

31 May 2012

Secretary
House of Representatives Standing Committee on Economics
PO Box 6021
Parliament House
CANBERRA ACT 2600

By email: economics.reps@aph.gov.au

Dear Secretary

I would like to take this opportunity to provide Melbourne Airport's concerns about the Passenger Movement Charge Amendment Bill 2012 which is under consideration in the Committee's inquiry into Bills Referred on 24 May 2012.

Melbourne Airport is Victoria's international aviation gateway and Australia's second busiest airport. There were 6.2 million international passenger movements at Melbourne Airport in 2010/11 which was a 13.5 per cent increase on the previous year. This growth was driven by markets in Asia, including China which grew by 26 per cent on the previous year. Key South East Asia markets such as Singapore, Malaysia and Indonesia all delivered strong growth in passenger numbers, while passengers from India increased by 7.6 per cent. The number of Australians travelling overseas in 2010/11 increased by 10 per cent on the previous period. The growth in international passenger numbers at Melbourne Airport has outstripped the performance of Sydney and Brisbane airports.

Our success in growing the number of international passengers using Melbourne Airport has in turn provided the Commonwealth with additional revenue collected from departing international passengers. Given that our international passenger numbers grew by 13 per cent in 2010/11, this contributed an additional \$14 million in PMC revenue at the current rate of \$47 per passenger.

On the basis of our 2010/11 international passenger numbers, the \$8 per passenger increase from July 2012 will contribute an additional \$24 million in PMC revenue from passengers departing Melbourne Airport in 2012/13. If our passenger numbers grow by around 5%, the new rate of

PMC will contribute an additional \$36 million in revenue from Melbourne passengers.

The increased revenue raised from the PMC needs to be considered in the context of Commonwealth expenditure at Melbourne Airport which is primarily associated with border protection and policing functions.

In 2010/11, Commonwealth expenditure on staffing costs for the Australian Customs and Border Protection Service (ACBPS) and Australian Federal Police (AFP) at Melbourne Airport was approximately \$40 million (answer to House of Representatives Question No. 739, published in House of Representatives Hansard on 16 February 2012).

Given the Commonwealth will collect at least \$165 million in PMC from Melbourne passengers in 2012/13, the Commonwealth is collecting four times as much from our international passengers as it spends on all border protection and policing services at Melbourne Airport.

It should also be noted that the Commonwealth reduced the budget funding for Customs staffing levels at international airports in 2010/11 which has impacted on the number of Customs officers available to process arriving and departing passengers, despite the significant increase in passenger numbers over the same period. The cuts introduced in 2010/11 have been maintained in the 2012/13 Budget. We have worked very closely with Customs to manage the impact of these budget reductions considering the increased demand for passenger facilitation at Melbourne Airport. I would like to acknowledge the work done by Customs management in Canberra and its officers at Melbourne Airport in this regard.

None of the increased PMC revenue has been earmarked for spending on passenger facilitation at international airports, although \$61 million of the additional \$610 million in revenue to be generated by the PMC has been allocated for an Asia Marketing Fund for Tourism Australia to generate more demand for travel to Australia. While we clearly welcome initiatives to grow demand for travel to Australia by international visitors, it is somewhat unusual to be generating increased demand without making any provision to adequately service that demand. Indeed, our border agencies are already under significant pressure to manage existing demand with fewer resources. The roll-out of additional SmartGate facilities to process Australian and New Zealand passport holders is being delivered from within the existing Budget at the expense of Customs staffing numbers.

In this context, the Government is further adding to the pressure on border agency resources by cutting the duty-free allowance for cigarettes and tobacco products from September 2012. This measure has been announced without any industry consultation and little regard

for the impact it will have on the processing of arriving passengers who will be required to declare or surrender their cigarettes or tobacco which exceed the allowance. The Government has not provided any additional resourcing for compliance or an information campaign to inform arriving passengers of the change. I would draw the Committee's attention to responses from Customs officials at the Estimates hearing of the Senate Legal and Constitutional Affairs Legislation Committee on 24 May 2012 for further insight into the impact of this measure at the operational level.

Furthermore, in addition to the increase in the PMC – the cost of which is borne by departing passengers – the Government has announced it intends to introduce 'partial cost recovery' for AFP community policing activities at international airports from July 2013. The estimated cost to Melbourne Airport from this new charge will be around \$9 million per annum as it is proposed to be levied on a per passenger basis. This actually represents around 75 per cent of the total staffing cost for the AFP establishment at Melbourne Airport in 2010/11.

The Government has also proposed to increase the PMC in accordance with CPI. This will lead to further incremental increases in the PMC each year, in addition to the increase in PMC revenue which is driven by the growth in international passenger numbers generated by airports and our airline customers. Yet, none of this increased revenue through growth or indexation is being allocated for passenger facilitation.

Our tourism and aviation industries are exposed to intense competition and volatility in the international market. It is absolutely essential that we do not put further obstacles in the way of attracting international visitors and supporting the growth of international aviation by arbitrary increases to charges such as the PMC.

I respectfully request the Committee to oppose the increase in the PMC and its indexation with the CPI as provided for in the Passenger Movement Charge Amendment Bill 2012.

Yours sincerely



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CHIEF EXECUTIVE OFFICER