

Productivity Commission,
Cost Recovery Inquiry,
Locked Bag 2,
Collins Street East Post Office,
Melbourne, VIC. 8003.

R F Hadlow,
ACT

8 January 2001

Submission to the Inquiry into Cost Recovery Arrangements by
Commonwealth Government Agencies.

Page 1 of 2.

Further to my submission of 12 November 2000, I thank you for the opportunity to participate in the public hearing in Canberra and the transcript of proceedings.

The following is an Addendum to Submission No. 34 to clarify points raised during the hearing.

Photocopying - 4. True Cost.
5. Cost Plus includes a Tax.

Part 4.0 - True cost.

Cost is the actual expenditure, of dollars and cents, required to provide, in this case, a service. The expenditure is a fact that can be verified by invoices, signed time sheets and a genuine value for administration. Cost is not 'cost plus' as that is with a margin. In the private sector, if the true cost of an item is padded with unwarranted additions such as inappropriate research, promotional, entertaining, administrative and management charges, or an unacceptable profit margin, the sales potential is impaired. That is why some companies, in competitive situations, are forced to 're-engineer' their administration and management and some go bankrupt. This is not a fact of life for a tax payer funded government agency but the circumstance where Federal Government agencies charge the same expensive fee for photocopying, in a non competitive environment, is a point of interest in itself.

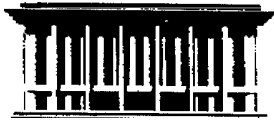
1.7 Cost plus is a tax.

If a Government agency, where cost recovery applies to only a limited number of services and a 'client' is charged a fraction of a cent over the true cost of that service, then that agency is collecting a tax to pay for services that are free or subsidised to other users. As stated at the hearing, **"cost recovery is understood to be charging, in order to obtain from a user, some money, to go part way or all the way to recouping the cost to the organisation in question"**. This does not imply, in any way, that a margin or a profit or any other add on is a component of the Federal Government's policy of cost recovery.

When the policy of cost recovery was first introduced, public servants almost universally hated it. Rumours hint that in some agencies management have learnt to love it, as receipts can pay for items that may not 'stand out' in their budgets or annual reports. Commonplace chat around Canberra suggests that expenses such as entertaining, media advertising, promotions, give-aways, exhibitions where entry is free of charge, conferences, travel and even air conditioning are a part of this.

(signature)

R F. Hadlow.



Roxanne Missingham
(02) 6262 1604

National Library of Australia

CANBERRA ACT 2600 AUSTRALIA
TELEPHONE (02) 6262 1 111
HOME PAGE ADDRESS
<http://www.nla.gov.au>
TELEPHONE TYPEWRITER NUMBER
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NATIONAL LIBRARY FACSIMILE
(02) 6257 1703

8 December 2000

Mr R. F. Hadlow
ACT

Dear Mr Hadlow

I am writing on behalf of the National Library of Australia regarding your submission to the Productivity Commission, Cost Recovery Inquiry. I will address the issues you raised relating to the cost of photocopying within the National Library.

I agree it is frustrating that the costs of photocopying vary from organisation to organisation. I'm sure this is because each organisation has its own method of calculating costs that account for the variations.

The National Library has held its on-site photocopying charges at the same rate since 1992. The charges were very carefully calculated taking into consideration the photocopying in all reading rooms of the Library in order to have consistent pricing. The costing formula used by the Library was based on the cost formula of the Department of Finance developed for costing all services. The formula included:

- Direct Costs such as cost of paper, toner, maintenance, bulbs (microform printers), capital costs (depreciation);
- Indirect Costs (floor space, electricity) and
- Staff salary for the time directly attributed to maintaining equipment (adding paper, toner, clearing jams, liaison with vendor & maintenance, staff preservation evaluation and copyright search time for manuscript material).

We do not operate the service as a revenue making service, but aim to cover the costs of copying as determined by our cost model. You will find that the range of charges in other institutions and commercial agencies varies from 10 cents per 30 cents. The charges vary depending on their costs and cost model. We do compare prices with other agencies and the fact that we have maintained the same charge since 1992 indicates we try to keep these costs to a minimum. Most other photocopy services have increased their prices during this period.

In July 1997 the Library tendered and contracted the photocopying services to a private company for a period of 5 years. The price of copies was maintained. Since the contract was in place prior to the introduction of GST the copy costs were exempt from a GST increase.

Your letter also refers to the National Library charging a fixed fee of \$13 for up to a maximum of 30 copies for photocopies made for remote users. That is the standard recommended fee Australian Council of Library and Information Services (ACLIS) interlibrary loan (book loans or photocopies) fee charged by libraries throughout Australia. ACLIS surveyed libraries throughout Australia to establish interlibrary lending costs and from those results set the recommended fee. The \$13 does not cover the actual expense of providing interlibrary loan services. In addition to actual photocopy costs there are expenses for staff salary, postage, packaging, billing and invoicing software and equipment, tracking items loaned, and processing returns.

All the public photocopiers were installed new in July 1997 and are expected to provide full service for 5 years or 700,000 copies at which time they are replaced. The photocopiers are maintained regularly by the contractor. Should you experience poor quality copies please advise a member of staff working on the reading room desk and they will assist you in making a replacement copy on that or another machine. They will also notify the contractor of the machine's failure to produce satisfactory copies.

I hope this information provides you with an understanding of the pricing arrangements of the National Library for photocopying. Please feel free to contact me (phone 6262 1604 or e-mail rmissingham@nla.gov.au) if you would like to discuss this further.

(signature)

Yours sincerely
Roxanne Missingham
Director
Reader Services

Included with the submission was an Officeworks Superstores Brochure which could not be reproduced clearly in an electronic document for publication on the website.

The brochure is:
Copy Centre Price Guide