



SUBMISSION BY THE

Swimming Pool and Spa Alliance



to the

**Department of Agriculture
Agvet Chemicals (Domestic & International Policy)
Agricultural Productivity Division**

regarding

**First-Principles review of the
APVMA's cost recovery arrangements**

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The Swimming Pool and Spa Alliance (SPASA)

The Swimming Pool and Spa Alliance (SPASA) represents hundreds of Australian businesses within the swimming pool and spa industry. Members of SPASA include pool builders, manufacturers, suppliers, retailers, technical servicemen, subcontractors, installers, consultants and other allied trades, all of whom set themselves apart from the rest of the industry by setting standards of skill, workmanship and ethical business behaviour in the best interests of pool and spa owners.

SPASA is also a Registered Training Organisation (RTO) that provides training and assessment to the swimming pool and spa industry. Our courses are designed in consultation with key industry stakeholders and our qualifications and accreditations are highly valued by government, employers and the wider community.

APVMA and the need to review cost recovery arrangements

The APVMA is one of a number of Australian Government regulators funded by fees, charges and levies imposed on the industry it regulates.

The Cost Recovered Arrangements remain a significant concern for our industry who expect, as stakeholders, to see the development of an appropriate model which provides logic to our industry on the true costs of the regulatory activities provided by the APVMA which can be benchmarked against reasonable expectations.

There has been very little investment in new swimming pool and spa products introduced to the market as a direct result of waning volumes being sold over the last 15 years coupled with increased regulatory and cost recovery fees and diminishing profit margins.

Fundamentally, we believe that as an industry we contribute more than adequately to the function of the APVMA. SPASA members welcome a fundamental review of the function and cost of APVMA activities as they relate specifically to our industry. Accordingly, we believe this is best done through appropriate and comprehensive consultation.

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Consultation

Protiviti was engaged by the Department of Agriculture to conduct a First Principles Review and recommend an appropriate cost recovery framework for the Australian Pesticide and Veterinary Medicines Authority.

A number of larger industry organisations were given the opportunity to meet and discuss specific industry concerns. Further consultations took place with AFPA, CropLife and AHA.

It is disappointing that SPASA was not consulted. Such a meeting would have provided valuable insight on the impact the First Principles Review of Cost Recovery would have on the swimming pool and spa industry. In this regard, SPASA remains available and welcomes the opportunity to meet with Protiviti and the Department.

Encouraging access to agvet chemicals

The current APVMA fee (40% on Application/60% Sales Based Levy) continues to have an unbalanced commercial impact on the swimming pool and spa industry.

Any proposed increased upfront costs will have a significant adverse effect on low volume products sold to particular niche user groups and add additional strain on the industry.

Promoting the development of innovative products

The swimming pool and spa industry is a niche market. The APVMA cost recovery framework is not considered by the industry as promoting innovation and support for such markets. Previous Costs Recovery Submissions and Industry Liaison Committee Meeting reveal similar messages of frustration and known fears associated with costs and timing.

The industry continues to question the viability of innovation and business opportunities as a direct consequence of delays in decision making and overall operational performance of the APVMA.

The current cost recovery framework already discourages our industry from introducing new products into the Australian market. Any introduction of high upfront application fees is likely to cause suppliers to stop research and development for the Australian market and carefully re-consider their current registration levels.

Transparency of spending

Funds collected from the sales levy and the annual fee on each registered product, are used to fund an umbrella of activities undertaken by the APVMA.

Transparency of accounts would allow industry groups to better understand, in quantifiable terms, the actual APVMA spend and resource drain for that particular industry.

Transparency with clear accountability will help to build trust in the integrity of processes, and should impose a discipline to keep costs down to 'efficient' levels.

Encouraging product compliance

The APVMA encourages industry and the public to report the advertising and supply of unregistered and unapproved chemicals or the promotion of products inconsistent with approved labels.

Whilst the illegal supply and use of unregistered agvet chemical products carries a heavy penalty – it is often not a sufficient deterrent to curb this behaviour when there is no evidence of policing.

Using the appropriate basis for fees and levies

The underlying principle of any cost recovery arrangements is that entities should only be charged for costs that are attributable to that entity or sector.

The APVMA's cost recovery arrangements should provide consistency, transparency and accountability whilst promoting the way it efficiently allocates its resources.

Cost recovery arrangements should be:

- Simple
- Cost effective
- Practical and feasible
- Be set according to an 'efficient' cost base
- Not be used to finance/achieve unrelated activities/objectives

SPASA submits that equity considerations need to be ascertained for each industry before determining the appropriate form of cost recovery.

Financial sustainability of the APVMA

Industry supports the development of an appropriate model to provide transparency to industry, government and other stakeholders on the true costs of the regulatory activities provided by the APVMA.

Industry should not be required to pay for functions where the public is clearly the beneficiary. This continues to be an issue of ongoing concern regarding the use of cost recovered monies to fund public policy development, advice to government and public education activities which should all be funded by government.

Whilst it is important that the APVMA has funds for continued operation in the event of an unexpected reduction in revenue (such as from a drop in collection from the sales levy), it is more important that the APVMA are not responsible for a drop in the collection of fees through their own actions such as: inefficiencies, reduction of costs, mismanagement and increased Costs which lead to companies deregistering products.

Cost Recovery Fees

Although our industry is small, many chemical companies within the swimming pool & spa industry feel that their sectors single biggest problem remains Australia's costly, complex and fragmented regulatory system for the management of chemicals. Members have raised concerns at the slow pace of reform, the ongoing loss of innovation and business opportunities, as well as continuing problems with the decision making and operational performance of our key regulatory agencies involved in chemicals management.

Whilst the swimming pool and spa industry understands the notion that the APVMA must recover costs from industry in order to fund itself, we do not believe that industry should be used as a cash cow to run an administration without significant internal reforms such as benchmarking, service consistency and streamlined processes undertaken by industry specific personnel.

SPASA has previously questioned whether swimming pool and spa chemicals should fall under APVMA regulations. They are generally of low risk to consumers and the annual fees paid are out of proportion to the risk or monitoring required. In this regard, a 100% up-front registration application fee (with no ongoing fees or levies) would be a more equitable system for such low risk products.

The majority of new pool and spa chemical registrations are applied for under Cat. 7 or 8. The consultation paper highlights the average cost of an application for these categories is \$4161 - \$4387. Once registered, many of these products are available to the market for many years in the same form. With an annual cost of almost \$5,000 (annual fee plus levy), SPASA would argue that the APVMA have been the recipients of substantially more than the full actual cost of recovery from a product.

The proposed charge for a category 13 (*Minor, non-technical variation to label and/or product details, required by the APVMA*) is \$4441. Given that very little, and in some cases no work is required by the APVMA to monitor such changes, it seems illogical that this estimated cost should be higher than a category 7 or 8 which does require a level of product label evaluation by the APVMA. Further, most pool and spa chemical distributors may have more than 10 products registered with the APVMA. A simple variation to the label could cost the distributor in excess of \$40,000 to comply.

Equally, some swimming pool and spa products have very low sales volume but are needed for certain niche requirements. A product with total sales of about \$10,000 per annum attracts a fee and levy of approx. \$500 which represents a cost of 5% of total sales of this product.

Industry feedback on the proposed Cost Recovery options indicates that the new measures, if adopted, are likely to result in the following scenarios:

- Less income collected by the APVMA from industry
- Less product registrations from the industry
- Repacks and private labels are likely to be cancelled if volumes sold cannot sustain added costs
- Non-compliance may become more widespread if recovery measures are adopted
- Manufacturers will seek to streamline processes and product ranges to reduce the amount of products registered with APVMA
- The cost recovery options would effectively kill off innovation
- Equity issues associated with the cost recovery options become more prevalent for smaller companies and low volume products

Conclusion

Previously, the swimming pool and spa industry has seen very little improvement in outcomes as a result of both our own and other industry submissions.

SPASA believes there is a real need for the APVMA to work closer with industry towards a comprehensive and industry specific regulatory approach to dealing with low risk products so that the APVMA can deal with more critical high risk industries and issues.

The swimming pool and spa industry has no desire to be captured with a framework whereby poorly designed arrangements can create incentives for inefficiency and 'cost padding'. SPASA submits that any best practice cost recovery arrangement needs to ensure that charges are based on the minimum cost recovery that is necessary to deliver the product/activity and still maintain quality or achieve government objectives.

While we support any change to improve productivity within APVMA we cannot support further costs for a system that continues to fall short on delivering the needs of the industry in a cost effective and efficient manner.

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