

SENATE STANDING COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS
AUSTRALIAN CUSTOMS SERVICE

Question No. 112

Senators Heffernan and Adams asked the following question at the hearing on 20 October 2008:

It has been noted that the Government has decided to increase the Passenger Movement Charge (PMC) from 1 July 2008 by \$9.00 from \$38.00 to \$47.00 per passenger. It is noted this will raise \$459.3 million over four years. It has been further noted that according to the Budget Papers, that it will recover the cost of a range of aviation security measures and the cost of processing international passengers and the cost of issuing short-term visas overseas.

- a) Is this correct? What are the precise costs the PMC is designed to cover?
- b) It is understood that in law the PMC is tax, not a pure cost recovery arrangement. Is that correct?
- c) What surety can you provide that the PMC will not be another general revenue raising measure?
- d) What are the projected costs over the forward estimate period of the items the PMC passenger is supposed to cover?
- e) On what basis have these costs been calculated?
- f) Can you please provide the Committee with these projections and the basis upon which they have been calculated?
- g) Will you provide a guarantee to this Committee that the PMC will not capture more revenue than the costs it is supposed to cover?
- h) What consultation did you undertake with the airlines over this charge?
- i) The last time the PMC charge was increased was in 2001. Are you aware that at that time the Howard Government exempted the new rate from tickets sold before 1 July 2001?
- j) At the time of the announcement of the budget on Tuesday 13 May 2008, how many tickets had the airlines sold for passengers intending to travel after 1 July 2008?
- k) Is it correct that Customs will invoice airlines for these passengers who fly after 1 July 2008, even though their tickets were sold at the old rate?
- l) How much has this decision cost the airlines?
- m) What will the Rudd Government do about it?
- n) Did the Rudd Government consult with the tourist industry about this decision?
- o) Did it consult with the Tourism and Transport Forum?
- p) Is the Rudd Government concerned that it is slugging the pockets of tourists at a time of rocketing airline fuel prices?
- q) Is this an appropriate measure when holiday visitor numbers to Australia haven't grown in seven years?

The answers to the honourable senators' questions are as follows:

a) Yes. Customs records five activities that relate directly to the processing of passengers at international airports. They include:

- Aircraft reporting and clearance
- Primary line clearance
- Enforcement, examination and response
- Intelligence and targeting, air border security initiatives, and
- Tourist refund scheme.

b) The PMC was reclassified as a tax in the 2005-06 Mid Year Economic and Fiscal Outlook, based on Australian Bureau of Statistics classifications.

Revenue raised by the PMC is paid into Consolidated Revenue.

c) The 2005-06 Mid-Year Economic and Fiscal Outlook (MYEFO) classified the PMC as a tax.

d) The PMC is not a hypothecated tax and the 2008-09 Budget measure was intended to offset a range of aviation national security initiatives that until that time had not been cost recovered.

e) Refer to the response at part d).

f) Refer to the response at part d).

g) The Department of Finance and Deregulation has advised that as a tax, the PMC is designed to partially recover the costs of passenger processing and aviation national security initiatives.

h) The Customs Passenger Facilitation Taskforce met with industry representatives in Cairns on 25 June 2008. Changes to the rate of the PMC were discussed. Qantas, Virgin, Jetstar and the Board of Airline Representatives are part of the industry group that meets regularly with the Taskforce.

i) Yes.

j) Customs is unable to provide an estimate of the number of tickets sold as at 13 May 2008.

k) No. The Passenger Movement Charge Amendment Bill 2008 provides that departures of persons from Australia on or after 1 July 2008 will be exempt from the increase on the rate of Passenger Movement Charge where the ticket or equivalent authority was sold or issued before 1 July 2008.

l) Customs does not have airline data on the cost of adjusting the amount to be collected.

m) Refer to the response at part l).

n) Refer to the response at part h).

o) Refer to the response at part h).

p) Airline fuel prices are subject to fluctuation.

q) The Government has determined that this is an appropriate measure.