

**Submission to the Productivity Commission inquiry into cost recovery arrangements
by Commonwealth Government regulatory, administrative and information agents**

The Bureau of Tourism Research (BTR)

<http://www.btr.gov.au>

This submission should be read in conjunction with BTR's response to the PC's questionnaire and the submission provided by BTR's host department, Industry, Science and Resources (ISR). As ISR's submission covers general issues, this submission is focused on BTR-specific information.

The BTR is a non-statutory, inter-governmental agency, funded jointly by the Commonwealth, State and Territory governments. The BTR is located, for administrative purposes, within the Sport and Tourism Division of the Commonwealth Department of Industry, Science and Resources. On matters of policy and the use of its core budget, the BTR reports directly to the Minister for Sport and Tourism, and to the Tourism Ministers Council, through the Australian Standing Committee on Tourism.

The Bureau has an annual budget of around \$4 million and a current staff of 21.

The BTR supports the Australian tourism industry through research. BTR's major activities are the conduct of two major travel surveys and its analytical and forecasting work.

Background

Tourist activity involves many different types of enterprise, each with different data requirements.

Although there are incentives for private sector participants to collect data it is difficult for businesses to organise information for use by many players. This is most pronounced for data which is of widest interest as there are few incentives for single businesses, a large number of potential 'free riders' and a requirement for unbiased information for government decisions.

BTR was established in 1987 by the Commonwealth, State and Territory governments to manage two national surveys of tourist activity on their behalf. Funding bodies specified that BTR should disseminate data to interested parties and recover costs where practicable. The rationale for cost recovery was to generate revenue to put towards further research, and to act as a rationing mechanism for BTR resources.

Since 1987 the work program has been expanded to include analytical services, however, the requirement for cost recovery remains unchanged.

International Visitor Survey (IVS)

The IVS is a survey of around 20,000 international visitors per annum, conducted at Australia's major international airports using computer-assisted personal interviewing techniques. The interviews are conducted throughout the year in airport departure lounges immediately prior to the visitors' departure from Australia. The data collection and processing for the survey are carried out by ACNielsen Research Pty Ltd on contract to BTR.

The survey provides detailed information about the characteristics and travel behaviour of international visitors to Australia on a quarterly, rolling annual and calendar year basis. Quarterly reports are published within 5 months of the reference period and detailed calendar year results within 9 months of the reference period.

National Visitor Survey (NVS)

The NVS is a survey of around 80,000 Australian residents each year conducted using computer-assisted telephone interviewing techniques. The survey is conducted throughout the year and provides detailed information about the characteristics and travel behaviour of Australian residents. Details of travel overseas as well as travel within Australia, both day trips and trips involving overnight stays away from home, are provided in the survey results. The data collection and processing for the survey are carried out by ACNielsen Research Pty Ltd on contract to BTR.

The NVS began in January 1998, replacing the Domestic Tourism Monitor (DTM) survey which had been conducted for several years. The NVS provides more comprehensive and more reliable data about travel by Australians than its predecessor.

In future quarterly (rolling annual) reports will be published within 4 months of the reference period and detailed calendar year reports within 7 months.

Supplementary Surveys

For both the IVS and NVS, BTR provides a service to clients on a fee for service basis which allows additional questions to be added to the survey on specific topics. This service enables cross-classification and analysis of the additional data items with those already covered in the main survey questionnaire.

Analytical Studies

- Studies of niche tourism markets.
- Estimates of the economic contribution of tourism to the Australian economy.
- Estimates of international and domestic tourism regional expenditure.
- Case studies of the importance of tourism within specific regional economies.

- Over the last two years, Occasional Papers and Research Papers published have included:
 - *Profiles and Motivations of Nature-based Tourists visiting Australia*
 - *Meetings Make Their Mark: Characteristics and economic contribution of Australia's meetings and exhibitions sector*
 - *Cultural Tourism in Australia*
 - *Valuing Tourism: Methods and Techniques*
 - *Tourism's Direct Economic Contribution 1995-96*
 - *Tourism's Indirect Economic Contribution 1995-96*
 - *Tourism Expenditure by International Visitors in Regional Australian*
 - *Tourism's Economic Contribution 1996-97*
- In addition the Bureau publishes a biannual journal, *Tourism Research Report*, containing shorter research articles prepared by the BTR.

Forecasting Unit

The BTR also manages a forecasting unit, funded by the Commonwealth government, which:

- Prepares forecasts of international and domestic tourist activity for the Tourism Forecasting Council (TFC). The final output is published by the TFC in *Forecast* magazine.
- Provides secretariat support for the TFC Consultative Committee, which is chaired by the BTR Director.
- Prepared alternative scenarios of the impact of changing global economic conditions on Australia's tourism industry. Three sets of scenarios were published, at six-monthly intervals, during the Asian economic downturn. These were discontinued as conditions stabilised.
- Is enhancing its econometric forecasting models to develop simultaneous and inter-active forecasting of inbound, outbound and domestic tourist activity.
- Managed the development of a methodology and first forecasts for the supply and demand of tourism accommodation (Tourist Accommodation, Regional Demand, Investment & Supply model, or TARDIS).
- Managed a consultancy to estimate the tourism impact of the Sydney 2000 Olympics.

Other services available from the BTR include:

A web site providing a range of information about the Bureau's research, including answers to many routine questions, a guide to the available information on a given subject, an order form, and links to other tourism information providers.

A statistical enquiries service for industry operators, academics, students and other interested parties. This is a cost recovery service.

Consultancy services offering survey and questionnaire design and research into niche markets, regional tourism and other significant issues.

BTR can be contacted by:

Internet (<http://www.btr.gov.au>).

Mail GPO Box 1545, Canberra ACT 2601, Australia

Phone +61 2 6213 6940)

Fax +61 2 6213 6940 or

Email (bureau.tourism.research@isr.gov.au)

COMMENT AGAINST TERMS OF REFERENCE:

(a) the nature and extent of cost recovery arrangements across Commonwealth Government regulatory, administrative and information agencies, including identification of the activities of those agencies for which cost recovery is undertaken;

Commonwealth funding provides almost half BTR's budget, with matching funding coming from the states/territories. The balance is recovered from users. In 1999-2000 some 14 per cent of BTR's \$4,364,242 revenue was recovered through service charges.

Income source	Per cent of total	Value (\$)
Commonwealth	45	1,967,324 ^a
NSW	11	500,000
Qld	10.5	457,488
Vic	8.5	371,952
WA	5	204,768
SA	3	121,824
Tas	1	53,136
NT	1	51,840
ACT	1	34,992
Sales of publication and services ^b	14	600,918
Total	100	4 364 242

(a) Includes a non-cash component - services provided, valued at \$509,866

(b) Activities normally included under this item range from sales of survey and analytical reports and services, via phone, mail, fax and email. Abnormal revenue included is interest (\$27,000) and asset sales (\$9,833) Methods for online sales are under consideration.

(b) factors underlying cost recovery arrangements across Commonwealth Government regulatory, administrative and information agencies;

Since its inception BTR has engaged in partial cost recovery from sales of publications. BTR's funding bodies see this as limiting calls on government funding, a way to deliver market signals as to the value of BTR's outputs and a deterrent to frivolous take-up of BTR publications. There is also a full cost recovery mechanism whereby BTR can carry out consultancy work for non-government organisations at market rates. This broadens BTR's range of work and expertise and keeps the organisation in closer touch with the industry.

The main factor underlying BTRs cost recovery is the policy of the funding bodies. Implicit in this policy has been an element of user pays pricing, more to limit calls on government funding than raise a significant portion of operating revenue.

(c) who benefits from the regulations, administrative activity and information to which cost recovery arrangements are applied;

BTR information services benefit the Australian community through the provision of high quality data on tourism activity for use by decision-makers. BTR was established to address a perceived market failure in the production of this data.

(d) the impact on business, particularly small business, consumers and the community of existing cost recovery arrangements, including any anti-competitive effects and incentive effects;

BTR provides a mechanism whereby reliable data is available to all businesses. This data would not otherwise be collected or disseminated because individual enterprises are unable to capture benefits equal to the costs. On this 'public good' assumption BTR's cost recovery arrangements are set at a level below cost to encourage information dissemination to a wide audience. The availability of government funded research at less than cost price reduces the risk taken by businesses on management and investment decisions. This should encourage informed competition, rather than have anti-competitive effects. The net effect of better informed decision making should be a more effective market and better use of community resources. The public availability of industry information also allows the community to better assess and manage such things as tourism's social and environmental impacts.

(e) the impact of cost recovery arrangements on regulatory, administrative and information agencies, including incentive effects;

Cost recovery (defined as non-government revenue) has not provided a significant part of BTR's funding to date. Cost recovery arrangements could provide an incentive effect for BTR, to the extent that total funding is increased. The incentive effect is limited by the extent to which stakeholder funding is reduced in response to cost recovery. Since 1996 BTR's government funding formula has limited funding increases to the CPI while some costs have risen at a faster rate.

Most recently one State funding body (Queensland) has cut its funding to BTR, and under the current funding formula the Commonwealth government has matched this cut. To maintain its existing level of activity BTR will need to increase sales revenue by increasing prices.

Cost recovery provides a means to minimise wasteful use of resources and a guide to real market needs, and thereby tends to make BTR's operations more effective and efficient.

(f) the consistency of cost recovery arrangements with regulatory best practice;

As an information agency, rather than a regulatory agency, BTR's situation does not provide guidance on this question, but BTR endorses the best practice cost recovery principles outlined in ISR's submission.

(g) appropriate guidelines for:

(i) where cost recovery arrangements should be applied;

Some Commonwealth agencies may not fit easily into general cost recovery guidelines because they are joint or cooperative ventures with other parties, such as industry or State governments.

While administered by the Commonwealth, BTR is also responsible to its non-Commonwealth funding bodies through the Tourism Ministers Council and a 'memorandum of understanding'. The BTR has been determined to be a 'Special Account' under the FMA Act, reflecting the 'trust' nature of the funds held and recovered by BTR on behalf of its State, Territory and Commonwealth funding partners.

It follows that alignment of BTR with any Commonwealth guidelines on cost recovery would require agreement by non-Commonwealth funding bodies.

(ii) whether cost recovery should be full, partial or nil;

(iii) ensuring that cost-recovered activities are necessary and are provided in the most cost-effective manner;

(iv) the design and operation of cost recovery arrangements, including the treatment of small business;

(v) where necessary, implementation strategies to improve current arrangements.

(vi) the review of cost recovery arrangements; and

(vii) implementation strategies to improve current arrangements

Any cost recovery guidelines should be flexible enough to allow agencies to operate in a business like manner. BTR's cost recovery is driven largely by its government stakeholder preferences and the structure of the industry.

BTR's cost recovery arrangements do not discriminate between businesses by size, but are set at a level below cost to encourage information dissemination to a wide audience. Dissemination of government funded research to the industry is of particular value to those with limited resources, such as new entrants and smaller businesses. Small businesses form a significant part of the tourism industry. The ABS provides some guide to this role (eg Small Business in Australia 1999, Cat No.1321.0).

4. In reporting on matters in 3 above, the Commission should, where relevant, have regard to:

(a) implications of recent and emerging technologies

Recent and emerging technologies can lower the cost of data collection, analysis and delivery and give access to new markets. They also require new investment and additional activity. BTR is currently investigating methods of selling products on line.