ACIL ALLEN CONSULTING

REPORT TO

DEPARTMENT OF AGRICULTURE AND FOOD, WESTERN AUSTRALIA

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INDUSTRY FUNDING SCHEME REGULATIONS

A REVIEW OF THEIR OPERATION AND EFFECTIVENESS

FINAL REPORT

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EXECUTIVE SUMMARY

There are three Industry Funding Schemes in Western Australia representing the areas of grains, seeds and hay, sheep and goats, and cattle, each of which commenced operation on 1 July 2010. The aim of the Schemes is to address biosecurity threats at an industry level by raising funds to self-manage serious pests and diseases that may threaten the viability and sustainability of their industries.

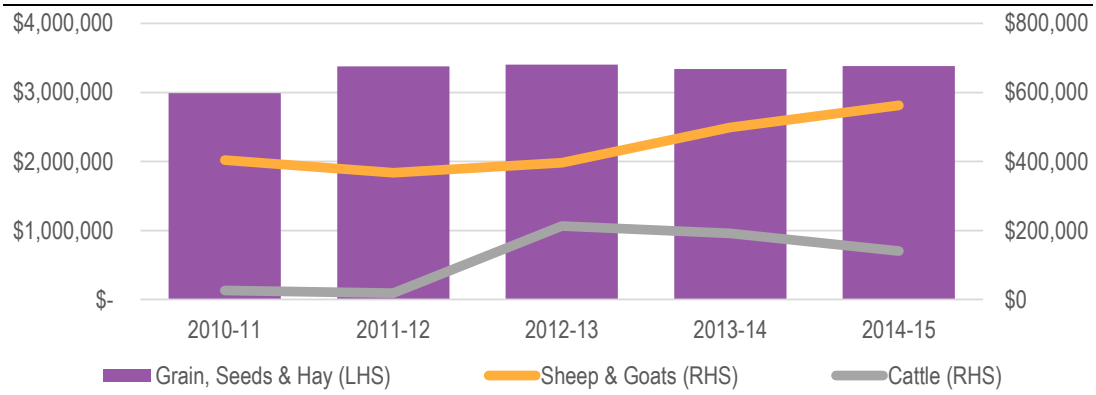
Each Scheme is regulated by its own set of Industry Funding Scheme Regulations. These Regulations were enabled under the *Biosecurity and Agriculture Management Act 2007* (BAM Act). The BAM Act requires a review of the Regulations that govern the Schemes every five years after their establishment. The Minister for Agriculture and Food, via the Department of Agriculture and Food, Western Australia (DAFWA), engaged ACIL Allen Consulting to review the operation and effectiveness of the Industry Funding Scheme Regulations for each of the Schemes.

This report outlines the findings of the review which was conducted over the period from March to June 2016. The approach to the review combined extensive consultation to identify issues regarding the Regulations and the performance of the Schemes, with a review of the operating parameters of each Scheme. This resulted in a series of recommendations regarding changes to some aspects of the Regulations as well as general operating and governance changes that will benefit the Regulations.

There are currently six declared pests being addressed by the Schemes. Programmes currently operated by the Grains, Seeds and Hay Scheme target the control of skeleton weed and the eradication of three-horned bedstraw; the Cattle Scheme operates surveillance programmes for bovine Johne's disease, bovine tuberculosis and enzootic bovine leucosis; and the Sheep and Goats Scheme operates a programme to control virulent footrot.

Programme costs, which include compensation costs but exclude committee costs, are presented in **Figure ES 1**. The Figure shows that programme costs for the Grains, Seeds and Hay and the Cattle Schemes have remained fairly static over time, while the programme costs for the Sheep and Goats Scheme have increased over time from around $404,000 in 2010-11 to just under $563,000 in 2014-15.

FIGURE ES 1 PROGRAM COSTS: GRAINS, SEEDS AND HAY, SHEEP AND GOATS, AND CATTLE SCHEMES



Note: includes compensation costs

SOURCE: SCHEME ANNUAL REPORTS

To date the majority of producers have elected to continue to financially support the Schemes with all Schemes reporting very low and falling instances of opt outs with only one opt out last financial year in the Cattle Scheme, five in the Sheep and Goats Scheme and 11 in the Grains, Seeds and Hay Scheme. **Table ES 1** shows the total contributions by year for each of the Schemes. The Table shows that contributions for each Scheme have increased over time. A comparison with **Figure ES 1** shows that the contributions to all Schemes are currently covering all programme costs although there have been instances in previous years where programme costs have not been met by annual contributions in the Grains, Seeds and Hay and the Cattle Schemes.

TABLE ES 1 CONTRIBUTIONS: GRAINS, SEEDS AND HAY, SHEEP AND GOATS, AND CATTLE SCHEMES

Year	Grain, Seeds & Hay	Sheep & Goats	Cattle
2010-11	$1,919,304	$522,439	$208,765
2011-12	$4,230,805	$699,932	$169,753
2012-13	$3,161,281	$845,925	$174,494
2013-14	$4,625,044	$853,597	$175,656
2014-15	$4,400,408	$879,434	$180,450

SOURCE: SCHEME ANNUAL REPORTS

Consultation found that the Schemes and the Regulations are supported. There was support for the Schemes to be maintained and the supporting Regulations to remain flexible enough for industry to manage potential change to the future requirements of biosecurity threats in Western Australia. This is largely because stakeholders recognise that Regulation is necessary to protect industry and their individual businesses from biosecurity threats.

The review recommends a number of changes to the Regulations which aim to tighten definitions, reduce the instances of non-payment of contributions, and reduce administrative burden. These include amending the Regulations so that:

- A member of the Industry Management Committee ceases to hold office if they opt out of the Scheme they are representing. This amendment would avoid the situation where a Committee member can remain on a Committee even though they have opted out of the Scheme.
- The requirement for qualifying grains, seeds and/or hay receivers to become registered and to formally notify the Director General of DAFWA is removed on the grounds that it is bureaucratic and does not appear to serve a purpose.

- Exporters and settlement agents are also included as agents required to collect contributions for the livestock industry. This would increase the contributions collected, if producers selling to someone other than a livestock agent/processor are not forwarding contributions to the livestock Schemes.
- The deduction and remittance of contributions to occur on a 30 to 90 day basis to assist in reducing the administrative burden of collecting agents and of DAFWA.
- The Committee is able to approve other payments out of the Account for purposes associated with administering the Schemes such as payments for printing, catering, consultation, committee expenses and so on.

In subsequent reviews of the Regulations and in the event that the level of opt outs increase, consideration should be given to amending the Regulations to allow producers to opt back into a Scheme in the situation where a new programme is offered by the Scheme. This recommendation was not supported in the workshop and is not considered a priority given the high level of industry support for the Schemes as indicated by the very low and falling level of opt outs.

Other recommended changes to the way in which the Schemes operate, which do not require regulatory change, include:

- Formalising and promoting the three different roles of DAFWA for the benefit of producers who are paying contributions and for DAFWA staff, some of whom appeared to be unclear about the relationship between themselves and industry. DAFWA provides three roles to the Industry Funding Schemes in terms of providing administrative support, as a contractor employed by the Schemes to run various their various programmes, and in providing advice to the Schemes.

  In the interest of transparency, there needs to be a clear distinction between these three roles and particularly DAFWA's role as a contractor providing programme services. Consideration should be given to the formalisation of the roles and responsibilities of DAFWA in supporting the Schemes in a recognised document such as a Memorandum of Understanding.
- The Request for Tender and the associated Scope of Works for the procurement process of each programme should require more detail in terms of proposed budgets. This requirement will address some of the issues raised in consultation surrounding the perceived lack of transparency of the programmes particularly DAFWA's role in the programmes.
- It is recommended that there is improved communication of the Schemes and how they operate to better inform producers of the Schemes. Consideration should be given to expanding the detail of information in annual reports or reporting provided by the Schemes to member producers.
- Considering the implementation of an on-line remittance system to improve the ease of payment of remittances to DAFWA and an online system for opting out and remitting contributions as a way of reducing the administrative effort of DAFWA, those that collect and remit contributions, and those wishing to opt out.
- Recommending to Committees that the review of programmes after a certain time period to ensure they remain relevant and efficient is good practice and should be implemented.

1 INTRODUCTION

The Minister for Agriculture and Food, through the Department of Agriculture and Food, Western Australia (DAFWA), has engaged ACIL Allen Consulting to review the operation and effectiveness of the Industry Funding Scheme Regulations for each of the Schemes.

There are three Industry Funding Schemes (the Schemes) representing the areas of grains, seeds and yay, sheep and goats, and cattle, each of which commenced operation on 1 July 2010. The aim of the Schemes is to address biosecurity threats at an industry level by raising funds to self-manage serious pests and diseases that may threaten the viability and sustainability of their industries.

Each Scheme is regulated by its own set of Industry Funding Scheme Regulations. These Regulations were enabled under the *Biosecurity and Agriculture Management Act 2007* (BAM Act). The BAM Act requires a review of the Regulations that govern the Schemes every five years after their establishment. This is in addition to the one year review completed by ACIL Allen Consulting (then ACIL Tasman) in 2012, which reviewed the Regulations *and* the operations of the Industry Funding Schemes.

1.1 Scope of the review

As required by the BAM Act, the three sets of Industry Funding Scheme Regulations require review every five years to assess their operation and effectiveness. As part of this review, the following has been assessed:

- a summary of the Schemes and their operation and performance to date
- which areas of the Regulations are performing well in terms of their operation and effectiveness
- which areas of the Regulations are underperforming and creating adverse outcomes; and
- specific recommendations pertaining to the Regulations which would improve the operation and effectiveness of the Schemes.

1.2 Approach and methodology

This report sets out the findings of the review. The approach to determining the operation and effectiveness of each of the three sets of Regulations, involved:

- a review of all existing information and documents relevant to the Schemes, which provided insight into the practical, financial and operating efficiency of the Schemes over the past five years
- a review of issues regarding the Schemes that have been collated by DAFWA since the Schemes' inception

- a consultation process, including meetings with each of the Industry Funding Scheme Committees (the Committees), key staff in DAFWA, and industry stakeholders to identify issues and raise solutions to those issues.
- A survey of the wider industry including those with responsibility under the Regulations to collect Scheme contributions, was undertaken to:
  - explore the draft list of issues regarding the Regulations
  - identify any further issues that may exist
  - discuss any potential solutions to those issues
  - identify and discussing the strengths of the Regulations and
  - raise any other issues or elements of the Schemes and their regulation.
- A workshop with the Chairpersons of the Committees, the Executive Officer of the Committees, and key DAFWA staff to explore the issues raised in the preceding data collection and consultation tasks. Participants in the workshops were asked to consider each of the suggested changes in terms of:
  - Why the change is needed?
  - Whether the benefit of the change is sufficient to outweigh the costs of making the change?
  - How the change will impact the operation and effectiveness of the Schemes?

From the outputs generated in these tasks, recommended changes to the Regulations were made along with other changes aimed at improving the overall operation and effectiveness of the Schemes.

1.3 Overview of BAM Act and Regulations

The *Biosecurity and Agriculture Management Act 2007* and associated regulations became fully operational on 1 May 2013. The Act replaced 16 existing Acts and 27 sets of regulations with a single Act and nine sets of regulations. The main purposes of the BAM Act and its regulations are to:

- Prevent new animal and plant pests and diseases from entering Western Australia
- Manage the impact and spread of those pests already present in the state
- Safely manage the use of agricultural and veterinary chemicals
- Increase control over the sale of agricultural products that contain violative chemical residues.

Funding arrangements authorised under the BAM Act were used to establish the three Industry Funding Schemes to address biosecurity threats relevant to the grains, seeds and hay, sheep and goats, and cattle industries. The Schemes came into operation from 1 July 2010. Each Scheme has its own enabling Regulations specific to each industry but they are essentially managed and operated in the same way.

1.4 Report structure

This report provides a review of the three sets of Regulations that govern the Schemes for Grains, Seeds and Hay, Sheep and Goats, and Cattle. Chapter Two provides an overview of the operation of each of the Schemes including the level of contributions, opt outs and spending by programme. Chapter Three raises each of the recommendations identified in consultation and from the issues collected by DAFWA. The Chapter is structured by the relevant Part and Section in the Regulations and sets out the suggested recommendation and why the change should occur. Chapter Four then provides ACIL Allen's recommendations as to where the Regulations could be changed and why this change should occur. In addition, other non-regulatory recommendations are also posed which are aimed at increasing the efficiency and operation of the Schemes.

2 INDUSTRY FUNDING SCHEMES

There are currently three Industry Funding Schemes set up under the BAM Act that represent the grains, seeds and hay, sheep and goats, and cattle industries. The aim of the Schemes is to assist industry in fighting biosecurity threats, which primarily impact on that industry but are not covered under national biosecurity arrangements.

The management of each Scheme is overseen by an Industry Management Committee (Committee) also established under the Regulations, as required by the BAM Act. The Minister for Agriculture and Food appoints the Committee members after inviting industry nominations and receiving advice from an Industry Appointments Committee.

The Committees, in consultation with industry, determine which pest and disease threats require action, how best to deal with the threats, and what contributions will be needed from industry to tackle the problem. This allows producers to raise funds to self-manage serious pests and diseases that may threaten the viability and sustainability of their industries. The Committees also provide advice to the Minister on the Scheme's area of operation and the contribution rate.

Producers contribute to the Schemes on a per head basis for livestock industries and a per tonne basis in the grains, seeds and hay industry. For the grains, seeds and hay industry, contributions are collected by registered receivers at the first point of sale where a registered receiver is a produce receiver that purchases or receives 500 tonnes or more of grain, seed and/or hay within a given financial year. For the cattle, sheep and goats industries, funds are raised through a producer contribution on each chargeable sale where a chargeable sale means a sale by the owner of livestock (live or carcasses) that are located on a property within the Schemes' area of operation or moved from the property for the purpose of offering them for sale/slaughter.

Producer contributions to the Schemes are mandatory, however, there is a choice for producers to 'opt out' of a Scheme and further, to have their annual contributions refunded in full – making the Schemes voluntary. Opting out does not remove the legal requirement to deal with the pests and diseases to which the Scheme relates, but does disqualify the producer from any benefits provided by the Scheme. As contributors to the Schemes, producers are entitled to benefits such as assistance in managing or eradicating a threat and compensation. Funds may also be used to manage potential future incursions of other pests and/or diseases specific to the particular industry.

Contributions collected from producers are used by the relevant Committee to fund programmes for the control or eradication of any Declared Pest that is specified within the enabling Regulations. Pests can only be specified under the Regulations if they have been 'declared' under the BAM Act. There are a total of six declared pests specified under the Scheme Regulations and currently the subject of programmes funded by the Schemes. These are:

- skeleton weed
- three-horned bedstraw
- bovine Johne's disease

— enzootic bovine leucosis
— bovine tuberculosis; and
— virulent footrot.

Contribution funds can be used for a range of activities such as the purchase and application of chemical treatments, the costs of searching for specified pests and diseases, measures to encourage early reporting of specified pests and diseases, agreed compensation to affected producers and so on, as agreed by the Committees and in line with the Regulations. Apart from industry contributions, the Schemes are also able to seek funds from other sources that release funds for industry purposes such as Meat and Livestock Australia. To date, no Scheme has applied for such funds. Note that the Cattle Scheme receives a small reimbursement from Dairy Australia for testing for enzootic bovine leucosis.

The State Government, through DAFWA, provides the necessary support to ensure proper governance and the effective operation of the Schemes and the Committees. This includes the secretariat, communications, policy, legal and technical support, as well as financial management and coordination of the opt out process.

2.1 Sheep and Goats Industry Funding Scheme

The Sheep and Goats Scheme is governed by the *Biosecurity and Agriculture Management Industry Funding Scheme (Sheep and Goats) Regulations 2010*.

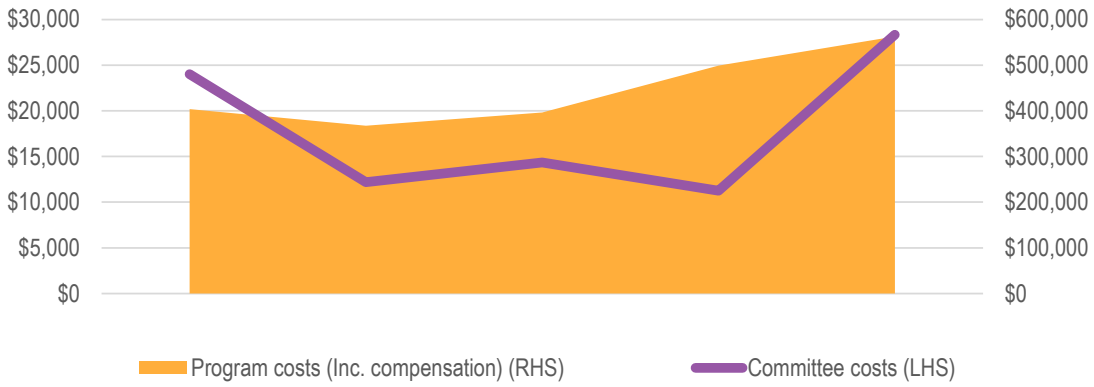
The Scheme currently operates in the whole of the State and the current programme funded by the Scheme is for the control of virulent footrot:

— Virulent footrot (*Dichelobacter nodosus*) is a contagious infection of the feet of sheep and goats. It causes varying degrees of damage to the horn of the foot, resulting in lameness and significant loss of body condition and wool production.

2.1.1 Programme and committee costs

Total costs incurred for the Sheep and Goats Scheme have varied over time. For example, annual committee costs, fell from $24,024 in 2010-11 to $11,237 in 2013-14 before increasing to $28,338 in 2014-15. On the other hand, annual programme costs have increased each financial year since 2011-12 (program costs were roughly $404,000 in 2010-11), rising from approximately $367,000 to just above $560,000 in 2014-15. These cost trends can be seen in **Figure 2.1**.

FIGURE 2.1 SHEEP AND GOATS PROGRAMME AND COMMITTEE COSTS



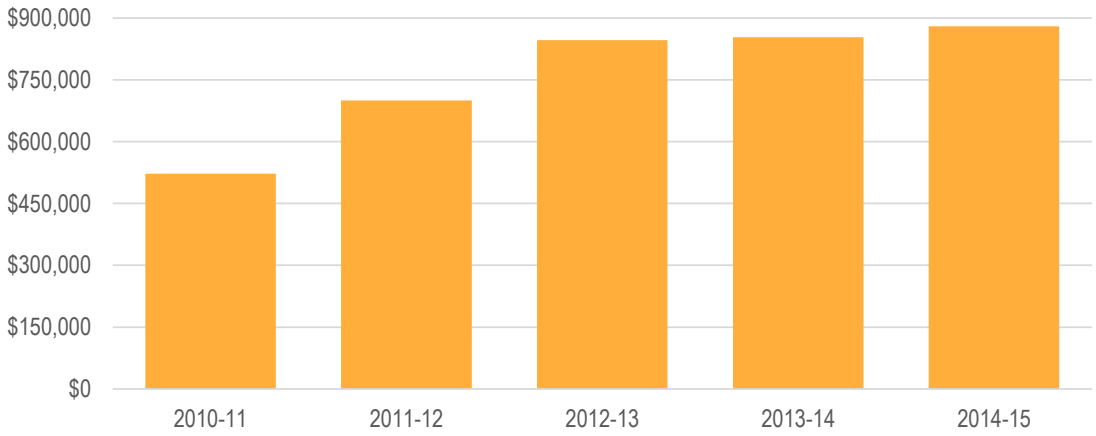
SOURCE: SHEEP AND GOATS ANNUAL REPORTS

2.1.2 Contributions

For each year since the introduction of the Sheep and Goats Scheme, the annual contribution rate has been 12 cents per head/carcass produced within Western Australia. Annual contributions made to the

Sheep and Goats Scheme have increased by 68 per cent (or just under $357,000) from $522,439 in 2010-11 to $879,434 in 2014-15. The majority of this increase ($323,486) occurred between 2010-11 and 2012-13 as illustrated in **Figure 2.2** and may be attributed to improved collection rates.

FIGURE 2.2 SHEEP AND GOATS CONTRIBUTIONS



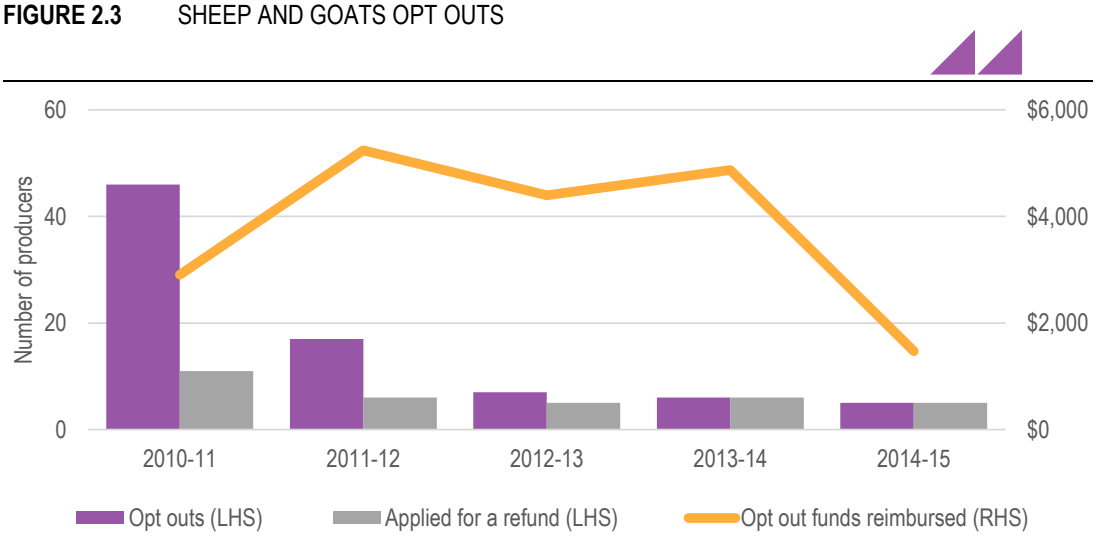
SOURCE: SHEEP AND GOATS ANNUAL REPORTS

2.1.3 Opt outs

The number of annual opt outs reported for the Sheep and Goats Scheme is very low and has decreased each year since the Scheme's introduction, with a high in 2010-11 of 46 and a low in 2014-15 of five.

The number of opted out producers who have applied for refunds has remained relatively constant at either five or six producers in each of the last four financial years. However, the total amount of annual opt out funds reimbursed has varied, reaching a high of $5,244 in 2011-12 and a low of $1,468 in 2014-15. These opt out trends are presented in **Figure 2.3**.

FIGURE 2.3 SHEEP AND GOATS OPT OUTS



SOURCE: SHEEP AND GOATS ANNUAL REPORTS

2.1.4 Financial performance

In each of the five past financial years, the annual expenses of the Sheep and Goats Scheme have been considerably lower than the income generated, with the net annual balance ranging between $145,000 and $441,000 (**Table 2.1**).

TABLE 2.1 SHEEP AND GOATS FINANCIAL PERFORMANCE

	2014-15	2013-14	2012-13	2011-12	2010-11
Contributions	$879,434	$853,597	$845,925	$699,932	$522,439
Interest	$44,442	$34,198	$9,200	$7,742	$2,773
Previous funds	$0	$0	$0	$0	$50,000
Total income	$923,876	$887,795	$855,125	$707,674	$575,212
Opt out funds reimbursed	$1,468	$4,873	$4,396	$5,244	$2,908
Committee expenses	$28,338	$11,237	$14,353	$12,179	$24,024
Programme expenses (inc. compensation)	$562,756	$498,999	$396,293	$367,298	$403,696
Total expenses	**$592,562**	**$515,109**	**$415,042**	**$384,721**	**$430,628**
Net annual balance	**$331,314**	**$372,686**	**$440,083**	**$322,953**	**$144,584**

SOURCE: SHEEP AND GOATS ANNUAL REPORTS

NOTE: THE $50,000 OF PREVIOUS FUNDS IN 2010-11 REPRESENTS A GOVERNMENT CONTRIBUTION MADE TO ASSIST IN THE TRANSITION TO INDUSTRY FUNDING

2.2 Cattle Industry Funding Scheme

The Cattle Scheme is governed by the *Biosecurity and Agriculture Management Industry Funding Scheme (Cattle) Regulations 2010*. Programmes currently operated under the Scheme are for the surveillance for bovine Johne's disease (BJD), bovine tuberculosis (BTB) and enzootic bovine leucosis:

— Bovine tuberculous (*Mycobacterium tuberculosis bovis*) - a chronic disease of animals caused by a bacteria called *Mycobacterium tuberculosis bovis* .This disease can affect practically all mammals, but it mainly affects cattle and buffalo. The diseases causes a general state of illness, coughing and eventual death (Queensland Government, 2012).

— Bovine Johne's disease (*Mycobacterium paratuberculosis*) - a fatal wasting disease of cattle with no available treatment options. The presence of bovine Johne's disease has important market access and trade implications.

— Enzootic bovine leucosis (*Bovine leucosis virus*) - an infectious viral disease of cattle, whereby some infected animals develop cancer of the white blood cells. There are currently no available or known treatment options. Both beef and dairy cattle are susceptible, but the economic significance of the disease is in dairy cattle as it is perceived that milk or dairy products may become contaminated with EBL and pose a threat to human health (DAFWA, 2011).

Aside from these programmes, the Scheme has access to residual funds from the Cattle Industry Compensation Fund (CICF). These funds were transferred to the Scheme Account with the repeal of the *Cattle Industry Compensation Act 1965* in 2010. These 'ex-CICF' funds are currently used to fund the Western Australian -based National Livestock Identification System (NLIS) helpdesk and research and development addressing cattle industry issues. Some $1.16 million of these residual funds have also been used to meet the costs associated with the programmes run by the Scheme.

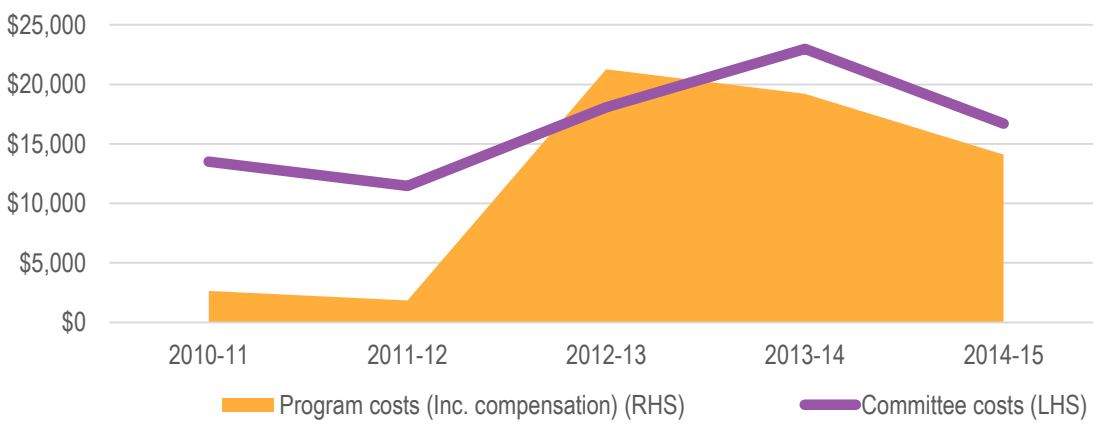
2.2.1 Programme and committee costs

Total annual costs for the Scheme have been trending downwards in recent financial years, from $212, 693 in 2012-13 to $140,970 in 2014-15. Despite this, annual programme costs, which include compensation costs, have been considerably higher in the last three financial years (average of $181,911) when compared to the first two financial years of the Scheme's operation (average of $22.405) due to the inclusion of an additional programme. Whilst low, annual committee costs have also been higher, increasing between 2010-11 and 2014-15 by just over $3,200 to reach $16,699 per annum as illustrated in **Figure 2.4**.

Note that the Figure only includes programme costs funded by contributions from producers to the Cattle Scheme. The surveillance programme for bovine Johne's disease in the Kimberley region is

funded through industry contributions for half of the programme and the other half is funded by ex-CICF funds.

FIGURE 2.4 CATTLE PROGRAMME AND COMMITTEE COSTS

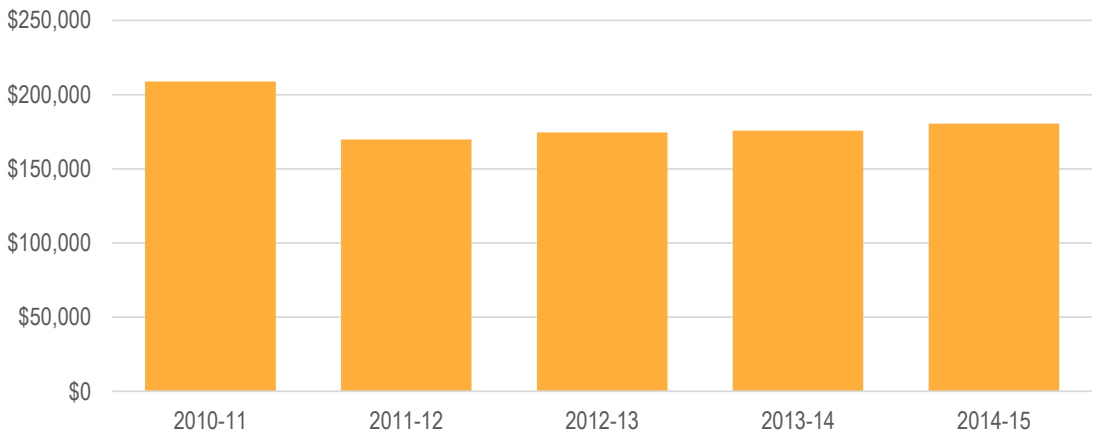


SOURCE: CATTLE SCHEME ANNUAL REPORTS
NOTE: DOES NOT INCLUDE THE COSTS MET WITH EX-CICF FUNDS

2.2.2 Contributions

For each year since its introduction, the annual contribution rate in the Scheme has been 20 cents per head/carcass produced within Western Australia. Annual contributions made to the Scheme have been relatively static since 2011-12 reaching $180,450 in 2014-15 as illustrated in **Figure 2.5**.

FIGURE 2.5 CATTLE CONTRIBUTIONS

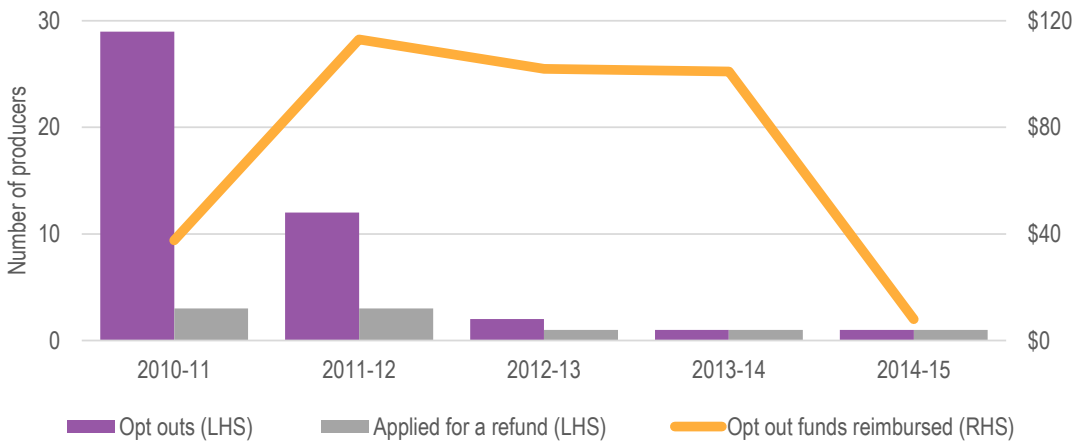


SOURCE: CATTLE SCHEME ANNUAL REPORTS

2.2.3 Opt outs

The number of annual opt outs reported for the Scheme has decreased in each year since the Scheme's introduction from a high of 29 in 2010-11 to just one opt out in 2013-14 and in 2014-15. The number of opted out producers who have applied for refunds has also remained relatively constant at three in the first two years of operation, and in one in each subsequent year. The total amount of funds reimbursed to opted producers has also remained relatively low, never exceeding $113 per annum as illustrated in **Figure 2.6**.

FIGURE 2.6 CATTLE OPT OUTS



SOURCE: CATTLE SCHEME ANNUAL REPORTS

2.2.4 Financial performance

The financial performance of the Cattle Scheme has varied since the Scheme's introduction, with three occasions where income has exceeded expenses and two occasions where small net annual losses were recorded (2013-14 and 2012-13). ACIL Allen notes that in 2010-11, a net profit of close to $6 million was reported due to the transfer of $5.5 million in Ex-CICF funds to the Cattle Scheme fund for its first year. The overall financial performance of the Scheme is shown in **Table 2.2**.

TABLE 2.2 CATTLE FINANCIAL PERFORMANCE

	2014-15	2013-14	2012-13	2011-12	2010-11
Contributions	$180,450	$175,656	$174,494	$169,753	$208,765
Interest	$11,693	$9,244	$2,476	$1,900	$257,296
Previous funds	$0	$0	$0	$0	$5,427,231
Total Income	$192,143	$184,900	$176,970	$171,653	$5,893,292
Opt out funds reimbursed	$8	$101	$102	$113	$38
Committee expenses	$16,699	$22,989	$18,062	$11,452	$13,496
Programme expenses (inc. compensation)	$140,970	$192,071	$212,693	$18,401	$26,408
Total expenses	**$157,677**	**$215,161**	**$230,857**	**$29,966**	**$39,942**
Net annual balance	**$34,466**	**-$30,261**	**-$53,887**	**$141,687**	**$5,853,350**

SOURCE: CATTLE SCHEME ANNUAL REPORTS

2.3 Grains, Seeds and Hay Industry Funding Scheme

The Grains, Seeds and Hay Scheme is governed by the *Biosecurity and Agriculture Management Industry Funding Scheme (Grains) Regulations 2010*. Programmes currently operated by the Scheme target the control of skeleton weed and the eradication of three-horned bedstraw:

— Bedstraw (*Gallium tricornutum*) - Three-horned bedstraw is of European origin. It is a climbing plant that has the ability to impact cropping yields through its competitive climbing nature, and to contaminate fodder and grain with its seeds (Moore, 2011). Bedstraw is targeted for eradication in Western Australia.

— Skeleton weed (*Chondrilla juncea* L.) - Skeleton weed is a perennial plant of European origin. It was introduced into Australia in 1910 and first found in Western Australia in 1963. Since 1974 it has been the subject of eradication programmes.

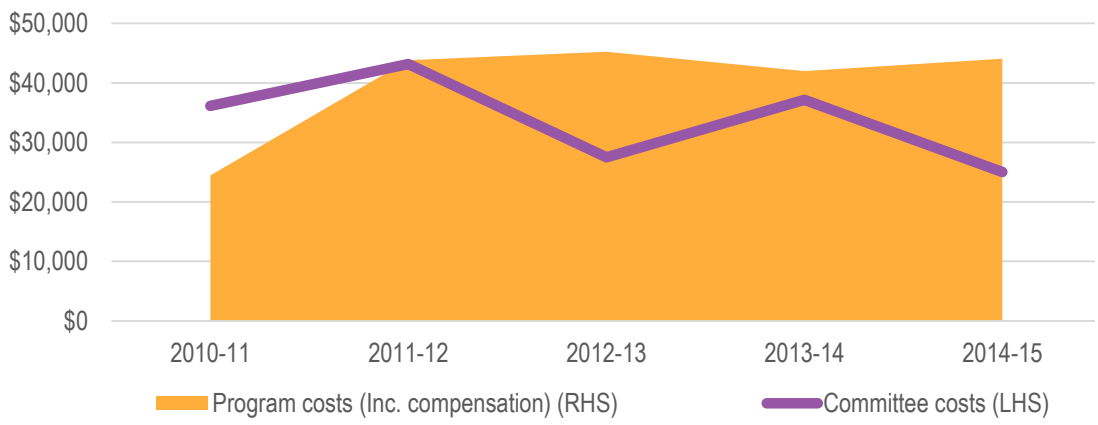
The area of operation for the Scheme is defined as all local government districts of Western Australia except for the Kimberley region (Shires of Broome, Halls Creek, Derby-West Kimberley and Wyndham-East Kimberley) and the pastoral area (Shires of Ashburton, Carnarvon, Coolgardie, Cue, Dundas, East Pilbara, Exmouth, Laverton, Leonora, Kalgoorlie-Boulder, Meekatharra, Menzies, Mount Magnet, Murchison, Ngaanyatjarraku, Port Hedland, Karratha, Sandstone, Shark Bay, Upper Gascoyne, Wiluna and Yalgoo).

Contributions to the Scheme are collected by qualifying receivers who are individuals/entities that purchase 500 tonnes or more of grains, seeds and/or hay (in combination) in a given financial year.

2.3.1 Programme and committee costs

The annual costs for the Scheme are presented in **Figure 2.7**. Annual committee costs have varied considerably over time, from a high of just above $43,000 in 2011-12 to a low of around $25,000 in 2014-15. The Scheme's annual programme costs, which include compensation costs, remained relatively steady from 2011-12 at around $3.4 million per annum.

FIGURE 2.7 GRAIN, SEEDS AND HAY PROGRAMME AND COMMITTEE COSTS

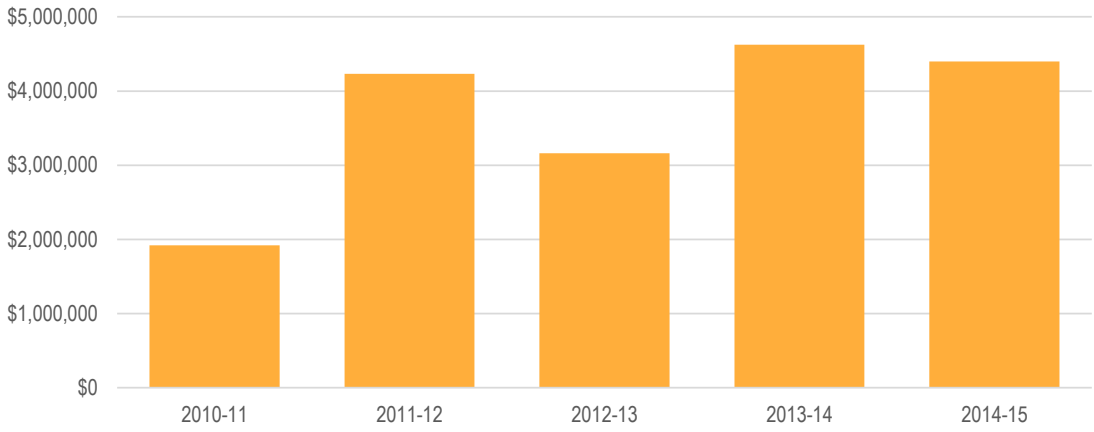


SOURCE: GRAIN, SEEDS AND HAY SCHEME ANNUAL REPORTS

2.3.2 Contributions

Participants in the Scheme are required to pay a contribution rate of 30 cents per tonne on the first sale of grain/seed produced in agricultural regions, and 15 cents per tonne on the first sale of hay produced in the agriculture regions. This rate of contribution has been applicable since 2012-13. Before this, the contribution rate applied to grain/seed only. Annual contributions made to the Grain, Seeds and Hay Scheme have increased from $1.9 million in 2010-11 to $4.4 million in 2014-15. However there has been some variance as illustrated in **Figure 2.8** which in the latter years of the Scheme is reflective of varying levels of grains production in Western Australia.

FIGURE 2.8 GRAIN, SEEDS AND HAY CONTRIBUTIONS



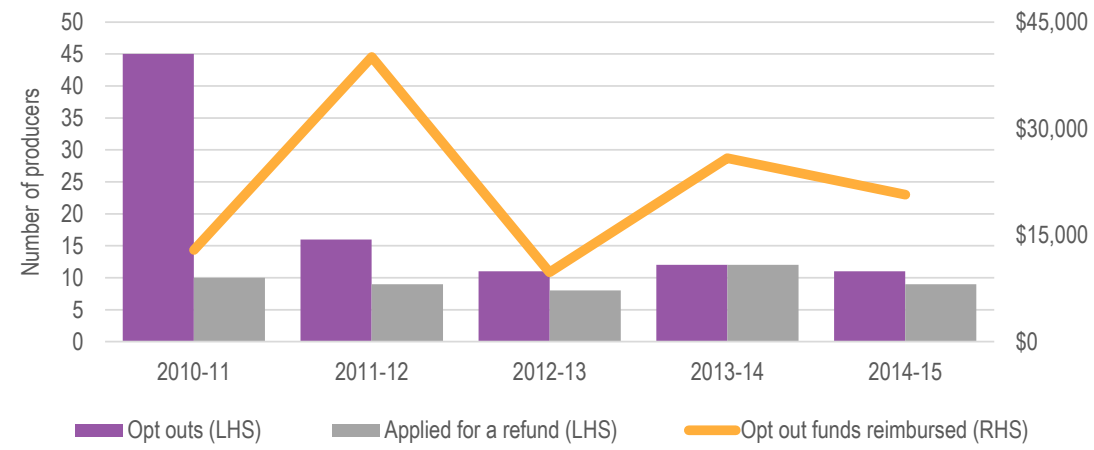
SOURCE: GRAIN, SEEDS AND HAY ANNUAL REPORTS

2.3.3 Opt outs

The number of annual opt outs reported for the Scheme are low and have remained at 11 or 12 producers per year since 2012-13. This represents a fall from 45 producers in the first year of operation and 16 producers in the second year.

The number of opted out producers who have applied for refunds has also remained relatively constant between eight and 12 producers each year since the Scheme's introduction. The total amount of annual opt out funds reimbursed has varied, reaching a high of $40,083 in 2011-12 and a low of $12,929 in 2010-11 as shown in **Figure 2.9**.

FIGURE 2.9 GRAIN, SEEDS AND HAY OPT OUTS



SOURCE: GRAIN, SEEDS AND HAY SCHEME ANNUAL REPORTS

2.3.4 Financial performance

With the exception of the 2013-14 financial year where a net loss of $157,907 was recorded, the annual expenses of the Scheme have always been substantially lower than the income generated. In the past two financial years (2014-15 and 2013-14), the annual balance was recorded at $1.2 million and $1.4 million, respectively as illustrated in **Table 2.3**.

TABLE 2.3 GRAIN, SEEDS AND HAY FINANCIAL PERFORMANCE

	2014-15	2013-14	2012-13	2011-12	2010-11
Contributions	$4,400,408	$4,625,044	$3,161,281	$4,230,805	$1,919,304
Interest	$211,873	$147,913	$122,769	$87,437	$131,056
Previous funds	$0	$0	$0	$0	$3,976,742
Total Income	$4,612,281	$4,772,957	$3,284,050	$4,318,242	$6,027,102
Opt out funds reimbursed	$20,680	$25,818	$9,773	$40,083	$12,929
Committee expenses	$25,013	$37,131	$27,484	$43,191	$36,118
Programme expenses (inc. compensation)	$3,381,298	$3,339,767	$3,404,700	$3,376,360	$2,989,206
Total expenses	**$3,426,991**	**$3,402,716**	**$3,441,957**	**$3,459,634**	**$3,038,253**
Net annual balance	**$1,185,290**	**$1,370,241**	**-$157,907**	**$858,608**	**$2,988,849**

SOURCE: GRAIN, SEEDS AND HAY ANNUAL REPORTS

3 INDUSTRY FUNDING SCHEME REGULATIONS REVIEW

As part of this Review, ACIL Allen conducted targeted consultation with the three IMCs, the Pastoralists and Graziers Association, WA Farmers and DAFWA representatives from the Invasive Species, Livestock Biosecurity, Biosecurity Policy, Legal and Finance departments. In addition to these interviews, ACIL Allen hosted an online survey that invited responses to the key issues raised during targeted consultation and collected by DAFWA since the inception of the Regulations. This Survey was distributed by DAFWA to key industry bodies who distributed it to their members, and to other stakeholders with responsibilities under the Scheme Regulations such as livestock processors and grain receivers.

This process resulted in the collection of views regarding the Regulations and the Schemes in general. This Chapter sets out the suggestions made during this process. Note that all views relevant to the Regulations have been presented, regardless as to how many stakeholders recommended each of these changes.

In summary, stakeholders support the Industry Funding Schemes and their Regulations and believe that the Regulations are working well. There was support for the Schemes to be maintained and the supporting Regulations to remain flexible enough for industry to manage potential change to the future requirements of biosecurity threats in Western Australia. This is largely because stakeholders recognise that Regulation is necessary to protect industry and their individual businesses from biosecurity threats.

Recommendations as to whether the suggested changes to the Regulations should be implemented or not are presented in Chapter Four. Chapter Four also provides other non-regulatory recommendations that will assist the operation and effectiveness of the Schemes.

The following sections are ordered to match the Parts of the Regulations for each of the three Industry Funding Schemes where the relevant part and section of each of the Regulations is presented in italics.

3.1 Terms used

Part 1 r3: Terms used – full participant (Grains, Seeds and Hay; Sheep and Goats; Cattle)

Under the current Regulations, a producer who opts out of any Scheme cannot opt back into a Scheme until they have undergone a penalty time period. In the case of a producer who opts out for one year, the penalty period is two consecutive financial years and in the case of a producer who opts out for two years or more, the penalty period is three consecutive financial years.

There was a view that the time penalty for producers who opt out for more than one year should be reduced by one year to become a two year penalty period.

3.2 Appointments committee

Part 1 r4 (4): Appointments Committee (Grains, Seeds and Hay; Sheep and Goats; Cattle)

The current Regulations allow for appointments committee members to include a member who:

a) is familiar with the interests of farmers, or has knowledge and experience enabling that person to understand those interests; or

b) has a financial interest in the agricultural sector of the economy of the State; or

c) has extensive or special experience in the agricultural sector of the economy of the State.

There was a suggestion that the Regulations be amended to include an additional category for eligibility to the appointments committee to include a person who has served on an Industry Funding Scheme Committee. This provision would ensure that valuable insights gained while servicing on the Committee could be transferred to the appointments committee thereby assisting in the selection of future Scheme committee members.

3.3 Investment of account

Part 2 r7: Investment of Account (Grains, Seeds and Hay; Sheep and Goats; Cattle)

The Regulations state that all moneys (from contributions and so on) will be invested according to the *Financial Management Act 2006* and that all interest derived from that investment is to be credited to the relevant Account for each Scheme.

There was a suggestion that Committees should have more autonomy over accounts in terms of where the money can be invested. This provision would allow Committees to invest funds in higher interest bearing accounts or other financial securities thereby earning additional funds that could be allocated to programmes.

3.4 Composition of the IMC

Part 3 r9 (5) Appointment and composition of the IMC (Grains, Seeds and Hay; Sheep and Goats; Cattle)

The current Regulations sets out the situations in which an Industry Management Committee members ceases to hold office. These situations are:

— On the expiry of the member's term of office, or

— Upon retiring from office, or

— Upon being removed from office by the Minister, or

— Upon death.

There was a suggestion that the Regulations be amended so that a member of the Industry Management Committee ceases to hold office if they opt out of the Scheme they are representing. This amendment would avoid the situation where a Committee member can remain on a Committee even though they have opted out of the Scheme.

3.5 Registration of qualifying receivers

Part 4 r14 Registration of qualifying receivers (Grains, Seeds and Hay)

The Regulations for the Grains, Seeds and Hay Scheme state that all qualifying receivers must become registered within 30 days of becoming a qualifying receiver. The Director General is to maintain a register of qualifying receivers. If the name, principal place of business in the State or other registered details of a registered receiver changes, the registered receiver must, within 30 days, give the Director General notice of the changes.

There was a suggestion that the Regulations be amended to exclude the requirement for qualifying receivers to formally notify the Director General of DAFWA as the current requirement is bureaucratic

and not required. The requirement for the maintenance of a register of qualifying receivers should remain.

Note that this Regulation does not apply to the Sheep and Goats or Cattle Regulations.

3.6 Deduction and remittance of contributions

Part 4 r15 Deduction and remittance of contributions (Sheep and Goats; Cattle), Part 4 r16 Deduction and remittance of contributions (Grains, Seeds and Hay)

Online deduction and remittance of contributions

There is no provision in the Regulations requiring the method of payment of remittances. There was a preference that the remittance of contributions to DAFWA be made electronically to improve the efficiency of payments and reduce the administrative effort of DAFWA and those that collect and remit contributions.

Part 4 r15 (1) and (2) Deduction and remittance of contributions (Sheep and Goats; Cattle)

Include exporters and settlement agents as a collector of remittances

The Regulations currently state that the following entities can collect contributions from producers:

- for Sheep and Goats –
  - sheep and goat processor - a person who carries on a business consisting of or including the purchasing of sheep or goats, or the carcasses of sheep or goats, from owners for the purpose of processing meat
  - stock agent - a person who carries on a business consisting of or including acting as selling agents of sheep or goats, or the carcasses of sheep or goats, on behalf of owners.
- for Cattle:
  - cattle agent - a person who carries on a business consisting of or including acting as selling agents of cattle or carcasses on behalf of owners
  - cattle processor - a person who carries on a business consisting of or including the purchasing of cattle or carcasses from owners for the purpose of processing meat.

For both the Sheep and Goats and Cattle Schemes, producers selling their livestock to someone other than a stock agent or processor are required to forward the contributions to the Schemes.

It was suggested that exporters and settlement agents should also be included as collector of contributions for the livestock industry. It was believed this inclusion would improve the collection of contributions by reducing the number of instances where producers selling to someone other than and agent/processor were not forwarding their contributions.

Closed loop systems

A closed loop marketing system is a business model where a processor vertically coordinates elements of the production and processing steps in the supply chain. There is a loophole in the Regulations in the case of closed loop marketing systems because when growers and contractors enter into this type of business arrangement, the ownership of a product does not change. Under a closed loop marketing system it is often not deemed to be a chargeable sale as the product remains owned by the processor/agent and a contribution is therefore generally not paid.

The Regulations should be amended to reduce the losses of remittances from closed loop systems. No specific suggestion was provided as to how the Regulations could be amended to address this issue.

Part 4 r15 (3) Deduction and remittance of contributions (Sheep and Goats; Cattle); Part 4 r16 (2) Deduction and remittance of contributions (Grains, seeds, hay)

Frequency of deduction and remittance of contributions

The Regulations currently require that the deduction and remittance of contributions occur on a 30 day basis.

There was a preference from the majority of stakeholders that the deduction and remittance of contributions occur on a quarterly basis. The benefit of this change would be a reduction in the administrative burden of collection agents and for DAFWA. Those that opposed the change cited a loss in the form of lost revenue from interest payments on contributions held in the relevant Account.

3.7 Opt out provisions

Part 4 r16 (1) Opting out of the Scheme (Sheep and Goats; Cattle); Part 4 r17 (1) Opting out of the Scheme (Grains, Seeds and Hay)

Ability to opt out of programme rather than the Scheme

The Regulations currently state that a producer may opt out of a Scheme for any financial year. There was a suggestion that producers should be able to remain within a Scheme but should be able to opt out of one or more programmes within that Scheme. This would allow producers to retain the insurance component of the Scheme in the event of a potential future incursion of other pests and/or diseases specific to the particular industry. It would also allow producers to pay for some programmes but not others.

There were differing opinions regarding this suggestion with detractors concerned about the erosion of the intent of the Schemes which are to benefit the whole industry. There was also concern about the ability of the programmes to function properly with reduced financial support. Further, there was concern regarding the ongoing viability of the Schemes in the event that programmes were weakened resulting in a reduction in the effort to control and/or eradicate declared pests. The administrative structure to support this type of recommendation was also considered by detractors to be difficult and/or costly to manage.

Supporters, identified an ability to see their contributions allocated to programmes that assisted their individual farming enterprises while retaining an insurance against outbreaks which were yet to be identified.

Ability to opt out on a permanent basis

The current Regulations state that producers may opt out of a Scheme for any financial year. There was a suggestion that once a producer had opted out of a Scheme, they remained opted out of the Scheme on a permanent basis until they chose to opt back in. This change would result in a lower administrative burden on behalf of producers who are currently required to complete opt out and reimbursement documentation each financial year.

Allowing opt ins when a new programme is introduced

The current Regulations require that producers who have opted out of a Scheme cannot opt back into the Scheme without a penalty period of two or three years (*Part 1 r3: Terms used – full participant (Grains, Seeds and Hay; Sheep and Goats; Cattle)).*

It was suggested that consideration should be given to allowing producers to opt back into a Scheme without penalty in the situation where a new programme is offered by the Scheme. Those growers who have opted out of a Scheme should be notified of the new programme and given the opportunity to opt back into the Scheme if they wish. There should be no qualifying period for the receipt of assistance under the new programme.

There were differing opinions regarding this suggestion with detractors concerned about allowing producers to enter back into the Schemes without penalty and thereby eroding the intent of the Schemes which are to benefit the whole industry. The attitude expressed by detractors was producers were either in or out of a Scheme and part of the benefit of being in a Scheme was in the insurance value against future incursions of declared pests. The administrative structure to support this type of recommendation was also considered by detractors to be difficult and/or costly to manage.

Supporters identified situations where new programs might become more attractive to producers such in the event that an additional pest was targeted or a new pest became declared and targeted under a Scheme programme. Allowing producers to opt back in to Schemes in these circumstances would have an industry benefit as additional funds would become available for the new and existing programmes, and additional producers would be covered by the Scheme.

3.8 Refund of contributions

Part 4 r17 Refund of contributions (Sheep and Goats; Cattle), Part 4 r18 Refund of contributions (Grains, Seeds and Hay)

There is currently no provision in the Regulations to allow DAFWA to charge a fee to recover costs from the administrative effort in refunding contributions and coordinating the opt out process in general. There was a suggestion that an administration fee should to be charged to producers who opt out and request a refund of their contributions as this is a costly process to manage.

3.9 Approved programmes

Part 4 r18 (1) Approved programmes (Sheep and Goats; Cattle); Part 4 r19 (1) Approved programmes (Grains, Seeds and Hay)

The Regulations currently prescribe that approved programmes and other measures must relate to the:

- Control of a specified pest, or
- The advancement and improvement of control measures for a specified pest.

There was a suggestion that the Regulations should be amended to include the ability for Schemes to fund wider biosecurity programmes beyond targeting a specified pest. This recommendation was not universal and quite divisive with those against the change concerned about industry funds potentially being spent in areas that were not directly relevant to industry. Most examples of suggested wider biosecurity programmes included maintenance and extension of the State barrier fence, and general emergency preparedness and response programmes relevant to industry priorities.

Programme review periods

There is currently no specific requirement in the Regulations for programmes to be reviewed to ensure they remain relevant. There was a suggestion that the Regulations for each Scheme be amended to require programmes to be reviewed after a certain period to ensure they remain effective.

3.10 Payments in respect of losses

Part 4 r20 (1 and 2) Payments in respect of losses (Sheep and Goats; Cattle); Part 4 r21 Payments in respect of losses (Grains, Seeds and Hay)

The Regulations currently state that the Committee can make payments of compensation out of the Account to an owner who has suffered loss. It further states that no payment shall be made in respect of the loss of production or other indirect, incidental or consequential loss, but only in respect of losses arising directly from infection or infestation with the specified pest, or from actions or measures taken to control the specified pest.

There was a suggestion that this Regulation should be amended to allow reimbursement for the remediation of land that has been damaged while controlling or eradicating a pest.

3.11 Other payments out of the account

Part 4 r25 (1f) Other payments out of the Account (Sheep and Goats; Cattle); Part 4 r26 Other payments out of the Account (Grains, Seeds and Hay)

The current Regulations provides for circumstances in which payments can be made out of the Account holding contribution funds, in addition to programme and compensation costs. These situations include:

- Paying and remuneration and allowances for members of the appointments committees, the Industry Management Committees and the review panel
- Paying costs for reviews of the Schemes
- Paying or reimbursing the costs and expenses of administering the Account.

There is no provision in the Regulations for payments from the Account to provide certain functions required of the Schemes such as communications, reporting and consultation. Nor is there provision for payments necessary for the functioning of the Committees such as meeting costs or Executive Officer support. Other payments such as reimbursing Committee members for lost wages in preparing for and attending meetings are also not provided for.

There was a suggestion that the Regulations be amended to allow the Committee to approve other payments out of the Account for discretionary purposes associated with administering the Schemes. This suggestion raised concerns as it was viewed as a potential erosion of the control of the Committee in managing funds and was seen as a way in which DAFWA could begin taking additional funds out of the Account to improve their cost recovery.

4 RECOMMENDATIONS

The list of suggestions for changes to the Regulations presented in Chapter Three were discussed in a workshop that was attended by the Chairpersons of each Committee and key DAFWA personnel including the Executive Officer of the Committees and a staff member from the legal department. The workshop presentation raised each of the suggested changes and asked participants to consider them in terms of:

- Why the change is needed?
- Will the benefit of the change outweigh the effort in making those changes?
- How the change will impact the operation and effectiveness of the Industry Funding Schemes?

From this process combined with ACIL Allen's own consideration of the suggested changes to the Regulations, a number of recommendations have been identified. These are grouped in this Chapter according to:

- Recommended changes to the Regulations
- Recommendations to leave the Regulations unchanged
- Operational changes that will enhance the operation and effectiveness of the Schemes.

4.1 Changes to Regulations

The following six changes to the Regulations should be considered:

4.1.1 Composition of the IMC

Part 3 r9 (5) Appointment and composition of the IMC (Grains, Seeds and Hay; Sheep and Goats; Cattle)

The Regulations should be amended so that a member of the Industry Management Committee ceases to hold office if they opt out of the Scheme they are representing. This amendment would avoid the situation where a Committee member can remain on a Committee even though they have opted out of the Scheme.

4.1.2 Registration of qualifying receivers

Part 4 r14 Registration of qualifying receivers (Grains, Seeds and Hay)

The Grains, Seeds and Hay Regulations should be amended to exclude the requirement for qualifying receivers to formally notify the Director General of DAFWA on the grounds that it is bureaucratic and does not appear to serve a purpose. The requirement for the maintenance of a register of qualifying receivers should remain in the Regulations.

4.1.3 Deduction and remittance of contributions: agents for collection of contributions

Part 4 r15 (1) and (2) Deduction and remittance of contributions (Sheep and Goats; Cattle)

The Regulations should be amended so that exporters and settlement agents are also included as agents required to collect contributions for the livestock industry. As suggested by the industry stakeholders consulted through the review, this would increase the contributions collected.

4.1.4 Deduction and remittance of contributions: payment term for remitting contributions

Part 4 r15 (3) Deduction and remittance of contributions (Sheep and Goats; Cattle); Part 4 r16 (2) Deduction and remittance of contributions (Grains, seeds, hay)

The Regulations should be amended to all the deduction and remittance of contributions to occur on a 30 to 90 day basis to assist in reducing the administrative burden of collecting agents and of DAFWA.

4.1.5 Opt out provisions

Part 4 r16 (1) Opting out of the Scheme (Sheep and Goats; Cattle); Part 4 r17 (1) Opting out of the Scheme (Grains, Seeds and Hay)

The suggestion that consideration should be given to allowing producers to opt back into a Scheme in the situation where a new programme is offered by the Scheme should be considered in future reviews of the Regulations. At present, the number of opt outs is very low and falling for all Schemes and as such is not considered to be a priority. In addition, this recommendation was not supported in the workshop. However ACIL Allen believes that this change could be explored further in future reviews of the Regulations and in the event that the level of opt outs increase.

There is a valid argument that producers should be able to opt back into a Scheme when a new programme is introduced to address a declared pest or to address a new declared pest. In this instance, there should be no qualifying period for the receipt of assistance under the new programme. The intent of the Schemes is to encourage producers to pay contributions to address biosecurity threats relevant to an industry. Producers should be given opportunity to opt back in to address threats if new programmes become available to address existing pests and new pests.

The alternative argument is that the Schemes offer an insurance value where members are protected against existing threats through the programmes operated by the Schemes and against other existing and potential declared pests through their membership of the Scheme. Allowing producers to opt in and out of the Schemes according to which programmes are allowed and without penalty will result in producers avoiding the insurance value of the Schemes and will undermine the ability of the Schemes which are to address industry wide threats.

4.1.6 Other payments out of the account

Part 4 r25 (1f) Other payments out of the Account (Sheep and Goats; Cattle); Part 4 r26 Other payments out of the Account (Grains, Seeds and Hay)

The suggestion that the Regulations be amended to allow the Committee to approve other payments out of the Account for discretionary purposes associated with administering the Schemes is recommended. This change would allow Committees to fund the activities for which they are required by legislation to undertake, such as annual consultation with industry. Sub regulation 3 of this Regulation states that the amount of costs of expenses paid … must be approved by the Industry Management Committee. This provision makes certain that any payment out of the Account is sanctioned by the Committee and therefore industry funds will continue to be spent in the interest of industry and with approval by the Committee.

4.2 No change recommended

Some of the suggested changes to the Regulations were not considered to be required. These are presented in the following sections along with the reasoning for not recommending the change.

4.2.1 Appointments committee

Part 1 r4 (4): Appointments Committee (Grains, Seeds and Hay; Sheep and Goats; Cattle)

The suggestion that the Regulations be amended to include an additional category for eligibility to the appointments committee to include a person who has served on an Industry Funding Scheme Committee is not recommended. It is considered that the Regulations are sufficient to allow this category of person to become a member of the committee and therefore no change is required.

It is recommended that the Minister is briefed to advise that a previous Committee member may be a useful inclusion on the appointments committee.

4.2.2 Investment of account

Part 2 r7: Investment of Account (Grains, Seeds and Hay; Sheep and Goats; Cattle)

The suggestion that Committees should have more autonomy over accounts in terms of where and how moneys can be invested is not recommended. It is considered that in order to maintain transparency and accountability of industry funds, moneys should continue to be invested as currently required in the Regulations. The benefit from receiving a higher rate of return in an alternative fund is considered to be conservative, and the potential risk could be greater.

4.2.3 Deduction and remittance of contributions

Part 4 r15 Deduction and remittance of contributions (Sheep and Goats; Cattle); Part 4 r16 Deduction and remittance of contributions (Grains, Seeds and Hay)

Online deduction and remittance of contributions

The recommendation to amend the Regulations to allow the remittance of contributions to be made electronically to improve the efficiency of payments is considered unwarranted. The current Regulations do not stipulate how contributions are remitted which allows the flexibility for DAFWA to determine the method of remittance payments.

The potential online remittance of contributions should be considered as an administrative choice to be made by DAFWA and not one that is required under Regulation. Consideration should also be given to hosting other functions of the administration of the Schemes online. This includes hosting the opt out system online and administering the refund of opted out contributions online which would have benefits in reducing the administrative effort of DAFWA, producers wishing to opt out, and those that collect and remit contributions.

Closed loop systems

It is recognised that closed loop marketing systems results in some under payment of contributions however DAFWA considered that this loss of remittances was proportionally small. No solution was identified to fully address lost contributions from closed loop systems. However, it is likely that including exporters and settlement agents as entities with responsibility to deduct and remit contributions will assist in reducing the impact of such systems on the livestock Schemes (see Section 4.1.3).

4.2.4 Opt out provisions

Part 4 r16 (1) Opting out of the Scheme (Sheep and Goats; Cattle); Part 4 r17 (1) Opting out of the Scheme (Grains, Seeds and Hay)

Ability to opt out of programme rather than the Scheme

The suggestion that producers should be able to remain within a Scheme but should be able to opt out of one or more programmes within that Scheme is not recommended. The intent of the Industry Funding Schemes is to address biosecurity threats relevant to the grains, seeds and hay, sheep and goats, and cattle industries. Contributions to the Schemes should therefore be used to benefit industry as a whole. Allowing producers to select which programme they opt into does not provide an industry

wide approach to biosecurity. The burden of administering the suggested system is considered to be costly and/or difficult to manage.

Ability to opt out on a permanent basis

The suggestion that once a producer had opted out of a Scheme, they remained opted out of the Scheme on a permanent basis until they chose to opt back in is not recommended. Programmes operated by the Schemes are operated on an annual basis and therefore may change from year to year. Producers should therefore be required to review the programmes in each year of operation of the Scheme prior to making the decision to opt out.

4.2.5 Refund of contributions

Part 4 r18 (1) Approved programmes (Sheep and Goats; Cattle); Part 4 r19 (1) Approved programmes (Grains, Seeds and Hay)

The suggestion to amend the Regulations to allow DAFWA to charge a fee to recover costs from the administrative effort in refunding contributions is already considered to be addressed in Regulation 25 (1) (f) (Sheep and Goats; Cattle) and Regulation 26 (1) (f) (Grains, Seeds and Hay) which allows the Director General to pay or reimburse the costs and expenses of administering the Account. This kind of charge is considered to be an administrative choice for DAFWA but is not considered to be justified given the very low level of opt outs and the number of producers requesting refunds. In 2014-15, there were 17 producers who opted out of the Schemes. Of these, 15 producers requested a refund of their contribution. In total, just over $22,100 of funds were reimbursed.

4.2.6 Approved programmes: wider biosecurity focus

Part 4 r18 (1) Approved programmes (Sheep and Goats; Cattle); Part 4 r19 (1) Approved programmes (Grains, Seeds and Hay)

The suggestion that the Regulations should be amended to include the ability for Schemes to fund wider biosecurity programmes beyond targeting a specified pest is not recommended. The Regulations currently require that programmes must address the:

- Control of a specified pest, or
- The advancement and improvement of control measures for a specified pest.

The Regulations do not specify what activities can be undertaken in this regard and are therefore flexible enough to allow wider biosecurity efforts such as through surveillance, education and awareness as long they target a specific pest. In the cited example of the State Barrier Fence, while the Regulations would prevent the funding of the Fence through the Schemes, there is provision in the Regulations to target declared pests such as emus, wild dogs, rabbits and other pests currently controlled by the Fence. The Regulations are therefore considered flexible enough to address the concerns raised and as such no change is recommended.

4.2.7 Approved programmes: programme review periods

Part 4 r18 Approved programmes (Sheep and Goats; Cattle); Part 4 r19 Approved programmes (Grains, Seeds and Hay)

The suggestion that the Regulations for each Scheme be amended to require programmes to be reviewed after a certain period to ensure they remain effective is not recommended. This suggestion is considered to be an operational or governance issue that should be addressed by the Committees. Although the Committees review which programmes to fund on an annual basis, it is recommended that each Committee consider the regular review of the actual impact of the programmes as best practice.

4.2.8 Payments in respect of losses

Part 4 r20 (1 and 2) Payments in respect of losses (Sheep and Goats; Cattle); Part 4 r21 Payments in respect of losses (Grains, Seeds and Hay)

The suggestion that the Regulations should be amended to allow reimbursement for the remediation of land that has been damaged while controlling or eradicating a pest is not recommended. The current Regulations allow compensation for the losses arising directly from infection or infestation with the specified pest, or from actions or measures taken to control the specified pest. These costs are considered to be sufficient to compensate producers for losses.

4.3 Operational changes

A number of the issues raised during the Review did not relate to the Regulations that govern the Industry Funding Schemes. However, these issues do impact the operation and effectiveness of the Schemes and are therefore raised in this report.

4.3.1 The roles of DAFWA

There was a repeated need for the various roles of DAFWA to be formalised and publicised for the benefit of producers who are paying contributions and for DAFWA staff, some of whom appeared to be unclear about the relationship between themselves and industry. DAFWA provides three roles to the Industry Funding Schemes in terms of providing:

1. Administrative support to the Industry Funding Schemes in the form of providing an Executive Officer for each IMC, in collecting contributions, co-ordinating the opt out process including the reimbursement of contributions, and in providing legal and other administrative/policy advice.
2. As a contractor employed by the Schemes to run various their various programmes.
3. Advice to the Committees on a variety of issues relating to biosecurity.

There needs to be a clear distinction between these three roles and particularly DAFWA's role as a contractor providing programme services. A more formal relationship needs to be made with DAFWA on a programme level. The relationship should be set on a formal basis with clear terms of reference, programme deliverables, reporting framework and programme performance criteria. Programme agreements should be set on a fixed price basis and should reflect the objective and goals of each Scheme.

Consideration should be given to the formalisation of the roles and responsibilities of DAFWA in supporting the Schemes in a recognised document such as a Memorandum of Understanding.

4.3.2 Procurement process

The Request for Tender and the associated Scope of Works for the procurement process of each programme should require more detail in terms of proposed budgets. This requirement will address some of the issues raised in consultation surrounding the perceived lack of transparency of the programmes particularly DAFWA's role in the programmes. There was a particular concern that DAFWA was using Scheme funds to cross subsidise other programmes operated by the Department. A more detailed budget would assist in improving transparency and allaying fears that DAFWA, or any contractor employed to operate the programmes, was spending industry funds in a responsible and clear manner and as required by the programmes.

4.3.3 Reporting to contributors

Consultation revealed a general confusion amongst industry as to the Schemes and their role. It is recommended that there is an improved communication of the Schemes and how they operate.

Consideration should be given to expanding the detail of information in annual reports or reporting provided by the Schemes to member producers. Emphasis should be placed on the outcomes of the programmes in terms of the number of affected properties, number of surveillance efforts, expenditure per property, methods of surveillance and remediation, considered programmes, and so on. This will

allow contributors to better track the progress of their funds including what decisions were made by the Schemes on their behalf and what outcomes were achieved by the programmes.

A

CONSULTATION

A.1 Targeted meetings

Table A.1 provides a list of the organisation or departments that were consulted in face to face meetings and the key contact of each organisation. Note that each meeting was attended by more than one person from each of these organisations.

TABLE A.1 KEY CONTACTS FROM ORGANISATIONS AND DEPARTMENTS CONSULTED

Name	Title	Organisation
David Jarvie	Chair	Cattle Industry Management Committee
Kevin Chennell	Executive Director, Biosecurity and Regulation	Department of Agriculture and Food Western Australia
Katy Ashforth	Legal Officer	Department of Agriculture and Food Western Australia
Viv Read	Director Invasive Species	Department of Agriculture and Food Western Australia
Mandy Taylor	Chief Finance Officer	Department of Agriculture and Food Western Australia
Rebecca Heath	IMC Executive Officer	Department of Agriculture and Food Western Australia
Peter Gray	A/Director Livestock Biosecurity	Department of Agriculture and Food, Western Australia
Barry Large	Chair	Grains, Seeds and Hay Industry Management Committee
Ian Randles	Pastoral and Livestock Executive Officer	Pastoralists and Graziers Association
Jeff Murray	Chair	Sheep and Goats Industry Management Committee
Tony York	President	Western Australia Farmers Federation

B

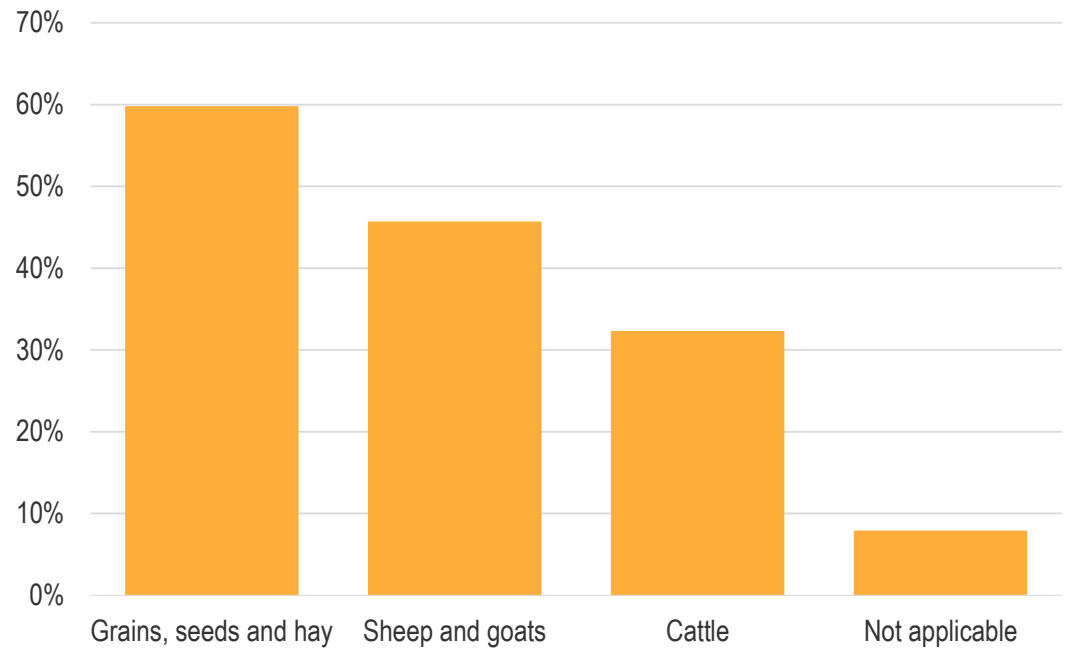
SURVEY RESPONSES

During the months of May, April and June 2016, ACIL Allen conducted a survey of industry stakeholders to further capture their views on the operation and effectiveness of each of the three Industry Funding Scheme Regulations.

B.1 Respondent characteristics

A total of 127 respondents completed the survey, with the majority of these respondents participating in the Grain, Seeds and Hay Scheme (60 per cent or 76 respondents). Just under 46 per cent (58 respondents) participating in the Sheep and Goats Scheme, and just under one third (41 respondents) participating in the Cattle Scheme. Eight per cent (10) of respondents reported that they did not participate in any Scheme. These respondents tended to be collection agents and departmental staff.

WHICH SCHEMES RESPONDENTS PARTICIPATE IN

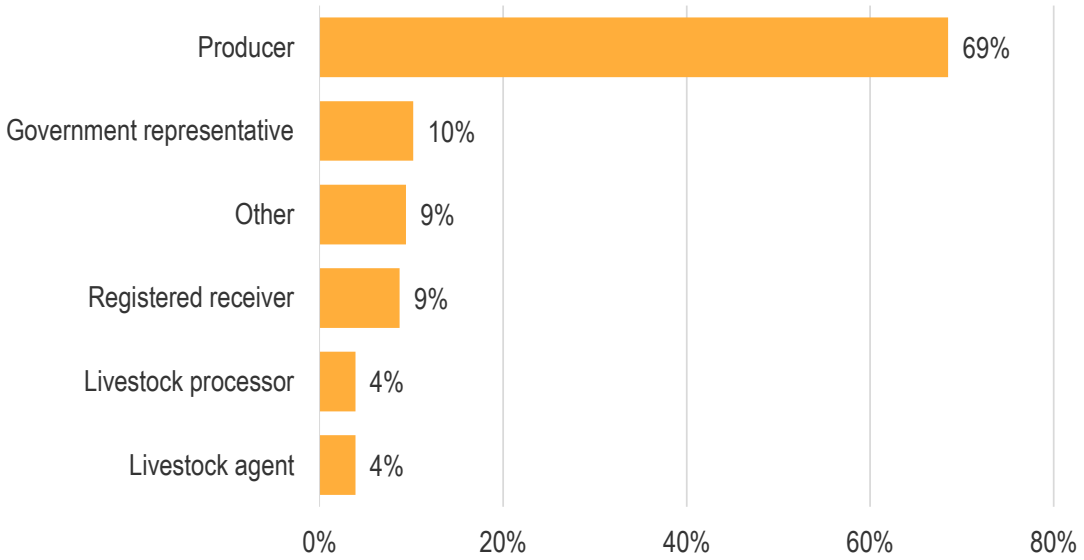


N=127

SOURCE: ACIL ALLEN CONSULTING

The large majority of respondents were producers (69 per cent or 87 respondents), while eight per cent (10) reported to be either livestock agents or processors, and nine per cent (11) reported to be registered receivers. The remaining respondents were either Government representatives (10 per cent or 13 respondents) or a classification not listed (nine per cent or 12 respondents, of which four commented that they were export traders).

CLASSIFICATION OF RESPONDENTS

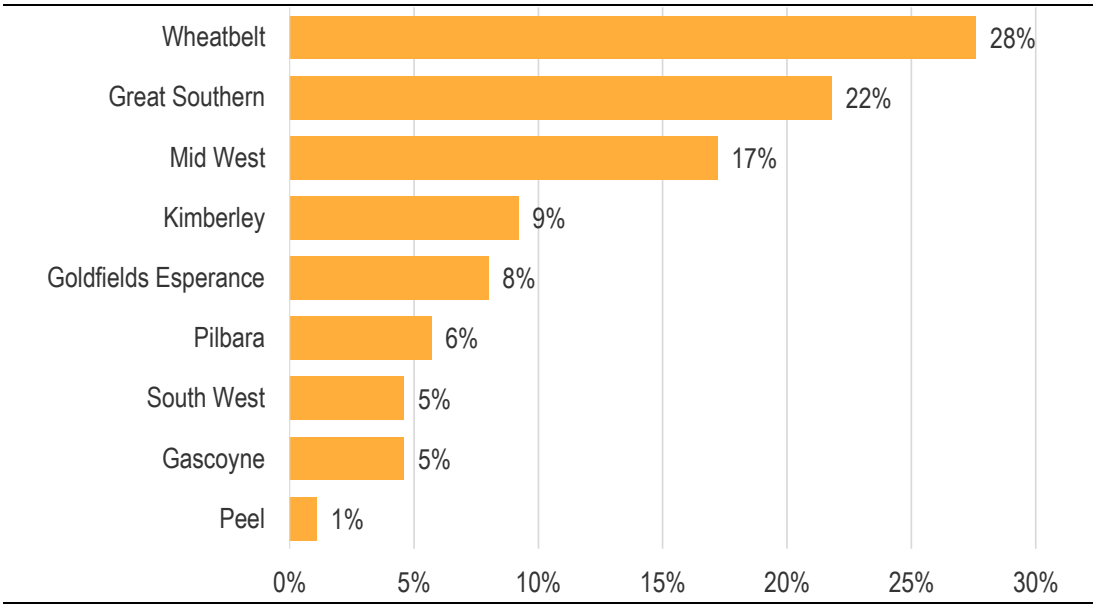


N = 127

SOURCE: ACIL ALLEN CONSULTING

In terms of the region in which Producers were located, the most frequently reported region was the Wheatbelt region (28 per cent or 24 respondents), followed by the Great Southern region (22 per cent or 19 respondents) and the Mid-West region (17 per cent or 15 respondents). No other region was reported as the primary location for more than eight producers (or more than 10 per cent of respondents).

THE REGIONAL LOCATION OF PRODUCERS



N = 87

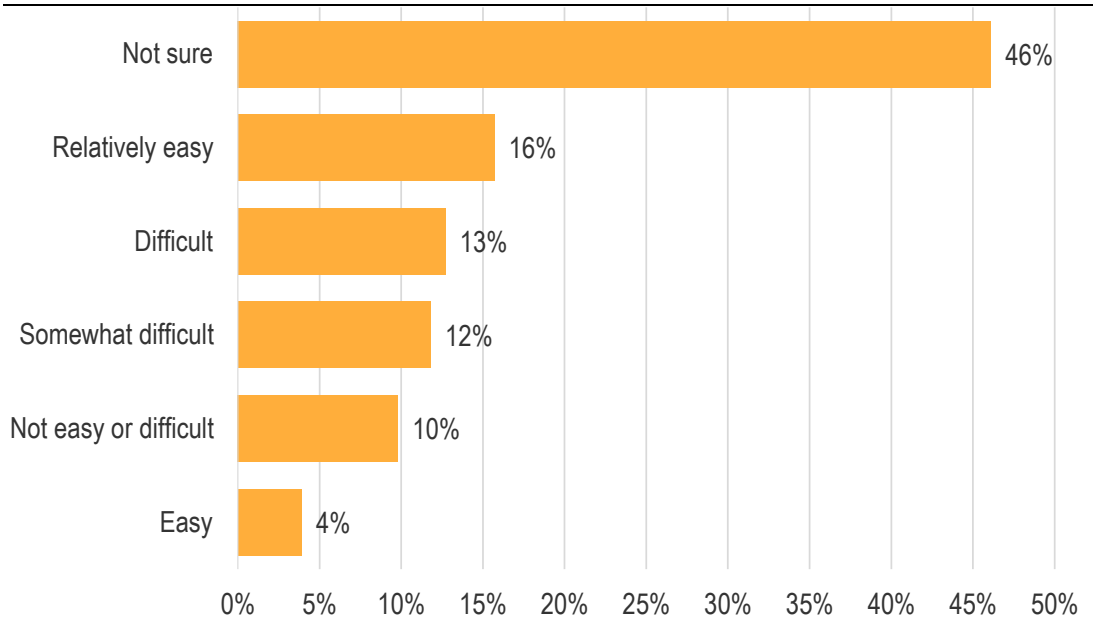
SOURCE: ACIL ALLEN CONSULTING

B.2 The opt out process

When respondents were asked how easy it was to opt out of a Scheme, 46 per cent (or 47 respondents) were 'not sure', 10 per cent (or 10 respondents) considered it to be 'not easy or difficult. Just under one quarter of respondents (25) reported it as 'somewhat difficult' or 'difficult', and around 20 per cent (20) reported it as 'easy' or 'relatively easy'.

However, a higher proportion of respondents reported that the opt out process was 'difficult' (13 per cent or 13 respondents) when compared to the proportion who reported it as 'easy' (four per cent or four respondents).

OPT OUT PROCESS



N =102

SOURCE: ACIL ALLEN CONSULTING

Just over one third of all respondents (34) considered that there should be changes to the rules surrounding the opt out process, while just over 23 per cent (24) were opposed to any changes. The remaining respondents (43 per cent of 44 respondents) were unsure whether there should be any changes made.

Of the 44 respondents who provided further comments on the opt out process:

- 32 per cent of respondents (or 14 respondents) considered that producers should be able to opt out of individual programmes, while not opting out of the whole scheme
- 14 per cent (or six respondents) considered that the opt-out process should to be made easier
- 14 per cent (or six respondents) believed that the opt out process was not difficult
- 11 per cent (or five respondents) believed that producers should not be able to opt out or that they should be discouraged from opting out
- nine per cent (or four respondents) considered that the opt out process should be made more transparent and that there needed to be more clarification on the opt out process and procedures (as an example, two respondents commented that they didn't even know there was an option to opt out.

B.3 Programmes funded by the Schemes

When respondents were asked whether the Schemes should be able to fund programmes that address 'general biosecurity' as well as programmes targeting specific pests/diseases, 45 per cent (45) answered that they shouldn't, while 41 per cent (41) answered that they should, with the remaining 15 per cent of respondents (15) being unsure.

Of the 34 respondents that commented, the most reoccurring comment (24 per cent of respondents who commented or 8 in total) was that the programmes funded should be specific to the Industry Funding Scheme, and that the chosen programmes need to be responsive, and flexible to industries' needs. For example, one respondents commented that 'It needs to be specific to your industry, to maintain trade. General biosecurity should be looked at case by case,' while another stated that programmes should be '…related in some way to the industry that collected those funds.'

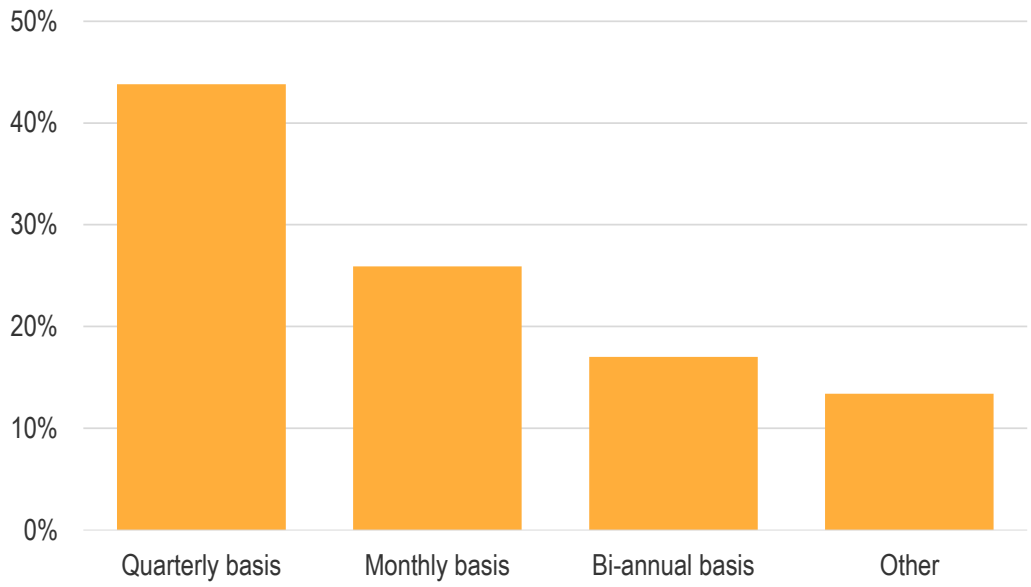
The next most prominent comment made by respondents (21 per cent of respondents who commented or seven in total) was that general biosecurity is a responsibility of the State Government, and that they should be the ones who incur (some or all of) the cost of general biosecurity

programmes. For example, one respondent stated that 'general biosecurity programmes are commonly more social issues that should be funded from general revenue.'

B.4 Remittance

In terms of when contributions should be remitted, the highest proportion of respondents (44 per cent or 49 respondents) believe that they should be remitted on a quarterly basis, just over one quarter (29 in total) believe they should be remitted on a monthly basis, while 17 per cent (or 19 respondents) believe they should be remitted on a bi-annual basis. The remaining 13 per cent (15 respondents) selected the 'other option', with four of these respondents stating that remittance should be made on an annual basis.

WHEN SHOULD CONTRIBUTIONS BE REMITTED



N = 112

SOURCE: ACIL ALLEN CONSULTING

Just over 40 per cent (46) of respondents believe the current collection of Scheme remittances is working well, 15 per cent (17) believe it is not working well, while the remaining 44 per cent (49) reported that they were unsure.

Just over one in five respondents (24 in total) consider that changes should be made to the current remittance system, while the remaining either reported that no changes should be made (36 per cent or 40 respondents) or that they were unsure (43 per cent or 48 respondents). Of those who commented further, four respondents considered that remittance should be done either on a quarterly or annual basis.

B.5 Industry Funding Scheme Regulations

Roughly the same proportion of respondents who consider that changes should be made to the Regulations consider that no changes should be made (24 per cent compared to 26 per cent, or 26 respondents compared to 28 respondents). The remaining respondents (50 per cent of 54) reported that they were unsure as to whether changes should be made to the Regulations.

Respondents' comments were mixed and generally reaffirmed the views already put forward throughout the survey, with the most notable being:

— four respondents (13 per cent) commented that the Regulations were working well

- three respondents (nine per cent) suggested that the programmes funded should not be prescriptive or that Scheme spending should be broadened to include general biosecurity
- three respondents (nine per cent) commented that cross-subsidisation of programme spending should not take place and that programme spending should be specific to a disease or a pest
- three respondents (nine per cent) commented that producers should be able to opt out of specific programmes without opting out of other components of the Schemes
- three respondents (nine per cent) commented that there needed to be greater transparencies surrounding the Regulations and how the contribution monies are spent
- two respondents (six per cent) commented that the Regulations should be disposed of
- one respondent (three per cent) commented that producers should have input into what programmes are funded
- one respondent (three per cent) commented that collection agents should be compensated for their time and service.

When asked how their suggested changes would benefit the operation and effectiveness of the Schemes, just under 32 per cent of respondents (seven) stated that their suggested changes would give producers more input into the decision making processes surrounding biosecurity, with some of these stating that their changes would enhance the overall transparency of the Schemes. A further 18 per cent (four) of respondents considered that their changes would reduce red tape and make the Schemes more efficient, particularly in an administrative sense.

B.6 Summary

A total of 127 respondents completed the Biosecurity Review survey, with the majority being producers (69 per cent), and the remaining respondents consisting primarily of collection agents and government representatives. In terms of location, around half of all respondents were either located in the Wheatbelt (28 per cent) or Great Southern (22 per cent) regions, with the Mid West region (17 per cent) also featuring prominently.

There was generally a mixed response reported by respondents regarding whether changes should be made the current opt out system, with 34 per cent considering that changes should be made, while 24 per cent were opposed to any changes.

Respondents' views were also mixed when asked if the Schemes should be able to fund programmes that address 'general biosecurity' as well as programmes targeting specific pests/diseases, with 45 per cent considering they should and 41 per cent opposing this view.

In terms of the remittance system, some three quarters of respondents considered that remittance should occur on a basis other than monthly, with the most favoured option (44 per cent) being quarterly.

Respondents generally had opposing views on whether the Regulations should be changed, with almost the same proportion of those who considered changes should be made (24 per cent), considering that no changes should be made (26 per cent).

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ABOUT ACIL ALLEN CONSULTING

ACIL ALLEN CONSULTING IS ONE OF THE LARGEST INDEPENDENT, ECONOMIC, PUBLIC POLICY, AND PUBLIC AFFAIRS MANAGEMENT CONSULTING FIRMS IN AUSTRALIA.

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