for industry stewardship through programs such as ***drum****MUSTER*, ChemClear® and Agsafe Accreditation and Training. Our stewardship activities demonstrate our commitment to managing the impacts associated with container waste and unwanted chemicals.

CropLife welcomes the opportunity to make a submission to the Australian Government's *2018-19 Budget*. CropLife's submission highlights the opportunities for the Government to responsibly invest in Australian agriculture – an industry that, for the last two financial quarters, has been the powerhouse driver for economic growth in Australia.

The Australian plant science industry is a major contributor to the agricultural sector. According to a 2013 Deloitte Access Economics report entitled *Economic Activity Attributable to Crop Protection Products*, it is estimated that up to $17.6 billion of Australia agricultural output (or 68 per cent of the total value of Australian crop production) is attributable to the use of crop protection products. In terms of employment, the same report found that the plant science sector contributed just over 9,250 in full time equivalent employees, made up of about 2,050 directly in the manufacturing sector and 7,200 in the sectors that supply inputs to the plant science industry.

The plant science industry's crop protection products include herbicides, insecticides and fungicides that are critical to maintaining and improving Australia's agricultural productivity to meet global food security challenges in coming decades. Each of these products is rigorously assessed by the Australian Pesticides and Veterinary Medicines Authority (APVMA) to ensure they present no unacceptable risk to users, consumers and the environment.

It now takes over 11 years of research and development requiring the testing more than 140,000 compounds, costing more than US$286 million in research and development investment to bring just one new successful crop protection product to the market. Without access to these tools, farmers may potentially lose as much as 50 per cent of their annual production to pests, weeds and diseases.

Crop protection products must be used sparingly, carefully and responsibly. The responsible use of agricultural chemicals must be supported by a regulatory scheme that maximises the benefits associated with their responsible use, while minimising the costs from excessive, inappropriate and ineffective regulation. Farmers need these products because of the benefits they provide to their businesses and consumers need these products to ensure they have access to safe, affordable and nutritional food.

While it is important for governments to provide for appropriate and rigorous regulation of pesticides and biotechnologies, any regulation must be mindful of the effects that poorly considered and excessive regulation will have through increasing production costs, discouraging investment and innovation, while not delivering any improvement in safety, health or environmental outcomes.

The 2018-19 financial year represents a period of significant change and disruption for registrants and developers of agricultural chemical products with the relocation of the APVMA from Canberra, ACT to Armidale, New South Wales being progressed. Structural changes and fully-funded substantial initiatives are necessary to necessitate a smooth transition and deliver a centre of excellence for agricultural chemistry. This will involve leveraging technology to streamline APVMA and associated regulatory operations through more efficient data-sharing, digital communications and next-generation infrastructure.

New approaches to regulation potentially involve significant additional cost to registrants that may have detrimental impacts on the capacity of companies to provide Australian farmers with innovative new products. The APVMA's 2012 Cost Recovery Discussion Paper[1] highlights the significance of some of these costs associated with unnecessary regulation. The focus, however, is on ensuring that Australia's regulatory system for agricultural chemicals is effective, efficient and provides an opportunity for the Government to ensure they have all the necessary tools in place to support Australian innovation in agricultural production.

This submission identifies those areas where additional investment by the Government is required to continue to drive innovation and to ensure Australia's regulatory system for agricultural chemicals can rapidly respond to emerging issues and facilitate Australian farmers' ability to compete in global markets.

The plant science industry has, since 1996, also been providing Australian agriculture with the benefits of crop biotechnology in the form of genetically modified (GM) crops. The utilisation of these innovations has delivered significant benefits in producing safe and affordable food, feed and fibre to the nation and the world. GM crops that are in the innovation pipeline have the opportunity to further improve the environmental benefits by allowing more efficient use of water, nutrients and other crop production inputs. Future GM crops will produce healthier oils and starches and other major human health benefits, as well as have a greater tolerance of salinity and acid soils.

Similar to the regulatory approval process for crop protection products, every GM crop in Australia is subjected to intense scrutiny and rigorous regulatory assessment. The Gene

[1] http://www.apvma.gov.au/consultation/public/2012/interim_cost_recovery.php

Technology Regulator protects the health and safety of people and the environment by identifying risks posed by gene technology and by managing those risks through regulating certain dealings with genetically modified organisms. Food Standards Australia New Zealand (FSANZ) is required to approve any GM food or food ingredient and the APVMA regulates those GM crops with inbuilt pest protection. The GM canola and GM cotton crops that are grown in Australia have passed all these regulatory assessments and delivered Australian farmers more than AUD$1.37 billion[2] in additional farm income benefits over the past 20 years.

Emerging global food security challenges highlight the critical need to properly support Australia's farming sector and the critical supporting industries to agriculture, such as plant science. Should the following identified activities and initiatives be funded and implemented, they would complement current reform processes and result in a comprehensive package of reforms. Australian agriculture and its associated industries generate over $155 billion each year and underpin 12.1 per cent of Australia's GDP. The agricultural chemical and biotechnology industry is an integral input driving this performance.

CropLife Australia submits the following key recommendations to the Australian Government's *2018-19 Budget*:

- First principles cost recovery review of the APVMA
- APVMA public benefit functions should be funded by Government
  - Government regulators that impose industry fees and levies being subject to the same productivity dividends as other government agencies
- Additional funding to deliver an Australian Centre of Excellence in Agriculture
  - Funding for a next generation regulator
  - Policy function synergies to be leveraged
  - Ongoing funding for the agriculture collaborative forum as part of the Minor Use and Specialty Crop Program
  - Transitional requirements and offsets
- The implementation of the Productivity Commission's *Regulation of Agriculture 2017* report recommendations
  - Removal of state-based moratoria on GM crops and repeal of the relevant legislation.
  - The Australian and state governments together with the relevant regulators should coordinate communication strategies designed to increase public knowledge about the benefits and risks to the Australian community from GM technologies.
  - The Australia and New Zealand Ministerial Forum on Food Regulation should amend its policy guidelines to make labelling of genetically modified foods voluntary, and Food Standards Australia New Zealand should remove the requirement in the Food Standards Code to label genetically modified foods.

[2] Brookes G (2016) 'Adoption and impact of GM crops in Australia: 20 years' experience'. Report prepared for CropLife Australia Ltd., Canberra, May 2016.

2 RECOMMENDATIONS

First-principles cost recovery review of the APVMA

The then Department of Agriculture undertook a review of first principles of the cost recovery arrangements for the Australian Pesticides and Veterinary Medicines Authority (APVMA). The resulting *First Principles Review of Cost Recovery at the Australian Pesticides & Veterinary Medicines Authority, June 2014* (the Report) was released on 1 September 2014 and called for submissions on the Report. Submissions closed on 24 October 2014, with nine submissions presented to the then Department of Agriculture.

CropLife is disappointed that in over three years since the release of this Report, none of the recommendations contained in the Report have been implemented. CropLife recognises the Report has gone a long way to ensure the APVMA's cost recovery arrangements are transparent, equitable and consistent with government policy. CropLife, however, remains of the opinion that a first principles review presents an opportunity for the now Department of Agriculture and Water Resources (the Department) to consider the impact the significant costs imposed by the APVMA has on the agricultural chemical industry and the Australian farming sector.

CropLife is concerned the Report did not include analysis of how the proposed framework may affect the agricultural chemical industry and Australian farmers. The Report appears on the surface to propose an effective way to fund the operations of the regulator. However, the broader public policy must also be considered. That is, the Department must ensure the operations of the APVMA and how it is funded enables the best possible outcome for the Australian agriculture sector. CropLife considers there is a need to conduct such a review before any new fee structure is implemented. CropLife notes that there has recently been a timeframe performance review undertaken by the APVMA and a number of business reviews undertaken by external consultants which may provide the initial basis for such a broader review of the genuine funding requirements.

The APVMA is currently not operating in an efficient manner, which is inconsistent with the Australian Cost Recovery Guidelines, July 2014 (CRGs). Further, no driver of efficiency has been identified in the proposed cost recovery framework. A cost recovery model, by its very nature, attempts to recover the full cost of an activity but under such a framework an inefficient process cannot be highlighted through financial analysis. Therefore, there is a need to conduct a Business Process Review, linked to cost recovery, within the APVMA to ensure processes that are subject to cost recovery can be made as efficient as possible.

The Report correctly identifies the appropriateness of Commonwealth Appropriation for the APVMA to ensure the cost recovery arrangements of the APVMA are consistent with the CRGs. The Report has correctly identified that activities such as informing policy and other activities requested by the Government should be at the cost of the Government, with Commonwealth Appropriation being the appropriate mechanism for funding these activities. CropLife strongly supports this recommendation but considers that there exists more APVMA activities than the proposed model suggests that under the CRGs should not be subject to cost recovery from industry, including the examples below. CropLife contends that the current level of

Commonwealth Appropriation is nowhere near sufficient to adequately pay for the services that the Government receives from the APVMA and for the cost recovery process to properly meet the Government's own guidelines for such matters.

Following is a number of activities that CropLife recommends should be at the cost of the Government, funded by Commonwealth Appropriation.

- Application for Minor and Emergency Use

It should be noted that manufacturers of agricultural chemicals rarely make applications for minor and emergency use. Applications are predominately made by farming sector groups or individual farmers seeking permission to use an existing crop protection product for an off-label use. There is, therefore, disconnect between the user and the payee (in the form of total sales levy) of these APVMA services. CropLife acknowledges that compliance with the CRGs would see these user groups being subject to cost recovery from the APVMA, which may not lead to the desired outcome of the programs. A sales levy imposed on registrants is, however, inconsistent with the overarching cost recovery policy of the Australian Government.

- Website, annual report and corporate publications

The stakeholders of the APVMA website, annual report and other corporate publications are government and non-government. The website is largely a platform for the communication of information to both industry and the general public. The annual report is not only an information tool for industry and the general public but also a key reporting tool of the APVMA back to government, which is required under legislation. The annual report is used by the Department of Agriculture and Water Resources and the Department of Finance in the preparation of consolidated reports. Other corporate publications are also used for a variety of purposes, with government and non-government stakeholders.

- Consultative committees, presentations and seminars

The agricultural and veterinary chemicals industry is not the only recipient of services relating to consultative committees, presentations and seminars provided by the APVMA. Each have an element of providing information to the public and/or other government sectors involved in Australian Government policy.

- Future capital improvements due to poor strategic planning

Implementation of new legislation has highlighted a failure of the APVMA to maintain the currency and capability of Information and Communication Technology systems. Under current cost recovery arrangements, the funding for these systems and their maintenance has been provided by the agricultural and veterinary chemical industry. CropLife contends that it is inappropriate to ask the agricultural and veterinary chemical industry to fund any future capital improvements necessary to rectify this failure. The appropriate measure is for the Australian Government to fund these corrective measures. It is entirely inappropriate for industry to have increased costs imposed on it as a result of any previous management failures of the APVMA.

APVMA public benefits functions should be funded by Government

Prohibitive cost recovery arrangements from government regulators leads to inequity and reduces Australia's agricultural competitiveness. Currently, the cost of the APVMA is almost entirely met through application fees and levies recovered from applicants and registrants of agricultural chemical and veterinary products. This has led to some public criticism that agricultural chemical manufacturers have captured the APVMA, leading to perceptions that the decisions of the APVMA are not independent and expose users, consumers and the environment to excessive risks from chemical use.

CropLife accepts that cost recovery is an important and appropriate tool to recover the costs associated with the APVMA's risk assessment and registration functions. That stated, CropLife accepts that an equally strong and valid argument might be made for the APVMA to be fully funded though general revenue.

While CropLife accepts the need for cost recovery, different elements of the APVMA's functions may be considered separately. CropLife considers there is a difference between the registration and assessment functions of the APVMA, and the monitoring, compliance and enforcement functions. The significant public benefit enjoyed by consumers and the environment from assurance about the safety, quality and integrity of the regulatory system justifies consideration of the appropriate level of public funding.

Currently, in addition to funding the regulatory scheme for agricultural chemicals, CropLife and its member companies contribute to, and sponsor a range of other stewardship programs that support the safe, sustainable and responsible transport, handling and use of agricultural chemicals. Our ***drum****MUSTER* and ChemClear® programs are world leading initiatives to responsibly deal with waste containers and chemical products. Our resistance management strategies support the effective responsible use of chemical products to delay and prevent the development of pest and weed resistance. Our Accreditation and Training Program also ensures that facilities that handle and store agricultural chemical products are compliant with all Commonwealth, state and territory legislative requirements. These activities minimise the burden on jurisdictions to enforce their legislation.

Collectively, the sector contributes more than $13 million each year to stewardship activities that reduce the risk from agricultural chemicals throughout their lifecycle.

The APVMA's monitoring, compliance and enforcement activities are critical to supporting and maintaining the integrity of the current regulatory system. Maintaining this integrity does require that the APVMA take a broad approach to monitoring and compliance. The APVMA must not only focus on product registrants and approval holders, but manufacturers and importers that deliberately seek to avoid Australia's regulatory system.

The Australian Government's Cost Recovery Guidelines [3] also outline that it is usually inappropriate to cost recover some government activities, such as general policy development, ministerial support, law enforcement, etc. In certain circumstances, cost recovery may also be contrary to intended policy outcomes such as industry support. The Guidelines also point out that if the same cost recovered activity is provided to both government and non-government stakeholders, charges should be set on the same basis for all stakeholders.

Publicly funding monitoring, compliance and enforcement activities of pesticides will offer significant benefits to governments, industry and the community. It will:

- Ensure that the magnitude and scope of compliance and enforcement activities can be effectively matched to the size of the problem. It need not be restrained by the APVMA's limited budget;
- Demonstrate that registrants and approval holders have not captured the regulator and increased public perception of an independent compliance function; and
- Facilitate greater voluntary stewardship initiatives by industry to support government compliance functions.

CropLife considers an appropriately funded regulatory scheme should reflect the commitment of all interested parties to enforcing the scheme. Increasing public resourcing for compliance and enforcement would represent a significant increase in the Government's commitment.

- Government regulators that impose industry fees and levies being subject to the same productivity dividends as other government agencies

CropLife recommends that despite the fact the APVMA is a cost recovered agency, it should still be subject to the same productivity dividends as other government agencies, with those dividends either being reinvested into core operations of the agency or providing fee relief to registrants. Indeed, a more equitable split between cost recovered and government funding should encourage the APVMA and the Department of Agriculture and Water Resources to seek out and implement genuine efficiency and productivity reforms.

Alternatively, comprehensive public funding for the APVMA would address and neutralise much of the ongoing criticism from activist organisations that the APVMA is not independent of industry as a result of its funding structure. Comprehensive public funding would also significantly reduce barriers to market entry for smaller registrants and facilitate the deployment of new products by small and medium businesses tailored for smaller crops and industries.

CropLife considers it imperative that the Australian Government's Cost Recovery Guidelines[4] provide clarity on exactly what can and cannot be cost recovered, and exactly what agency expenses can be included for calculating cost recovery fees and levies. CropLife does not consider the Guidelines are sufficiently clear with regard to this matter.

[3] Department of Finance, 'Australian Government Cost Recovery Guidelines', Resource Management Guide No. 304, July 2014 - Third edition

[4] Department of Finance, 'Australian Government Cost Recovery Guidelines', Resource Management Guide No. 304, July 2014 - Third edition

Similarly, there remains a lack of clarity around when levies can be used in addition to fees under a cost recovery model. Equally important is a justification of the efficiency of a levy system, particularly with regard to ensuring agency operations are not being inappropriately subsidised by larger levy payers.

Food Standards Australia New Zealand Cost Recovery Plans

In December 2016, Food Standards Australia New Zealand (FSANZ) released a draft Cost Recovery Implementation Statement (dCRIS). In the dCRIS, FSANZ are attempting to recover all costs, including the direct and indirect costs associated with all FSANZ staff, irrespective of whether or not they are involved directly or indirectly with revenue generating work. This will result in a 75 per cent increase in hourly fees, from $115 to $195 per hour.

It is quite clear that the Cost Recovery Guidelines link cost recovery to the cost of the provision of **specific activities** and therefore, FSANZ have substantially erred in attempting to use the full costs of running the organisation in the dCRIS, as a substantial proportion of these costs are not linked to the specific activity of the revenue generating (RG) staff.

To correct this, FSANZ will require an ABC model that more elegantly and precisely allocates the correct proportion of indirect costs to the costs involved in providing the **specific activity**.

Additional funding to deliver an Australian Centre of Excellence in Agriculture

As the peak national body for the plant science sector with a commitment to the long-term growth and success of Australian agriculture, CropLife supports in principle, government initiatives that improve economic activity in rural and regional Australia. The relocation of the APVMA to Armidale in isolation is, however, unlikely to deliver a net benefit to the economic activity in rural and regional Australia. Whereas, the creation of an Australian centre of excellence in agriculture that involves the relocation of the APVMA is likely to deliver a benefit to the Australian farming sector.

Structural changes and initiatives are required to successfully create a centre of excellence that leverages technology to streamline APVMA and associated regulatory operations through more efficient data-sharing, digital communications and next-generation infrastructure.

CropLife's vision for an Australian centre of excellence in agriculture that drives Australian agricultural productivity through innovation and efficiency, is built on the following four pillars:

- **New agricultural and industrial chemicals regulator**
  - Absorb the National Industrial Chemicals Notification and Assessment Scheme (NICNAS) within the APVMA, incorporating necessary regulatory functions
  - Incorporate environment and health assessment functions
  - Improve regulatory efficiency
- **Next generation regulator**
  - Online platform
  - Leverage NBN accessibility
  - Harness domestic and international regulatory capacity remotely
  - Assist transition
- **Policy functions**
  - Centre of excellence for agriculture must have agricultural policy development capacity
  - Improved policy development that delivers for agriculture
  - Synergy with University of New England (UNE)
- **Minor use and specialty crops program**
  - Enhance existing program by adopting a model more consistent with IR-4 (US program)
  - Truly leverage association with UNE
  - Alleviate existing economic and regulatory market failure
  - Deliver more sustainable pest management practices and increase the Australian GDP

- New agricultural and industrial chemicals regulator

Absorb NICNAS within the APVMA, incorporating necessary regulatory functions – Overwhelming evidence suggests that NICNAS is inefficient, unpredictable and becoming increasingly redundant. NICNAS was never intended to be a regulator and performs this function poorly with no signs of improvement. Absorbing the necessary regulatory functions of NICNAS within the APVMA would put effect to recommendations of the 2008 Productivity Commission Report into the Reform of the Regulation of Chemicals and Plastics Industries[5] and the National Commission of Audit[6].

The chemical ingredients currently regulated by NICNAS would be better administered by the APVMA, ensuring consumer safety while supporting competitiveness, innovation and growth for the industry. The current regulatory reform process being undertaken by NICNAS will only deliver a regulatory environment that is worse than the status quo. Absorbing NICNAS within the APVMA will deliver on proposed regulatory efficiencies such as the electronic lodgment of applications, but without the exorbitant cost. This, however, cannot be achieved in isolation - the immediate removal of the unnecessary NICNAS regulation is crucial to ensure the NICNAS reform agenda is achieved as a matter of urgency.

The APVMA's Risk Profiling Tool will effectively manage the numerous products of low regulatory concern currently regulated by the NICNAS, resulting in lighter touch regulatory pathways such as self-assessment for registration, followed by post-market compliance. This will result in faster entry to market for registrants and access to innovative products faster for Australian consumers. It will also satisfy the existing Council of Australian Governments (COAG) initiatives looking to streamline chemical regulation.

Retain position with the Agricultural portfolio – Unlike NICNAS, the APVMA has a specific policy department in the Department of Agriculture and Water Resources (the Department). Also, even with the APVMA absorbing the necessary functions of NICNAS, the overwhelming operational activity (at least 80 percent) of the APVMA would still directly relate to agricultural product registration. Retention within this specific policy department structure is essential considering the Department's main policy impact is directly associated with agricultural and veterinary chemicals, and that agricultural and veterinary chemicals are a higher regulatory risk due to being applied directly to the environment. Noting that the Department has extensive experience in developing regulatory policy for non-agricultural and veterinary chemicals, the APVMA is best placed to remain within the Department of Agriculture and Water Resources' portfolio.

Incorporate assessment functions – Chemical assessment is not the primary function of either the Departments of Health or Environment and as such, assessments are inefficient, expensive and not undertaken to the highest of scientific credibility. Transferring control of assessment functions to the APVMA will enable in-house assessments whilst also pursuing increased external assessments. Both Departments will retain policy input through ongoing engagement with the Department of Agriculture and Water Resources.

[5] Productivity Commission Research Report, *Chemicals and Plastics Regulation*, July 2008, http://www.pc.gov.au/inquiries/completed/chemicals-plastics/report/chemicals-plastics-regulation.pdf

[6] National Commission of Audit, *Towards Responsible Government – Phase One,* February 2014, http://www.ncoa.gov.au/report/docs/phase_one_report.pdf

The Office of Chemical Safety within the Department of Health recently ceased undertaking its health assessment responsibilities for agricultural and veterinary chemicals. The APVMA have assumed this responsibility and have created Toxicology and OHS teams in-house and intend to utilise the existing panel of external assessors. This will deliver clear benefits through assessment effectiveness and efficiency, and one that should be replicated with the Department of the Environment and Energy in relation to its environmental chemical assessments.

- Next generation regulator

For many years, CropLife has raised concerns about the APVMA's inability to meet its statutory timeframes. Increasing contestability of assessment services supports the Australian Government Efficiency through Contestability Programme, which seeks to shift the emphasis of Commonwealth entities from the functions to be carried out, to the desired outcome governments seek to achieve. Assessments undertaken by-third party assessors in recent times have been completed within significantly shorter timeframes, at a lower cost and to an equivalent or higher scientific standard than those undertaken by the Department of the Environment and Energy or the Department of Health.

Online platform – Developing an online platform is necessary for the development of a next generation regulator, allowing evaluations and assessments to be undertaken remotely by either permanent employed regulatory scientific specialists or accredited third-party assessors, harnessing domestic and international regulatory scientific assessment capacity. An online platform would appropriately leverage the existing National Broadband Network (NBN) that is already operational in Armidale and align with the Government's plan for smart cities.

CropLife International is currently working closely with CropLife Australia and other sister organisations to develop similar approaches internationally. The APVMA initiative would build upon the specific work currently being undertaken by the Organization for Economic Cooperation and Development (OECD) on both the *Globally Harmonised Submission and Transport Standard* and draft guidance regarding Joint Reviews of Pesticides, specifically the *Communication and Information Resource Centre Administrator (CIRCA)*. With such a system implemented, the APVMA would no longer be restrained by internal capacity. By easily accessing regulatory expertise remotely from Australia and internationally as required, the APVMA would deliver regulatory efficiency which will benefit Australian agriculture broadly.

This alleviates the core concern regarding the potential loss of key senior and experienced technical assessment staff, which is a key driver of the Regulator's capability and efficiency, by moving the regulator to Armidale, and provides a viable transition option. Canberra-based experienced and well-regarded regulatory scientists unwilling to move, won't need to. Additional funding to deliver a next generation regulator, through the delivery of an online platform, would be an additional $20 million further to the $24 million already promised to cover the direct costs of relocation,

It should be noted that CropLife does not believe that the existing commitment of $24 million will properly cover the direct and indirect specific relocation and transition costs for the APVMA. Budgeting should allow for up to $30 million so that industry and farmers do not unnecessarily bear the cost of relocation.

- Policy functions

A centre of excellence for agriculture can only truly be achieved if it incorporates both the Regulator and relevant policy development functions, allowing for significant synergies with UNE to be created and leveraged. While there is no direct synergy to be achieved between the APVMA regulatory assessment function by being co-located with the UNE, there is a significant direct and indirect benefit to agriculture broadly by having agricultural chemical policy development undertaken in a regional and rural agriculture centre.

Building agricultural chemical policy development capacity within the centre of excellence for agriculture would deliver a specific and substantial synergy with the existing expertise and skill set at UNE.

- Ongoing funding for the agriculture collaborative forum as part of the Minor use and Specialty Crop program

In the 2014 Federal Budget where very few project proposals received funding, the Australian Government finally committed an initial $8 million over 4 years towards helping farmers gain improved access to safe and effective agricultural chemicals. This investment, leveraged by additional funding from CropLife, its members and Research and Development Corporations, will deliver significant value to the Australian agricultural sector through the approval of label uses for minor crops and specialty uses. However, the momentum achieved so far is only the tip of the iceberg, and structural change and further funding is required to alleviate the existing economic and regulatory market failure, deliver more sustainable pest management practices and increase the Australian GDP.

Similar programs in the United States have demonstrated that every dollar invested in the minor use program, generates a net return to the economy of $500. The minor use and specialty crops program in the US, known as IR-4 or Interregional Research Project number 4, began over 50 years ago. The success of the IR-4 Project, with additional USDA funding, is proven and can be measured in its development of data to support nearly 20,000 food use and ornamental horticulture label approvals. IR-4 is managed by Rutgers, The State University of New Jersey and its success is due in no small part to how the program leverages its network of university researchers. With appropriate funding from government, in the order of $45 million over 4 years, UNE could accomplish similar feats in Australia. Such an investment by government is necessary for a true centre of excellence for agriculture to be established.

This is now a time critical issue as without an ongoing funding commitment prior to the end of the current financial year the entire program will cease and the benefits it will deliver of the next three to five years will be completely lost. This will result in a loss of hundreds of millions of dollars in possible productivity gains in the Australian cropping and horticulture sectors.

- Transitional requirements and offsets

The creation of a centre of excellence for agriculture will require detailed planning and significant input from the relevant industry sector to ensure best outcomes and minimal disruption.

Even with the best planning and implementation, relocating the Regulator within a centre of excellence and the implementation of a new online operating model will still cause disruption to APVMA operations and have significant negative impact to regulatory efficiency in the interim.

Transitional offsets for registrants are necessary to account for delays to product registration, resulting from anticipated operational difficulties during implementation of the centre of excellence.

If a delay to product registration was encountered by a registrant, their application fee would need to be refunded and a waiver for the sales levy for 12 months granted. It is foreseeable that delays due to implementation issues would be experienced for at least three years and therefore, such transitional arrangements would need to be in place for at least that period. The Regulator would need to be provided with that lost revenue so that operations were not unduly impacted.

Moving to a next generation registration model will obviously require corresponding legislative reform, aside from the regulatory efficiency legislative reform agenda that the Department has been working on for the last three years. Accordingly, prioritisation and passage of that reform package will also be required for the initiative to be implemented.

Funding requirements for Centre of Excellence in Agriculture		
	Current funding	**Recommended funding**
APVMA relocation	$24 million	$30 million
Online platform	–	$20 million
Minor use and specialty crop program	–	$45 million over four years

The implementation of the Productivity Commission's Regulation of Agriculture 2017 report recommendations

- Removal of state-based moratoria on GM crops and repeal of the relevant legislation.

The Final Report of the Productivity Commission's Inquiry into the Regulation of Australian Agriculture in November 2016 recommended that "the New South Wales, South Australian, Tasmanian and ACT Governments should remove their moratoria on GM crops. All states and territories should also repeal the legislation that imposes or gives them powers to impose moratoria on GMOs by 2018".[7] The state moratoria on GM crops were also identified in the March 2015 Harper *Competition Policy Review* as a significant example of a regulatory restriction on competition[8].

The decision to regulate GM crops at a state level completely undermines the National Regulatory Scheme for Gene Technology. This circumvention of the national scheme is facilitated by section 21(1)(aa) of the *Gene Technology Act 2000,* which states that:

> The Ministerial Council may issue policy principles in relation to the following:
>
> recognising areas, if any, designated under State law, for the purpose of preserving the identity of one or both of the following:
>
> (i) GM crops;
>
> (ii) Non-GM crops;
>
> for marketing purposes.

Section 21(1)(aa) facilitated the making of the Gene Technology (Recognition of Designated Areas) Principle 2003 by the then Gene Technology Ministerial Council on 31 July 2003.

The making of this policy principle gave the states and territories the power to recognise areas (if any) designated under a State law for the purpose of preserving the identity of GM crops, non-GM crops, or both GM crops and non-GM crops, for marketing purposes.

Western Australia, South Australia, Tasmania, Victoria, New South Wales and the ACT immediately used this policy principle to legislate for moratoria on the commercial cultivation of GMOs, leading to the situation described at length previously.

Section 21(1)(aa) is a costly disincentive for private investment in Australian agriculture. It has been demonstrated to be unnecessary for the purpose of preserving the identity of GM and non-GM crops, and it removes farmer choice. **CropLife strongly recommends** the repeal of s21(1)(aa) in the Commonwealth *Gene Technology Act 2000*, the repeal of the corresponding Section in State and Territory Acts, and the immediate disallowance by the responsible Minister of the Gene Technology (Recognition of Designated Areas) Principle 2003.

[7] Productivity Commission 2016, Regulation of Australian Agriculture, Report no. 79, Canberra.

[8] Harper I, Anderson P, McCluskey S and O'Bryan M 2015, The Australian Government Competition Policy Review, pp116.

- **The Australian and state governments along with the relevant regulators should coordinate communication strategies designed to increase public knowledge about the benefits and risks to the Australian community from GM technologies.**

The 2017 Productivity Commission Final Report on the Regulation of Australian Agriculture notes that governments have a role in providing information about the benefits and risks of GM technology. This is analogous to the role of government in providing information about vaccinations to counter misleading safety claims, which can harm public health. Misinformation about GM technology could result in the community forgoing the benefits of GM foods. Governments are uniquely placed to provide information about GM technologies.

The Commission notes that some agencies already provide information to the public about GM technologies. For example, both FSANZ and the Office of the Gene Technology Regulator (OGTR) provide clear and accessible information about their risk assessment processes on their websites. In addition, risk communication is a key part of the OGTR's risk analysis process, and FSANZ publishes its responses to studies that claim to show that GM foods have adverse effects, or that have been interpreted by others as being evidence of adverse effects.

There is, however, scope for governments and regulatory agencies to provide more information and to clarify misinformation about GM technologies.

CropLife considers there is the opportunity for the Government to re-launch the agency *Biotechnology Australia*, that existed within the Department of Industry from 1999 to ~2010. There is also the opportunity for a revised and refreshed National Biotechnology Strategy to build on the Strategy first outlined in 2000 and map the way forward for biotechnology policy in Australia.

- **The Australia and New Zealand Ministerial Forum on Food Regulation should amend its policy guidelines to make labelling of genetically modified foods voluntary, and Food Standards Australia New Zealand should remove the requirement in the Food Standards Code to label genetically modified foods.**

CropLife supports FSANZ's rigorous and transparent process for assessing the safety of GM foods, based on internationally established scientific principles and guidelines.

Every legitimate scientific and regulatory body that has examined the evidence has arrived at the conclusion that approved GM crops and the foods derived from them are as safe as their conventional counterparts. This includes the World Health Organization; the Australian Academy of Science; the European Commission; the American National Academy of Sciences and many more.

CropLife does not support the mandatory labelling of GM foods and food ingredients in Australia where it bears no relevance to the health or safety of the food or ingredients. Mandatory labelling for non-health and safety reasons can imply a regulatory concern where none exists and can reinforce misconceptions in the community.

A food label has finite space and can contain a fixed amount of information. Unnecessary mandatory requirements reduce the ability of food manufacturers to provide information about the product that may be more important to consumer purchasing decisions. All information on labels comes at a cost, and CropLife believes that consumers should not be required to pay for mandatory information where there is no risk to human health or safety. CropLife supports voluntary labelling of foods and food ingredients where that information is not misleading or deceptive. Voluntary labelling recognises a balance between the provision of consumer information with the cost and other practicalities of providing that information. Food manufacturers will voluntarily provide production information if there is a significant proportion of consumers who would prefer to purchase products that contain that information. For example, 'organic', 'low-fat', 'low-salt' and 'free-range' are all marketing terms widely and voluntarily used by food manufacturers in response to consumer demand.

A voluntary labelling system for approved GM foods and food ingredients would react more quickly to consumers losing interest in particular marketing information on a food label. For example: if a manufacturer was not providing certain voluntary marketing information to consumers and producing food at a lower cost without losing market share, then competitors would quickly emulate this approach. Alternatively, if a large proportion of consumers demanded certain information and preferentially purchased products that contained that information, then manufacturers would also react to this promptly.

CropLife strongly supports amending Food Standard 1.5.2 of the Australia New Zealand Food Standard Code to remove the requirement for mandatory labelling of approved GM foods and food ingredients.

Connectivity in Agriculture

Reliable telecommunications in rural and remote areas are key to enabling farmers to partake in the agtech revolution and to utilise digital farming techniques on farm with the bigger goal of leading to productivity gains.

To achieve a $100 billion dollar agricultural industry, the sector deserves well-developed initiatives and reforms that will assist public policy settings in fostering growth and productivity, establishing a new market of opportunity and championing innovation and ambition. This includes adequate connectivity in order to capture the next generation of farming technology.

Access to reliable, affordable, quality telecommunications underpins the viability of regional development and farming businesses across Australia. Allowing farming and regional families access to the digital economy through business development, education services and social connectivity is required if a region is to grow, improve and sustain.

Access to improved telecommunications services in regional, rural and remote Australia is imperative to facilitate economic growth across agriculture through innovation in production, improved market access and enhanced consumer connectivity. At present, it is clear that a lack of access to reliable, affordable and efficient telecommunications is hampering the adoption of innovative technologies that are so crucial to enabling agriculture to grow.

- Mobile Blackspots Program (MBSP)

Alongside access to high-speed broadband, increasing mobile coverage is a fundamental need for Australian agriculture. The recent ACCC inquiry into wholesale mobile roaming highlighted the need for solutions to expand mobile coverage. Mobile coverage is vital to not only agricultural productivity, but also developing our regional communities and this will be increasingly so as the 5G network rollout commences in the near future.

CropLife supports the NFF recommendation that the Australian Government commits $180 million ($60 million per round) to Rounds 4, 5 and 6 of the Mobile Blackspots Program. As a general measure that will directly benefit the nation though increased productivity such investment will deliver to the agricultural sector and through it the economy as a whole.

- 5G Mobile Network Rollout

The rollout of 5G mobile network infrastructure is highly anticipated by the Australian agricultural sector. However, it is pivotal that agriculture has a central role in the development of policy relevant to the network.

CropLife notes that the Australian Government announced on 12 October 2017 that it would convene a 5G working group to drive the deployment of 5G Technology in Australia. CropLife supports It is the NFF's view that a subset of this working group, convened by the Department of Agriculture and Water Resources, could focus on potential agricultural applications that can come from the 5G network.

3 CONCLUSION

Productivity in Australian agriculture has been flat lining for more than a decade and one of the key causes of this is the delay in innovative products making it to market due to unnecessary regulation. Crop protection and GM products are some of the core components of agricultural innovation that enables Australian farmers to be internationally competitive, benefiting the broader economy.

A truly productive, competitive and sustainable agricultural industry in Australia that improves market returns at the farm gate is not achievable in the long-term without ensuring that regulatory oversight is efficient, effective and where necessary, commensurate with the risks, costs and benefits to the broader community.

A greater public funding investment in the agricultural chemicals regulatory system will help deliver a true centre of excellence in agriculture. Structural changes and initiatives are required, as is leveraging technology to streamline APVMA and associated regulatory operations through more efficient data-sharing, digital communications and next-generation infrastructure.

A thorough review of the APVMA's activities, in-line with cost recovery and ensuring public benefit activities are appropriately funded by Commonwealth Appropriation is consistent with the Cost Recovery Guidelines and will lead to better international regulatory equity.

A further investment in the Minor Use and Specialty Crops Program, specifically the Agriculture Collaborative Forum, has the potential to significantly improve Australia's agricultural productivity through continued innovation and development of plant protection products for minor and emerging industries.

Incorporating assessment functions undertaken by the inefficient, unpredictable and increasingly redundant National Industrial Chemicals Notification and Assessment Scheme (NICNAS) into the APVMA, while retaining its position in the Agriculture portfolio, is an important step in creating a centre of excellence. Likewise, creating and leveraging synergies between the UNE and both the APVMA and relevant policy development functions, will assist in meeting the Government's objective.

The relocation of the APMVA will cause disruption to operations and have significant negative impact to regulatory efficiency in the interim. Transitional offsets for registrants are necessary to account for delays to product registration, resulting from anticipated operational difficulties during implementation of the centre of excellence. Further funding to ensure the delivery of a next generation regulator is crucial.

Specific investments in monitoring, compliance and enforcement will also improve consumer perceptions regarding the independence of the APVMA. While CropLife does not accept the claims that the APVMA has been 'captured' by industry, specific investments to enhance the monitoring, compliance and enforcement functions of the APVMA would substantially address concerns regarding regulatory capture.

A program to no longer apply cost recovery to the APVMA would comprehensively address claims of regulatory capture. Provided that assurances regarding approval and registration performance were maintained, this alternative option would improve community faith in the independence of the APVMA, as well as reducing barriers to market entry for minor use products.

Assessing the seriousness and impact of proposed cost recovery increases and/or new models on both private and public sector applicants is imperative as such actions can seriously disincentivise innovation.

Costs unnecessarily imposed to industry throughout the food and chemical regulation processes all add up to costs to farmers and consumers. The APVMA functions that are currently being cost-recovered that are a public benefit, should instead be government funded.

GM technologies (cotton and canola) have delivered Australian farmers more than AUD$1.37 billion[9] in additional farm income benefits over the past 20 years. Access to these agricultural innovations has helped the agriculture industry significantly contribute to Australia's economy. The implementation of the Productivity Commission's report recommendations would lead to a significant reduction in unnecessary and costly regulations while also ensuring Australians are aware of the benefits of GM technologies. The repeal of state and territory based moratoria on GM crops would alleviate regulatory restriction on competition and ensure Australian farmers have a real choice to grow federally regulated and approve GM crops.

Misinformation about GM technology could result in the community forgoing the benefits of GM foods. There is an opportunity for governments and regulatory agencies to provide more information and to clarify misinformation about GM technologies.

Re-launching the agency *Biotechnology Australia* and developing a revised and refreshed National Biotechnology Strategy to build on the Strategy first outlined in 2000 to map the way forward for biotechnology policy in Australia will help inform the Australian public while providing business security for ongoing innovation.

In addition, the Productivity Commission's recommendation to amend food regulation guidelines to make labelling of GM foods voluntary would prevent unnecessary labelling costs – particularly given there is no risk to human health or safety.

Furthermore, ensuring the range of reform agendas currently being undertaken provide real reform that delivers genuine regulatory efficiency outcomes must be a serious priority of government if the Australia economy is to have the opportunity to take full advantage of the innovation from the plant science and broader chemical industries.

[9] Brookes G (2016) 'Adoption and impact of GM crops in Australia: 20 years' experience'. Report prepared for CropLife Australia Ltd., Canberra, May 2016.