

ADDITIONAL COMMENTS BY OPPOSITION SENATORS

1.1 Opposition senators do not agree with this increase in the Passenger Movement Charge (PMC) and are of the view that the increase is poorly timed, excessive in the circumstances and insufficiently explained. Opposition Senators will not oppose the Bill but nonetheless are deeply concerned about a number of issues raised in evidence to the committee and draw these to the attention of the Senate.

Adverse impact on the tourism and aviation industries

1.2 Representatives of the tourism industry, airlines and airport operators argued that the increased charge, taken together with other increased charges in the budget, such as increased visa processing charges for non-electronic travel authority markets could not have come at a worse time for the industry.

1.3 Representatives said that the industry was under considerable pressure due to a range of external factors such as the appreciation of the Australian dollar and increased international airfares resulting from the dramatic increase in the oil price. They highlighted the importance of inbound tourism in the economy and pointed to stagnation of the inbound market in the face of a global boom.

1.4 Opposition senators, while understanding that the proposed increase will bring the charge into line with its indexed 2001 value, are not convinced that the Government has sufficiently considered the impact of the increased charge on this important but currently beleaguered export industry, which is Australia's second largest earner of export income. Conditions now are very different from when the charge was last increased and there is a real risk that the increase will decrease the Australian tourism industry's ability to compete in a highly competitive and price sensitive market.

1.5 Opposition senators were particularly concerned by evidence from the Tourism and Transport Forum (TTF) that Government fees and taxes significantly inflate ticket prices:

If we add in the passenger movement charge with the visa application fees and the other multiple fees that are levied, it is topping out at over 20 per cent of the ticket, and we know that the ticket is the barrier to travel to Australia, so we suspect it is significant.¹

and from the International Air Transport Association (IATA), which told the committee that studies had shown that a 10 per cent increase in the cost of travel can lead to a 15 per cent reduction in travel demand.²

1 *Committee Hansard*, p. 22.

2 *Submission 5*, p. 2.

1.6 Opposition senators support the suggestion at paragraph 3.47 of the report that the Government commission modelling of the impact of the increased PMC to determine the extent to which government charges are decreasing the competitiveness of the tourism industry, and also of possible revenue offsets that might be achieved if such charges were reduced. Opposition senators are of the view that such modelling should be undertaken urgently.

Lack of Transparency and accountability

1.7 Virtually all submissions and evidence focussed on an alleged lack of transparency in relation to the PMC and a lack of accountability concerning how funds purportedly raised for purposes such as the provision of customs services are spent. Several witnesses and submitters also contended that the PMC over-collects, a matter of concern to Opposition senators.

1.8 Opposition senators noted that in their submissions and in answers to questions witnesses confirmed that they were not consulted on the increase in the PMC.

1.9 Several witnesses pointed out that there appears to have been a significant policy shift in relation to the reasons for the PMC. As pointed out by Virgin Blue in its submission, there is a lack of transparency and confusion about policy objectives:

On one hand, the increase is justified in the Explanatory Memorandum as funding national aviation security initiatives, which is clearly a departure from the original policy objective for the charge. On the other hand, the amount of the increase is justified by a notional retrospective indexing to take account of increases in costs (presumably of customs, immigration and quarantine services).³

1.10 The representative of the Australian Airports Association (AAA) also asserted that there is a lack of accountability in relation to how agencies use funds allocated from the PMC. Representatives told the committee that while all of the major airports (with the exception of Cairns) are now in private ownership, the ACS and other government agencies pay no rent for the facilities they use. This view was strongly supported by Adelaide Airport in evidence to the committee. They sought an allocation of some of the funds raised through the PMC as rental for the space occupied. The AAA maintained that this would improve agency accountability:

But post privatisation and in a true commercial sense it would give some clarity to what Customs, Quarantine and Immigration actually need to identify, and it would give them some commercial responsibility to account for the spaces that they need to do their job.

1.11 Opposition senators consider that there is a need to significantly clarify the purposes of the PMC and to be far more open and transparent about why the charge is being increased and how the money raised is to be spent. In evidence to the committee

3 *Submission 8, p. 1.*

the AAA said that tens of millions of dollars of free facilities were offered to the Australian Government. Opposition Senators are also strongly of the view that Government agencies should pay for and be made accountable for all facilities they currently receive without charge at the airports. While it may have been reasonable for such facilities to have been made available free of charge while the airports were government owned, it is more difficult to justify this now that virtually all are in private hands.

1.12 Opposition senators note that the Board of Airlines of Australia (BARA) has put forward a set of guiding equity and transparency principles which it said should apply if the PMC is to remain in place:

- efficiency - consumers should pay charges based on efficient delivery of services;
- user pays/equity - consumers should pay for costs of those services actually consumed;
- public accountability/transparency - the efficiency of charges levied by government monopoly service providers must be transparent; and
- quality of service - charges imposed by government agencies should not reward them for providing poor service.⁴

1.13 Opposition senators consider that these principles offer a good starting point for improving transparency and accountability in relation to the PMC.

1.14 Opposition senators note the Government is budgeting for revenue of \$459.3 million over four years yet evidence to the committee from the TTF said that this was an underestimation, and total revenue over this period would be an estimated \$600m. The ACS could not provide an answer to the question of exactly what costs the ACS incurred in their service in processing passengers entering and leaving Australia. Likewise, Immigration and Quarantine have not provided this information. They should. For example the ANAO Audit Report no. 1 concluded that the PMC over collected \$19m from airline passengers in 1996-97.

Conclusions

1.15 Opposition Senators recognise that this Bill is a budget measure and while not agreeing with it, will not oppose it. However, Opposition senators urge the Government to give urgent consideration to the following:

- deferring the increase in the PMC by 12 months, as requested by the Australian Tourism Export Council;
- commissioning modelling of the impact of the increased PMC to determine the extent to which government charges are decreasing the competitiveness of the tourism industry;

4 *Submission 1*, pp 4-5.

- implementing a user pays system for the use of services, infrastructure and floor space currently occupied without charge at airports; and
- adopting similar transparency and accountability principles to those outlined by BARA.

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