July 16, 2001

Submission to Cost Recovery Inquiry

TTF welcomes the opportunity to provide a brief submission to the Productivity Commission Inquiry into Cost Recovery. TTF is an industry organisation representing the top 200 investors, owners and developers of the tourism industry.

The tourism industry generally supports the concept of cost recovery. It is vitally important that where possible market disciplines are applied to the production of Government services. Such an approach ensures the Government has adequate resources to fund welfare, other important social services and other public goods.

However, some cost recovery measures are applied inconsistently, do not necessarily reflect spillover effects and over collect. The following brief examples are used to illustrate these points.

Example 1: Passenger Movement Charge

In the 2001-2002 Federal Budget, the Passenger Movement Charge (a tax not a charge) was raised by $8 to protect Australian borders from foot and mouth and other exotic diseases. While, the intention of the increase is admirable, the increase can be questioned on two grounds. First, if the PMC is a tax and not a charge then it would be reasonable to expect that it would not be earmarked or hypothecated – which the Government clearly outlines in the Budget Papers. Second, it is understood that the costs associated with foot and mouth will also be used for scanning mail and freight. The PMC is levied only on departing tourists, who do contribute but whose activity is generally unrelated to the mail and freight scanning function.

Example 2: Internet ETA Charge

One week following the 2001-2002 Budget, the Department of Immigration and Multicultural Affairs introduced a $20 charge for the Electronic Travel Authority issued over the internet. ETA's before this have been free of charge. The reason for the $20 charge was to recover $200,000 in site development costs. In the first week more than 4000 visitors used the service. It would be reasonable to expect that at this rate they will over collect recovery costs by more than 2000%.

Example 3: Environmental Management Charge

The World Wildlife Fund for Nature recently released a Great Barrier Reef Report Card into pollution of the Great Barrier Reef. WWF found that farm run-off into waterways is the overwhelming man made threat to the Great Barrier Reef. Yet, through the $4 Environmental

Management Charge, commercial tourism operators are the only businesses that contribute to the management and protection of the Reef. There is good reason for the tourism industry to contribute but on what grounds should it be the sole contributor?

These three (brief) examples, highlight that:

1. The application of fees and other cost recovery measures are not necessarily applied on beneficiary pays basis (or even in some instances a regulated pays basis). All activities that create negative spillover effects are not charged.
2. There are cross-subsidies that underpin the application of cost recovery measures as they relate to tourism.
3. The application of cost recovery measures lack transparency and the tourism industry cannot identify an instance where over-collection of costs was refunded.

TTF supports the thrust of the Productivity Commissions findings into Cost Recovery. TTF recommends that:

- Clear principles for Commonwealth agency cost recovery be developed;
- Where possible, agencies should adopt beneficiary-pays principles in the application of cost recovery;
- If possible cost recovery principles should be applied on a net-spillover basis;
- Provisions should be made for instances of over collection;
- Cost recovery measures should not be used to cross subsidise other activities of agencies; and
- A charge should not masquerade as a tax – and clear policies should be developed to avoid earmarking of specific tax collections.

Should you require further information please call me on 02 9368-1500 or email me on salbin@ttf.org.au.

Yours sincerely

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