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**Complementary
Healthcare
Council
of
Australia**

National Secretariat
Unit 2, 1 Napier Close
DEAKIN ACT 2600

PO Box 104,
DEAKIN WEST
ACT, 2600

Ph: +61 2 6260 4022

Fax: +61 2 6260 4122

Website:
www.chc.org.au

Email:
chc@chc.org.au

Advertising Clearance
Section
PO Box 226,
FORESTVILLE
NSW 2087

Ph: +61 2 9975 1979

Fax: +61 2 9975 2431

Mr Delwyn Rance
Administration Coordinator
Productivity Commission
LB2 Collins Street
EAST MELBOURNE VIC 8003

Dear Mr Rance

**Supplementary information to the Productivity Commission Inquiry into
100% Cost Recovery**

As stated in our earlier submission, the CHC is strongly of the view that public health and safety are government responsibilities. Government policy of imposing 100% cost recovery to fund all facets of the TGA is totally inappropriate.

Further to our original submission, the CHC now have to hand further evidence of the government's attitude in relation to not only 100% cost recovery, but what is in effect double dipping, by increasing rent charged to the TGA by government for the use of the premises at Symonston. The current rent is \$1.995million and the agreed rent will be \$5.312million, effective from 1 July 2001. This is an effective increase of \$3.317million per annum, albeit that this amount has been negotiated by the TGA on a staggered implementation, i.e. \$1.5million increase in 2001-2002, same again for 2002-2003, and \$0.3million in 2003-2004. The proposed original rent was \$8.012 million per annum effective from 1 July 1999, and the TGA has been successful in delaying the start date by 2 years and also reducing the amount by \$2.7million. The CHC appreciates the efforts made by the TGA in this regard.

In 1996 the Government decided to reform management of the Commonwealth's property portfolio. In essence it was decided that the government should own property only where there is a real economic benefit or a legitimate public interest consideration. It is clearly understood that the government wishes to sell this special built facility and to ensure maximum revenue they are forcing the TGA into a long term lease at an inflated rental.

Under the government's policy of 100% cost recovery the increase in rent will be funded totally by industry. This information was first brought to our notice at the TICC meeting of 15 December 2000. This increase will substantially impact on annual fees and charges, and the short notice does not allow for financial planning within industry and will place extreme pressures on companies' budgetary processes.

In our opinion this further reinforces CHC's position re fees and charges being yet another form of taxation which is not scrutinised by the government

Yours sincerely

Val Johanson
Executive Director
9 February 2001



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