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PRODUCTIVITY COMMISSION INQUIRY – COST RECOVERY ACTIVITIES OF COMMONWEALTH AGENCIES

I refer to your invitation for the AEC to submit a paper to the Inquiry. At our meeting last month, we indicated that an internal review was currently underway into our cost recovery activities. Unfortunately, that review has not progressed as far as anticipated due to the impact of other priorities, so I am unable to provide a copy of the report at this stage. I have reviewed the information papers provided and submit the following comments for your consideration.

The AEC is involved in a variety of fee for service or charging arrangements which fit within the broad definition of cost recovery that has been defined for this Inquiry. For example, we provide local government election services on a competitive fee for service basis. We also provide electoral assistance and expertise to other Commonwealth agencies in a non-competitive environment. These agencies have limited (in the case of AusAID) or no (in the case of ATSIC) ability to seek services from anywhere else due to our agency being the sole supplier or because of legislative requirements. The AEC maintains, on behalf of states and territories, the joint electoral roll and recovers some costs on a share basis from electoral authorities. The joint roll arrangements prescribe the costs that the AEC may recover. For some services, such as industrial elections, we do not currently charge in accordance with Government policy.

The AEC endeavours to recover the full cost of services in accordance with Government policy. Generally, the cost model includes on costs, a management fee and capital charges, however variations do occur given the variety of services and the range of clients that we have. For example, under the Joint Roll Agreements mentioned above, only costs directly related to service provision are charged. Any whole of government cost recovery policy developed through this Inquiry must be flexible and recognise that in certain circumstances a different approach may be appropriate, that is, one size does not fit all.

The AEC observes the principles of competitive neutrality in accordance with Government policy. Over the last few years, we have become aware of instances

where our competitors may not be observing the principles. This effectively means that some element of cross subsidisation must be occurring, whether authorised or not.

The power for the AEC to provide and charge for services comes from the *Commonwealth Electoral Act 1918* (CEA). We are however dependant on the legislation and competitive tendering arrangements of other agencies at various levels of government to provide the framework and market for our expertise. For example, the Kennett Government introduced changes to the manner in which local government elections in Victoria were to be conducted. This 'untied' local government administrations from the Victorian Electoral Commission and opened the market to competition. As these market changes have occurred, the nature and volume of work undertaken by the AEC has also changed.

The increase in our cost recovery activities has highlighted the need for thorough business planning, costing, pricing and contract management practices and a shift in the skills required by staff.

The AEC is also required to collect some fees/deposits under the CEA and associated Regulations, for example, House of Representatives and Senate nomination deposits and the newly implemented political party registration application fee. The rationale for these fees/deposits is to regulate nominations and applications and ensure that they are genuine. The level of the charges is somewhat arbitrary and not related to the cost of processing. These charges do not form part of the resources available to the AEC.

As outlined above, the AEC deals predominantly with organisational clients and so our charging policies have limited direct impact on individual members of the public. Those persons are of course in turn ratepayers, for example, and so will be affected indirectly by our charging for local government services.

Further information on the AEC's cost recovery activities has been provided in the completed questionnaire, returned to your agency as per the instructions. If you require clarification of any responses please contact Ms Fiona Codd on 02 6271 4444.



Fiona Codd
Acting Assistant Commissioner
Corporate Services
30 November 2000