



*national roundtable for industry leaders*

**THE TOURISM TASK FORCE LTD** A.C.N. 050 036 041

LEVEL 10, WESTFIELD TOWERS,

100 WILLIAM STREET, SYDNEY NSW 2011.

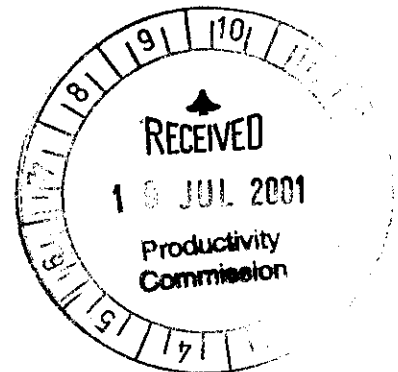
PHONE: (02) 9368 1500 FAX: (02) 9368 0933 E-MAIL: [tourism@ttf.org.au](mailto:tourism@ttf.org.au)

*Subject - TTF 158*

*ID no -*

16 July 2001

Mrs Helen Owens  
Presiding Commissioner  
Cost Recovery Inquiry  
Productivity Commission  
Locked Bag 2  
Collins Street East  
Melbourne VIC 8003



## **COST RECOVERY AND THE TOURISM INDUSTRY**

Dear Helen,

Thank you for the courtesy and interest you and your fellow Commissioners showed toward the evidence provided by Stephen Albin and me on 8 June in Sydney.

Having now reviewed the transcript I thought we should correct some errors and omissions including whether statements were by the TTF or Productivity Commission representatives.

In addition, I wanted to restate some of our major arguments in a simpler form in this covering note than we managed to express in oral evidence.

Recommended changes to the transcript are detailed in a brief attachment to this letter and in the copy edits provided by my colleague Stephen Albin.

Our core argument was that "Cost Recovery" as over-narrowly defined within this inquiry highlights inequities with the public sector application of this concept. Costs of providing services to the private sector are to be paid for, yet when the private sector endures heavy compliance burdens due to Government regulations there is no suggestion of beneficiary pay.

In the case of the tourism industry, it is common that the introduction of Cost Recovery coincides with imposition of heavy compliance burdens, with all too infrequent links between the revenue raised and the services provided.

Tourists and the service providers to them have increasingly become a "milch cow" for all levels of Government in Australia. If a Government ignores economic repercussions non-voters are obviously the ideal tax base.

We cited as three examples the:

1. Passenger Movement Charge (despite being technically a tax) becoming a \$370 million per annum revenue source for clearly linked specific expenditure (foot and mouth risk reduction and Olympic promotion of Australian tourism);

2. Environmental Management Charge for tourist access to the Great Barrier Reef; and
3. Visa Application Fees from the Department of Immigration.

In each of these cases the link between the cost and the benefit was far from clear.

In the first case, the link between the core beneficiaries of this policy are predominantly in the agricultural sector yet no costs for this measure were sought from this sector. A classic case of an industry transfer payment.

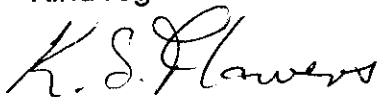
In the second case, the remedial work funded from the revenue was due to costs imposed by agricultural producers or other commercial users of the reef at least as much as from tourists, yet only the tourists were asked to pay.

In the final case, the application fee (to cover enforcement of overstays) was not refunded even if the application was rejected, while no economic assessment of the national economic costs of this measure on inbound tourism were conducted.

As we noted the problems of a lack of transparency and a clear tying of cost recovery to benefit seems to escape policy makers when considering potential levies on tourists.

If you have any queries on these comments or on our recommended changes to the transcript please ring me on 02 9368 1500.

Kind regards



KARL FLOWERS  
General Manager, Policy and Research