



20 June 2008

Committee Secretary
Senate Standing Committee on Legal and Constitutional Affairs
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir

I refer to the inquiry being conducted by the Senate Legal and Constitutional Affairs Committee into *Passenger Movement Charge Amendment Bill 2008* and the invitation to receive written submissions.

Virgin Blue is pleased to have the opportunity to provide the following comments in relation to the Bill.

We have three primary concerns with the proposed increase to the Passenger Movement Charge (PMC):

- Lack of transparency and clear policy objective;
- The PMC is a tax on the aviation and tourism sectors when the real beneficiaries are the general public;
- The impact of increasing the cost of air travel on the airline and tourism industries at a time when both industries have been severely impacted by record fuel prices.

The original policy basis for the introduction of the PMC was recovery of the costs of customs, immigration and quarantine. However, there has been a historic lack of transparency between these costs and the revenue generated by the PMC. Virgin Blue is concerned that the lack of transparency and the confusion as to the policy objectives is perpetuated by the proposed increase. On the 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).

National interest considerations are clearly the paramount driver of government regulatory initiatives in relation to customs, immigration, quarantine and security. The members of the broader community are clearly the beneficiary of these services. To tax the aviation and tourism industry to meet the costs of these initiatives is contrary to the fundamental principle of "User Pays" as was acknowledged when the Counter Terrorism First Response charge was abolished. Virgin Blue believes that the PMC should conform to the equity and transparency principles applicable to all Government charges and should be examined holistically in the context of the Government's Review of Australia's taxation system being conducted by Mr Ken Henry.



Finally, the record cost of fuel is placing extraordinary pressure on the airline industry in Australia. This is a challenge to our industry which has already seen 13 airlines collapse around the world. To introduce an increase to the cost of travel in this climate could have serious repercussions for the Australian airline and the tourism industries.

I thank you for the opportunity to make this submission to the inquiry. Virgin Blue would be more than happy to appear before the Committee to further articulate our views and/or to answer any questions that Committee members might have.

Yours faithfully

Merren McArthur
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