

21 AUG 2014

TO: MINISTER FOR AGRICULTURE, FOOD AND FISHERIES

MIN. BIGNELL

FROM: The BOARD of the DAIRY AUTHORITY OF SA

RE: PREMIER'S LETTER REGARDING BOARDS.

PURPOSE

To provide advice to the Minister on:

1. the role and value of the Board of the Dairy Authority of SA (DASA), including the efficiency of the current structure; and
2. options for improving the outcomes currently delivered by DASA.

BACKGROUND

DASA was formed as the successor to the Metropolitan Milk Board on 1st July 1993. Since that time it has been the regulator in the SA dairy industry, responsible for the effective implementation of food safety and critical elements of dairy produce quality assurance. This entails primary responsibility for implementation of the Primary Produce (Food Safety Schemes) Act 2004 as it applies in the dairy industry, the Primary Produce (Food Safety Schemes) (Dairy Industry) Regulations 2005 and the FSANZ Standard 4.2.4.

- DASA provides an arm's length independent regulatory service to the dairy industry in SA operating objectively within the relevant legislation and ensuring a very high degree of food safety to consumers.
- As a result of its engagement with all elements of dairying in SA, DASA enjoys the strong support of the industry.
- The smaller part of the processing sector has been able to grow in part due to the close relationship with DASA, which has allowed a level of confidence to invest in their businesses.
- DASA and its Board operate at no cost to Government.

DISCUSSION

1. The role and value of the Board of the Dairy Authority of SA

The core function carried out by DASA is as the regulator of food safety to the SA dairy industry. The structure of DASA has evolved over time to best deliver this function.

The Board of the Dairy Authority of SA is a board of three.

The role of the Board is to provide to DASA:

- Accountability
- Strategic direction
- Performance monitoring
- Corporate policy development

The current structure:

- Delivers safe dairy food products to the consumer as a result of effective auditing and regulatory services;
- Has a direct and focused relationship with industry engendering greater confidence between the regulator and the industry;
- Has a sound commercial understanding of the drivers for industry and is therefore able to respond quickly and effectively to industry demands;

- Understands the needs and pressures of the sector in an objective and sensitive way;
- Is cost competitive compared with other regulatory organisations and other structures utilised in other places.

The nature of its relationship with industry allows DASA to act more swiftly and with a higher level of co-operation when adverse incidents do occur and therefore to achieve results which are better for the industry and consumers in a shorter time.

The combination of a small Board overseeing a focused organisation leads to a reliable balance of efficiency and effectiveness which has served the State and the dairy industry well.

2. The efficiency of the current structure

Several key elements of the operation of the DASA are relevant in the context of the Minister's current initiative:

(i) DASA operates at no cost to the Government.

The dairy industry in South Australia totally funds the operation of DASA (including its Board) through the payment of statutory fees and charges for services. The schedule of fees and charges is reviewed annually by the Board and, until 2012, had remained essentially the same since 2005 in acknowledgement of the impact on the dairy industry of the prolonged drought and global economic downturn.

(ii) DASA provides an efficient, necessary service

DASA is the expert source of information and advice on monitoring and maintenance of dairy food hygiene standards in South Australia. It is also well qualified to comment across the industry from the farm gate to overseas exports and does so in local and interstate professional and industry forums.

In the normal course of business, DASA regularly provides statutory monitoring and compliance services to:

- 269 dairy farms (cow, goat, sheep, buffalo)
- 48 dairy factories/processors (42 in SA and the balance take SA milk into Victoria).
- 27 raw milk transport operators.

In addition, DASA officers deal with initial approval of dairy farms, food hygiene management of transporters of raw milk and processing premises, the development and implementation of food safety programs and remedial work with accredited businesses.

DASA is the auditor for all export registered dairy plants in SA. Because of its position in the industry DASA also supplies the basic statistics on the industry both to the industry and to Government.

Although these occasions are rare, during a major food borne illness event DASA becomes a member of a much bigger team usually headed by the Department of Health. MOU's govern the roles played by each group. Such events are rare simply because the system works effectively to reduce food borne illness.

(iii) DASA has the confidence of the dairy industry

The level of trust which exists between DASA and the dairy industry has been built up over many years through very careful management of resources and the delivery of an efficient and effective service. DASA's high visibility as the only dairy regulator is well accepted as its field staff carry out all domestic and export auditing.

A growing function which has fallen to DASA is to ensure that small businesses in regional areas connected to dairying and dairy products are provided with support to develop in a way which is safe for human health and cost effective thereby helping their viability.

3. Options for improving the outcomes delivered by DASA

Three options have been proposed and discussed with industry previously and at this time:

- (a) Amalgamation of DASA with PIRSA BioSecurity
- (b) Establishment of an independent external regulatory authority
- (c) Maintenance of the status quo, retention of DASA

Addressing these separately:

(a) Amalgamation of DASA with PIRSA BioSecurity

This option has the putative advantage of bringing the regulatory functions under the umbrella of a state government instrumentality which already performs those functions for other sectors of the SA fresh food. This would be similar in some respects to the WA model where the food safety regulatory function is carried out by an arm of the Health Department. Under this model there would be no need for a Board.

The SA Dairy Farmers' Association and some members of the processing sector were approached a few years ago about the potential merging of DASA with PIRSA Biosecurity SA. On consideration they took the strong view that the independence and focus of DASA as a single purpose regulator was in the interests of the dairy industry as a whole.

Additionally, recent comparison of costs per instance of service would seem to indicate that DASA can deliver the necessary number and range of services as PIRSA BioSecurity at a lower cost. Amalgamation would almost certainly lead to an increase in cost to the industry and to the consumer.

(b) Establishment of an independent private regulatory authority

In reply to the Reynolds Report into SA Health, DASA provided an outline of the various structures used in Australia to carry out these functions. In essence, Tasmania, Victoria and SA use a separate dairy authority which also carries out export regulatory oversight for the Commonwealth. NSW and Queensland use a Food Authority which covers the functions of food safety in all food products.

At this stage there is no recognised preferred model in Australia. In the meantime DASA's track record of efficiency, including cost efficiency, would recommend it as a model of an independent external authority with a history of satisfactory performance.

(c) Maintenance of the status quo, retain DASA

The major function of DASA is the provision to the consumers of safe dairy products. Regardless of who performs it, this function is necessary under the food safety standards in place in Australia and SA. DASA, as it is currently structured, provides a range of regulatory services in support of this function in a cost effective, proficient and professional manner. The three-person DASA Board is a skills based low overhead operation which contributes to and enhances the performance of DASA.

DASA Strategic Direction

DASA has changed its method of operation to suit changes in the industry over time. This is reflected in the DASA strategic plan which is updated regularly. The constant endeavour to reduce the cost burden of regulation on the dairy industry has been achieved with the full support and direction of the Board and the industry.

In more recent years the Board has supported DASA's assistance to smaller processors in the SA industry. This has led to an expanding "boutique industry" which is represented by the increase in the number of dairy processors involved in the SA industry from 23 in 1994 to 48 in 2014, while the number (5) of very large processing sites in SA has remained constant through this period. DASA predicts that this aspect of its work will continue to expand. This is of great value to the industry-particularly as it is supplied in a manner which is not aligned to government

The Board is committed to a constant process of review and reassessment in pursuit of continuous improvement. The changes since the inception of DASA attest to this. Led by its Board, DASA has shown itself willing and able to embrace change, for instance, advances in technology, where the evidence indicates that this will lead to a better, more cost effective delivery of food safety regulation to the consumer and the dairy industry.

Summary

- DASA provides an arm's length independent regulatory service to the dairy industry in SA operating objectively within the relevant legislation and ensuring a very high degree of food safety to consumers.
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Catherine Cooper
Chair
Wednesday, 20 August 2014