



Department of Primary Industries

Our Ref: SU504369

Mr Gary Banks
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12 OCT 2007

Dear Mr Banks,

DEPARTMENT OF PRIMARY INDUSTRIES RESPONSE TO THE DRAFT ANNUAL REVIEW OF REGULATORY BURDENS ON BUSINESS: PRIMARY SECTOR

I write to provide comment on the Productivity Commission's draft *Annual Review of Regulatory Burdens on Business: Primary Sector*. Regulatory reform is a high priority for the Department of Primary Industries (DPI), and DPI is currently working to implement its own reform agenda, including work on the Victorian Government's Reducing the Regulatory Burden (RRB) initiative.

A number of areas of Commonwealth regulation covered in the Productivity Commission's draft report overlap with DPI's efforts to reduce administrative burden. I would like to advise you of the progress that DPI has made in these areas as well as other reforms currently under way. Further, I would like to discuss some of the emerging challenges governments face in their pursuit of regulatory reform.

Specific Issues

Regulatory area	DPI response
<p>Agricultural and veterinary chemicals <i>Response 3.27:</i> There are many agricultural and veterinary medicines regulatory issues that require detailed examination. The recently commenced Commission study into chemicals and plastics provides that opportunity.</p>	<p>DPI agrees that the area of agricultural and veterinary chemicals is overregulated. DPI recently produced an entirely new regulatory framework in this area: the <i>Agriculture and Veterinary Chemical (Control of Use) Regulations 2007</i>. In doing so, DPI was able to provide to business administrative burden reductions of \$1.6 million annually.</p>
<p>Animal welfare <i>Response 3.16:</i> There appears to be scope to implement the Australian Animal Welfare Strategy more quickly. The Commission seeks views on this matter.</p>	<p>DPI supports the objective of humane treatment of animals, and agrees that there is room to improve the regulatory scheme. DPI's view is that the most effective way to achieve these goals is to develop a new Livestock Management Act. Doing so will take time as DPI will need to develop robust review mechanisms to ensure that, in achieving the objectives of the Strategy, the legislation does not impose new burdens.</p>

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		In the meantime, agreed national standards will be upheld to the maximum extent possible using the existing <i>Prevention of Cruelty to Animals Act 1986</i> .
Food regulation <i>Response 3.19:</i> Food regulation concerns are currently being examined by the Bethwaite Review.		Recognising the need for reform in this area, the Victorian Government has instructed the Victorian Competition and Efficiency Commission to review food regulation. DPI is now in the process of contributing to the Whole of Government response to this review.
National Livestock Identification Scheme <i>Response 3.21:</i> The NLIS should be subject to ongoing government monitoring of its efficiency and effectiveness in meeting the needs of industry and the community.		While the NLIS imposes a burden, DPI's view is that the system provides a clear net benefit. DPI will take active steps to review both the effectiveness and the burden imposed by its regulatory scheme.

Strategic challenges

Consistent with other jurisdictions, Commonwealth Governments face emerging strategic challenges in their pursuit of regulatory reform. Governments must work towards regulation that achieves its goals at minimal cost, as well as developing metrics to aid in the assessment of that regulation.

The Victorian Government is pursuing a strategy of reducing administrative burden – the cost incurred by business in demonstrating compliance with regulations, as measured by the Standard Cost Model (SCM). The SCM assesses the cost of administrative regulation to business, but does not take account of compliance costs or any net social benefit. Also omitted by these measures is the cost of market distortion created by regulation and cost shifting by regulators from administrative to compliance costs.

The ease with which cost-only measures can be applied makes them an attractive option to government. Measures of compliance and administrative costs are useful and necessary tools to manage such costs and provide opportunities to target short term “low-hanging fruit” – situations where administrative costs may be reduced where more efficient mechanisms can be implemented without compromising the goals of the regulation.

Over-reliance on this approach, however, poses a risk to good regulation. Successful long term regulatory reform requires the use of high-quality metrics to assess the utility of regulatory activity. DPI is currently undertaking research into options for regulatory reform in the primary and energy sectors. Best practice for regulatory analysis involves the use of sophisticated decision making tools to ensure appropriate choice of metric to the regulation under examination.

DPI takes the view that all Australian jurisdictions must move to a comprehensive strategy for regulatory reform. DPI has adopted a strategy of promoting best practices in its regulatory activities. Working toward the achievement of the goals set out by the Victorian RRB initiative is a part of this broad strategic approach to ensure that regulation is efficient and that savings are achieved without compromising the overall objectives of the regulation.

If you wish to discuss this matter further, please do not hesitate to contact my office on telephone (03) 9658 4620.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Dale Seymour". The signature is written in black ink and is positioned above the printed name.

DALE SEYMOUR
Acting Secretary