



Department of Immigration and Multicultural Affairs

Reference 2001/324
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Dear Paul

Thank you for the opportunity to participate in the workshop held in Canberra on 18 May. I commend the Commission for its consultation with agencies in the development of guidelines on this most important issue.

DIMA will not be making any further submission to the Commission as we consider the issues for us that have arisen from the draft report and the draft guidelines were adequately dealt with at the recent workshop. To assist the Commission, I have restated those views below (references are to the pages of the workshop handout).

- **Cost recovery assessment process**
Stage 1 – Initial Policy Review:

- The prime issue to consider at this stage, and particularly for regulatory agencies, is the strategic policy direction of Government – that is, what does the Government aim to achieve by cost recovery. This should be considered in the context of the stated Outcomes/Outputs for the relevant area.
- It is critical to assess the Government's overriding strategic policy before it is possible to determine whether cost recovery will be used as a vehicle for regulatory purposes, or for the sale of cost and services.
- An additional issue for consideration under Policy Review (page 7) which is integral to the Government's strategic policy is "who are the beneficiaries" of a service to which cost recovery is being applied. In a regulatory environment, they may well be different to the recipient of the service or payer of the charges. This is a particularly important consideration in determining the level of charges, and in our view, should be discussed in more detail in the guidelines before the issue of "who pays" is addressed.



- Classification of activities (tree diagram at page 10) – DIMAs outputs are of the nature of regulatory activities, however visa charges do not fit comfortably with any of the existing classifications under Regulatory Activities (Exclusive Rights comes close but it is not an entirely accurate description). We would like to propose an additional classification in this part of the tree “In the nature of Goods and Services” for which we suggest the price determinant would be “Administrative Charge”.
- We would also like to suggest you remove the term “Direct” in Direct Administrative Charge under Exclusive Rights as it may be misleading (and perhaps confused with direct as compared to indirect components of a cost in provision of a service). The description “Administrative Charge” is sufficient, perhaps with an additional notes in the text of the guidelines of how the charge is determined (to include direct and indirect components).
- Under Information Provision Activities, Goods and Services, we suggest the correct price determinant would be “Fees” rather than cost recovery. For example, consider the situation where there is a commercial service for which there is a highly competitive market, the Government may wish for policy reasons, to charge the commercial market fee rather than just cost recovery. In this case, the fee could be “cost recovery plus”.

- **Stage 3 – Ongoing maintenance**

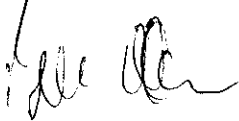
- The draft report suggests improving existing consultative arrangements in the determination of cost recovery and requested comments on the desirability of alternative vehicles such as efficiency audit committees (pages XL and 104 of the draft report). DIMA supports the principle of consultation, however, such a regularised structure of consultation may not be appropriate in all cases. For example, industry and stakeholders interests may be in conflict with the intent of the Government policy that lead to the cost recovery regime and may lead to unintended complications. Application of this policy should be assessed on a case by case basis.
- We would also note that for all Government agencies, there is already a heavy degree of scrutiny of charges and resource usage through Pricing Reviews with Finance, parliamentary scrutiny through the annual examination of the budget estimates (ex-ante) and annual report (ex-post) and efficiency audits undertaken by ANAO.
- The Minister for Immigration and Multicultural Affairs, and DIMA, already consult widely on the application of migration related fees and charges through, for example, a Business Advisory Panel, the tourism council, education providers and multicultural communities. Despite this consultation, the Minister and DIMA reserve the right to adopt a balanced view in the setting of charges.

- **Stage 4 – periodic review**

- We agree with the periodic review stage but note that the frequency of review will be driven largely by the degree of monitoring and scrutiny at stage 3.

If you wish to discuss any of the issues raised in this letter, please call me on 6264 1289 or Bernie Hackett on 6264 2273.

Yours sincerely



for
Steve Davis
Chief Financial Officer
5 July 2001