

# Cumpston Sarjeant Pty Ltd

Consulting Actuaries

5 December 2000

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



Dear Mrs Owens

## **Australian Bureau of Statistics pricing policy**

### **Summary**

As a small business, we believe ABS charges for computer data are irrational and excessive. These excessive charges result in very low levels of use (ABS may only recover about 2% of its costs from businesses). Innovation and competition are strongly discouraged. We believe that

- ABS should charge only the direct costs of meeting data requests
- ABS should develop internet facilities for data requests
- no charges should be made for data cells
- business and universities should be treated identically.

### **Our business**

We are an actuarial consultancy, established in 1997, with 8 staff and about 300 small to medium businesses as clients. We frequently prepare evidence for personal injury court cases, using a wide range of ABS standard publications. We are developing a stochastic projection model of Australia, intended to provide 100 year projections of persons and businesses for each of the 2600 postcodes in Australia. This work is highly innovative, and we are exchanging techniques with similar projects in Canada and Holland. Data requirements are very high, as they are for any serious analysis of the problems affecting Australia's regional and rural areas.

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## **ABS pricing policy**

An ABS 1999 document titled "ABS dissemination and pricing policy" says that its pricing policy is intended to serve three main purposes:

- to enable the demand for ABS products and services to be used as a more reliable indicator of how ABS resources should be used
- to encourage users to address their real needs for ABS products
- to relieve the general taxpayer of those elements of the cost of the statistical service which have a specific and identifiable value to particular users.

These purposes are largely garbage. High prices will deter many potential users with genuine needs for data, so that sales reflect only a small part of the demand. Users often cannot judge the relevance of ABS data to their real needs without making explorations. Specific data may of considerable commercial value to a few users, but also be relevant to many members of the community.

## **ABS charges for data requests**

Prices for ABS data requests and consultancies incorporate one or more of

- labour hourly charges
- infrastructure charges, based on the number of cells of data provided, and intended to recover the various system and computing costs associated with providing statistical information to clients
- direct costs direct attributable to a consultancy, such as courier charges.

Labour charges are reasonable in principle, as users should have to pay for extra costs they cause ABS. Labour charges are however costly for some potential users, and there may be a case for charging less than ABS's current \$140 an hour.

## **ABS charges for data cells**

Number cells	Charge
1000	\$40
25000	\$520
50000	\$895
100000	\$1,095

ABS's scale of charges for data cells is not available to the public, but some examples are in the above table. A minimum charge of \$110 for any information consultancy applies. Charges for cells can rapidly reach high levels in many practical situations. Even a charge of \$520 is a significant deterrent for many business and community applications. Large costs can occur if multivariate statistical analyses are proposed (for example of migration within Australia), or where significant data exploration is needed to identify relevant variables. The expenditure may prove wasted if comparison with other data shows faulty responses (as occurred for us with 1996 census data on retirement villages). The non-transparent nature of ABS's charges causes significant costs for ABS, as potential users request various quotations to try to balance data value against cost. Given the confidentiality restrictions imposed on small cells, analyses involving large numbers of cells may be of limited value.

### **Revenue raised by ABS from statistics**

Source	96-97 \$m	97-98 \$m	98-99 \$m	99-00 \$m
Publication subscriptions	2.2	2.0	1.8	1.7
Other publication sales	1.5	1.7	1.5	1.2
Other standard products	1.9	8.9	3.0	2.6
Information consultancy	4.6	6.5	5.5	4.4
Statistical consultancy	0.8	1.0	0.9	1.2
User funded surveys	8.2	6.0	5.5	5.3
Other products & services	3.9	4.9	4.4	5.1
<b>Total</b>	<b>23.1</b>	<b>31.0</b>	<b>22.7</b>	<b>21.5</b>
ABS expenses	326.9	240.3	227.9	255.5
Statistical revenue as % of expenses	7.1%	12.9%	10.0%	8.4%

### **Low levels of use by business**

We understand that business (including charities and religious groups) account for about 20% of ABS's electronic products. Assuming the same ratio for other ABS products suggests that total business sales in 99-00 were about \$4m. Of this, only about \$1m may have been for information consultancies. This very low level of use suggests that many businesses, like us, find ABS's prices excessive.

### **Recommendations**

Much greater business use of ABS data could be achieved by making no charge for data cells, or a very small charge per cell, regardless of the number of cells.

Facilities should be provided to allow users to request and receive data electronically, without ABS manual intervention. Charges should be intended to recover ABS's direct costs, for example in programming to meet non-standard data requests, and should be on a fee per hour basis. Universities should pay the same charges as businesses, as they are often in direct competition with business.

### **Costs and benefits of recommendations**

The costs of the above recommendations may be less than \$1m. The benefits should include much greater use of ABS information by Australia's businesses and universities, more innovation and a better-informed community.

### **Appearance before the inquiry**

If you think it might be helpful, I would be happy to attend the public hearing in Canberra on 7 December.

Yours sincerely

Richard Cumpston

A handwritten signature in black ink, appearing to be 'R. Cumpston', written in a cursive style.