

4 August 2010



Ms Jeanette Radcliffe
Committee Secretary
Senate Rural and regional Affairs and Transport References Committee
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Dear Ms Radcliffe

Thank you for your letter dated 19 July 2010 inviting Sydney Airport Corporation Limited (SACL) to make a submission to the Senate's Rural and Regional Affairs and Transport References Committee concerning its Inquiry into Biosecurity and Quarantine Arrangements.

SACL is committed to supporting a strong biosecurity and quarantine system. With the exception of the specific concern outlined below, SACL is generally supportive of the recommendations contained in the report of the independent *Review of Australia's Quarantine and Biosecurity Arrangements, One Biosecurity: A Working Partnership* (the Beale Report).

SACL notes that in its Preliminary Response to the Beale Report, the Australian Government gave in-principle agreement to the 84 recommended reforms. SACL further notes that, as yet, the Government has not released its Final Response. However, as indicated by the Secretary of the Department of Agriculture, Fisheries and Forestry, Dr Conall O'Connell, during the recent Budget Estimates hearings, the Government is well advanced in finalising legislation and a submission containing a Commonwealth/State agreement to the Council of Australian Governments.

Further, in the 2010-2011 Budget, the Government allocated the following amounts to reform Australia's biosecurity system:

- \$20.0 million over four years to continue to progress the reform of Australia's biosecurity system. This includes development of a risk-based approach to biosecurity operations, and the enhancement of data collection and analysis capabilities within the Australian Quarantine and Inspection Service; and
- \$61.3 million over two years to maintain core quarantine border protection activities and to commence work on the initial elements of biosecurity reform as recommended in the Beale Report.

The Government also maintained the existing funding for quarantine border protection activities at \$265.5 million over two years.

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It is assumed that the budgetary implications of any further changes arising out of the Government's in principle acceptance of the recommendations in the Beale Report – and in particular how the necessary additional revenue will be sourced – will become clear once the abovementioned legislation and Commonwealth/State agreement(s) have been finalised.

With this in mind, SACL's specific concern relates to Recommendation 73 of the Beale Report, which states that the Australian Government should source a significant part of the proposed annual \$260 million boost in biosecurity investment funding through an adjustment to the Passenger Movement Charge.

The Australian Government increased the Passenger Movement Charge by \$9 from 1 July 2008 and, since then, it has remained at \$47 per passenger. This 24 percent increase was estimated at the time to raise \$459.3 million over four years. While Recommendation 73 does not suggest how much of the \$260 million increase should be sourced from an increase in the Passenger Movement Charge and how much should be sourced from other cost recovery mechanisms, it is fair to say that, should the recommendation be ultimately accepted by the Government, a further increase in the Passenger Movement Charge of between \$10 and \$20 (or between 21 and 42 percent) may result. This additional cost on international tourists would occur at a time when the Australian tourism industry is still recovering from the recent downturn it experienced as a result of the global financial crisis. As such, an increase in the Passenger Movement Charge would undermine that recovery and cost jobs in Australia's tourism industry.

Further, should the recommendation be accepted by the Government, there could be no guarantee that the revenue gained annually would be used to fund the necessary boost to biosecurity investment funding. In its *Follow Up Audit of the Passenger Movement Charge* undertaken in 2000, the Australian National Audit Office (ANAO) indicated that:

The Passenger Movement Charge (PMC) was introduced to recover or 'fully offset' the cost of Customs, Immigration and Quarantine (CIQ) processing of incoming and outgoing passengers and to recover the costs of issuing short-term visitor visas. The 1996 Audit Report noted that the PMC was introduced as a cost recovery measure, but that in law it was a tax.

The follow-up audit found that with the 1998–99 Budget decision to increase the PMC from \$27 to \$30 per passenger, a policy shift has taken place. The PMC is levied under Commonwealth taxing powers and is now applied partly as a general revenue raising source. As a consequence, the PMC is no longer solely linked to cost recovery of CIQ services. (emphasis added)¹

The Beale Report itself acknowledges this fact by stating that revenue from the Passenger Movement Charge is not hypothecated and that "... over time the linkage to border processing has diminished to the point where in 2000, the ANAO stated that the charge was no longer linked to cost recovery of these functions."²

Characterising the additional revenue as being available to offset new biosecurity-related expenditures (as the Minister's second reading speech for the *Passenger Movement Charge Amendment Bill* in 2001 extracted in section 9.2.4 of the Beale Report suggests), also does not resolve this issue. This is because offsetting is a far weaker funding mechanism than actual hypothecation, which is most often only achieved by an explicit statutory provision.

¹ see http://www.anao.gov.au/uploads/documents/2000-01_Audit_Report_12.pdf

² see section 9.2.4, page 197.

Revenue that is characterised as being available to offset functional expenditure elsewhere in the Budget is vulnerable to the annual vagaries of Budget negotiations resulting in long term uncertainty as to its continued availability.

In conclusion, while SACL supports additional funding being allocated to strengthen Australia's biosecurity and quarantine system, such additional funding should be sourced from other general taxation revenues, not by yet another increase in the Passenger Movement Charge. To do so would undermine the recovery of the tourism industry when it is still fragile and cost jobs.

Yours sincerely

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Chief Executive Officer