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Mrs Helen Owens
Presiding Commissioner
Cost Recovery Inquiry Productivity Commission
Fax 03 9653 2303



Dear Ms Owens

RMAC VIEWS ON COMMISSION INQUIRY ISSUES

Thank you for the opportunity for RMAC representatives to provide oral comments to you in Canberra on the Commission's draft report.

As a general comment, RMAC commends the Commission for its draft report which addresses these issues well. RMAC agrees with your overview comments that the increasing focus on cost recovery for Commonwealth government agencies has a significant impact on both actual and potential users of regulating and information agencies". The Commission points out that while the terms charges, taxes, levies and fees have distinct legal meanings, they are, in their practical impacts, a form of tax.

RMAC supports the key points made in the draft report, in particular:

- The rejection of non transparent cost recovery guidelines set 'tops down' by the Department of Finance instead of a consultative process which identifies beneficiaries, and which public interests are being served.
- The recommendations documented in Chapter 6 on economic effects are particularly pertinent eg the highly relevant recommendation that "cost recovery arrangements should not include the cost of activities undertaken for Government, such as policy development, ministerial or parliamentary services and international obligations" (our underlining).

We believe that marginal cost pricing for cost recovery is the correct principle, and that incremental cost pricing should only be seen as a proxy for marginal cost pricing if it can be shown that convincing technical difficulties prevent accurate estimation of marginal cost pricing.

There are obvious implications for AQIS cost recovery methodologies if the above approach is adopted across government agencies.

As a related comment the concept of full transparent disclosure with independent cost assessment of the cost regime is very attractive to us, since it would put the meat industry on a more equitable competitive footing with its international competitors, particularly the United States.

In Chapters 9.6 and 9.7 the Commission has commented on the need to improve the quality of scrutiny by levy payers of the agency cost structure. While consultative forums currently exist between industry and AQIS, the Commission provides useful comments on how to ensure a more transparent and public mechanism for conveying stakeholder views (the establishment of Efficiency Audit Committees was suggested). The consultative process is capable of different interpretations, and the concept of a well defined process with executive authority to obtain financial data, and to report on such issues, is a sound one.

A final point we wish to raise is that the Commission correctly provided a great deal of technical commentary on the application of cost recovery, and the various cost approaches available. We stress that a key to the effective establishment of marginal cost pricing is very precise and accurate data disaggregated to the level needed. This high level of financial transparency cross references with the need for independent analysis of the agency cost structure referred to earlier.

Yours sincerely



Bob Coombs
Secretary