



AUSTRALIAN SELF-MEDICATION INDUSTRY

BETTER HEALTH THROUGH RESPONSIBLE SELF-MEDICATION

7 February 2001

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Mrs Helen Owens
Commissioner
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003



Dear Mrs Owens

I am writing further to ASMI's submission to the Commission's Cost Recovery Inquiry. While we recognise that public hearings have now been completed and a draft report is in preparation, we ask you to accept this supplementary submission.

In our view, the events set out below illustrate just how far the principle of "user pays" can be perverted by overall Government revenue maximisation efforts.

Industry is now being asked to accept a further rise in fees to be charged by the TGA because the TGA is required by the Department of Finance to pay an additional \$3,317m p.a. in rent for the building that houses the TGA's activities.

When the TGA building was built at Symonston, ACT, it was funded out of Consolidated Revenue. It was thus funded by taxpayers and may be seen to having been amortised at the time it was built.

Nevertheless, in 1996, the Government decided on changes to the management of Commonwealth properties. The principle was established that the Commonwealth should only own property where there was a real economic benefit or a public interest issue at stake.

It depends, of course, on what you think is a "real economic benefit". In our view, the proper application of this principle, in the case of the TGA building, is to decide on a rental for it that reflects the amortised cost. However, because the Department of Finance wants to sell the building, it wants the highest "market" price. That in turn is maximised through the imposition of the highest rent.

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The highest rent will be achieved if the valuation of the property is as high as possible. Industry only learned in December 2000 that the TGA management have been fighting a losing battle with the Department of Finance over the valuation. However, in the end, TGA has been constrained to accept a valuation of the property representing a net annual rent of \$5.312m — an increase of \$3.317m on the present rent.

Present policy requires that the TGA must recover 100% of its operating costs from industry and thus another \$3.317m must be added to the total receipts from fees for TGA services. In effect, therefore, industry is being required to fund the so-called "commercialisation" of Commonwealth property. Industry will be required to underwrite the "market price" the Commonwealth can get for selling an asset which the taxpayers have already funded completely.

Whatever the "real economic benefit" in this deal might be, it certainly is not to industry. Nor is it a benefit to consumers because the costs to industry of TGA services will have to be passed on in higher prices.

ASMI does not criticize the TGA's management in relation to this matter. In fact, on the information available to us, they seem to have resisted to their utmost this blatant attempt to tax industry under the subterfuge of "commercialisation".

There is no legislation of other regulatory arrangements governing this matter. The Department of Finance has just gone on a fishing expedition, apparently with the Government's consent.

We ask that the Productivity Commission investigate closely the "whole of government" implications of this incident.

Yours sincerely

AUSTRALIAN SELF-MEDICATION INDUSTRY



Juliet Seifert
EXECUTIVE DIRECTOR