31 May 2012

Julie Owens MP
Chair
Standing Committee on Economics
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Ms Owens

Review of the Passenger Movement Charge Amendment Bill 2012

Thank you for the opportunity to provide input to the House Economics Committee inquiry and report into the Passenger Movement Charge Amendment Bill 2012 (the Bill). This letter outlines the Qantas Group's objections to the Bill.

Aviation is a highly competitive and price sensitive industry. According to the International Air Transport Association (IATA), in 2011/12 the profit forecast from the entire global aviation industry is just $3.0 billion with a 0.5% margin. This profit forecast is less than has previously been reported from only one of Australia's major banks.

Qantas already considers the Passenger Movement Charge (PMC) to be a disproportionate and unnecessary burden on the aviation industry. Further increasing this fee from $47 per passenger to $55 per passenger will undoubtedly have an impact on both the demand for international aviation to Australia and undermine the competitiveness of Australia as a destination. Any consequent reduction in demand will flow through to the broader tourism and related industries.

The timing of this increase of the PMC is particularly unfortunate at a time when the Australian dollar is at an all time high, having a material impact on the attractiveness of Australia as a destination. While international scheduled passenger traffic to/from Australia has grown by 18 per cent since the year ended June 2008, short term visitor arrivals have grown by just 5.2 per cent in the same period.

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Secondly, the tax increase comes at a time of rising and increasingly volatile fuel prices. According to IATA, fuel prices are at historically high levels and are 11 per cent higher than in 2011. Fuel is the largest cost for the Qantas Group with the cost of fuel estimated to be approximately $4.45 billion this year, an increase of 21 per cent on last year.

Qantas notes that the increase in the PMC will have a disproportionate impact on shorter haul international travel, especially those focussed on price sensitive leisure destinations. To this end, the tax will have a disproportionate impact on Jetstar services especially those to and from Asia and New Zealand. Although New Zealand is our single biggest inbound tourism market, the PMC is now up to one third of the cost of a Jetstar flight from Sydney to Auckland. Similarly, the impact is most likely to be felt in demand for Australian leisure based destinations like Cairns, Darwin and the Gold Coast.

It is also widely understood that the PMC vastly overcollects the cost of Customs, Immigration and Quarantine services which it purports to finance. By 2015-6 it is estimated that the PMC will collect over $1 billion. While the tax continually increases there has been no corresponding increase in border services. Indeed as a public good there is a strong argument that these services should be funded through consolidated revenue and not through a notional “user pays” charge.

A similar argument can be made for the $61 million provided for the newly established Asia Marketing Fund. While Qantas applauds the increased investment by the Government to promote the Australian tourism industry through the establishment of the Asia Marketing Fund, we believe that this should be more appropriately funded from broader government revenue.

In summary, the Qantas Group does not support this Bill and considers that its outcomes will be to the overall detriment of the aviation and tourism industries.

Yours sincerely

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