

30 May 2001

Mrs HJ Owens  
Presiding Commissioner  
Cost Recovery Inquiry  
Locked Bag 2  
Collins Street Post Office  
Melbourne Vic 8003

Dear Mrs Owens

**Draft recommendations 6.6 and 6.7**

I would like to comment briefly on the practical application of your draft recommendations 6.6 and 6.7 to the Australian Bureau of Statistics. I made submission 77 to your inquiry, and gave evidence at your Melbourne hearing on 11/12/00. Recommendations 6.6 and 6.7 meet our concerns, but may lack detail:

- can 6.6 be clarified to show that it excludes cost-sharing arrangements between Commonwealth and state government agencies?
- can 6.7 indicate that publications produced for core purposes should be priced at marginal cost?
- can agencies be required to provide detailed justification for fee per hour rates, without including a profit margin?
- we suggest there be no minimum fees
- can it be made clear that data cell charges are excluded?
- "competitive neutrality" is not relevant for ABS
- universities should be treated on the same basis as businesses

Although expanded internet data access will involve establishment costs, these may be offset by continuing staff savings. Even if data access at marginal costs does involve net costs to ABS, these should be greatly offset by benefits to community groups and businesses.

## **Draft recommendation 6.6**

*The core activities of information agencies (which may include some defined level of dissemination) should be wholly budget funded and not subject to cost recovery.*

My understanding is that ABS regards all the information it collects and stores as "core". Sometimes extra data are collected, or analysed in more detail, where another government agency has provided funds. ABS is apparently concerned that under 6.6 it will no longer be able to accept such funds from other agencies. Can 6.6 be clarified to show that it excludes cost-sharing arrangements between Commonwealth and state government agencies?

## **Draft recommendation 6.7**

*Non-core activities provided by government agencies should be charged at marginal (incremental) cost or, where relevant, at prices in keeping with competitive neutrality principles."*

Many copies of ABS publications are printed for distribution free to university, local government and ABS libraries. ABS sees this as part of its core services. But the same publications are currently available for purchase at ABS branches, at prices which appear higher than the marginal costs of printing extra copies. Where a publication is out of stock, it is sometimes printed from a computer file, and charged at the same price as the original publication. Can 6.7 indicate that publications produced for core purposes should be priced at marginal cost?

I understand that ABS charge about \$140 an hour for consultancy services and data, which are generally provided by staff earning at least \$40,000 a year. Commercial consultants often charge about \$3 an hour per \$1000 of salary, intending to provide margins for recruitment, training, administration, superannuation and profit. ABS charges are thus broadly in line with commercial standards, if a profit is appropriate. Can agencies be required to provide detailed justification for fee per hour rates, without including a profit margin?

ABS charges a minimum fee of about \$125 for information consultancies. This may be too high for many potential users, and seems inconsistent with marginal pricing. We suggest there be no minimum fees.

Our greatest difficulty has been with the complex and sometimes very high charges ABS makes for data cells. Under 6.7, there seems no justification for any such charges.

We are concerned by the phrase "where relevant, at prices in keeping with competitive neutrality principles". In particular, ABS sells census data on CD as CDATA96, at about \$12,000 for Australia-wide data, to commercial and academic consultants. These consultants may blend it with other data and sell it commercially. Where the consultant simply sells the data unchanged, they are required to pay a royalty to ABS. ABS may argue that it needs to maintain its prices so as not to

undercut these consultants. As ABS is the primary source of the data, "competitive neutrality" does not appear relevant.

We consider universities should be treated on the same basis as businesses. If marginal cost pricing is adopted, universities should be able to pay. In any event, businesses and universities are increasingly in competition, and should be treated alike.

Under recommendation 6.7, CDATE96 will have to be priced at marginal cost. This is likely to greatly reduce the cost of census data, making it within the reach of many community groups and businesses (including ourselves).

I understand that some overseas equivalents of the ABS, in the USA and UK particularly, now make very extensive data available on the internet without charge. The systems to do this have apparently involved appreciable cost. But such a system in Australia might save valuable ABS staff time currently making price quotations, many of which are apparently not accepted. ABS staff time extracting data to meet information requests might also be saved by a good internet interface. Can Australia afford first-class information access, or are we a third-world country?

Yours sincerely

Richard Cumpston