



Australian Government
Australian Customs Service

MINUTE PAPER

Central Office

File No:

Senators,

You requested further information at the Senate Legal and Constitutional Affairs Committee Enquiry into the Passenger Movement Charge Amendment Bill 2008 held on 20th June 2008. Please note that, given the extremely short timeframe, Customs is providing this advice as indicative only and additional time would be required to verify the calculations and information provided.

Question: What do Customs spend on processing passengers?

Customs utilises an Activity Based Costing (ABC) system to enable expenses to be tracked against individual activities. Utilising this system, and given the tight timeframe to answer this question, Customs can provide the cost of the majority of activities at airports around the country. These include activities relating to:

- o Monitor aircraft movements and provide appropriate clearances.
- o Inwards and Outwards Primary Line processing of passengers.
- o Inwards and outwards passenger enforcement including hall supervision, marshalling, alert response, passenger card statistical management, physical examination of baggage, use of technology, personal search, liaison with/referrals.
- o Passenger intelligence/targeting at inwards and outwards control points and in baggage collection areas,
- o The Tourist Refund Scheme.

The total cost of these activities at airports across Australia for the 2006/07 financial year is estimated to be \$203.7m (\$130.2m direct costs and \$73.5m indirect costs).

It should be noted that, given the limited time to prepare this response, it is difficult to confirm whether all costs of airport activities that could reasonably be assumed to be associated with the Passenger Movement Charge have been captured. It should also be noted that these costs relate to passenger processing costs only and do not include the cost of Air Cargo processing and examination.

Question: How does Australia compare with other countries in the imposition of passenger movement-related charges?

Customs approached the Department of Finance and Deregulation for a response to this question. They provided the following comments:

Australia compares favourably to other countries in the application of passenger movement-related charges. For example:

- o in the United Kingdom, the Air Passenger Duty is approximately AUD\$84.00 for economy class long-haul flights and approximately AUD\$169.00 for business and first class long-haul flights; and
- o in the United States, departure and arrival taxes sum to approximately AUD\$55.00.

Question: What value do Customs record for resources provided free at airports?

Airport operators provide Customs with most accommodation at airports at no charge, other than the cost of outgoings. In the main accommodation includes the passenger hall for the purposes of primary immigration clearance activities and the secondary inspection area for the purpose of baggage examination and search. Accommodation also includes reasonable office space required to directly manage and support airport operations, for example office areas, briefing rooms, secure storage and amenities.

Customs provides its own furniture and fittings, CCTV and examination equipment, for example, x-ray machines.

Customs does lease accommodation at commercial rates for the Tourist Refund Scheme booths for airport operators, and was supplemented for these property operating expenses as a part of the implementation of the Goods and Services Tax.

Customs recorded \$3.4m as resources received free of charge at the airports for 2006-07 to reflect the cost of accommodation provided free of charge. This figure is based on the square metres occupied at each location costed at a rate per square metre supplied in April 2006 by independent valuers (the Australian Valuation Office in most instances). These estimates are updated on a regular basis and Customs have requested new valuations for this year's financial statements.

Question: What basis did Customs use to verify the estimated increase in Passenger Movement Charge provide by Finance?

Customs maintains a Passenger Movement Charge (PMC) model that uses growth rates published by Tourism Research Australia. This is published biannually and is available to the public at www.tourism.australia.com. Customs

internal modelling based on Tourism Australia projections extrapolates growth rate estimates for the forward years.

The following table provides an estimate of the additional collection that would result from a \$9 increase in PMC using Tourism Australia's growth projection.

Year	Estimated Growth	Estimated Eligible Passenger Numbers*	Estimate for Add. \$9 charge
	%	millions	\$m's
2008-09	6.03	11.71	105.4
2009-10	6.78	12.51	112.5
2010-11	5.85	13.24	119.1
2011-12	5.44	13.96	125.6
Total Additional Collections over 4 years			462.6

*rounded for purposes of display

This estimate is materially consistent with the estimate provided to Customs by Finance of \$459m over 4 years.

Chris Ramsden
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 Australian Customs Service
 20th June 2008