Winemakers' Federation of Australia

leadership strategy advocacy support

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Senator Trish Crossin MP
Chair
Senate Standing Committee on Legal and Constitutional Affairs
Parliament House
Canberra ACT 2600

Dear Senator

On behalf of the Australian wine industry, I write in response to the Senate Standing Committee on Legal and Constitutional Affairs' Inquiry into the Passenger Movement Charge Amendment Bill 2012.

With 64 wine regions across the nation, the wine sector is a major contributor to the economic and social fabric of Australian life. As the third largest agricultural exporter, our sector plays a pivotal role in regional employment, trade and tourism.

WFA is concerned that further increases to the PMC will significantly harm Australia's tourism industry, and in particular, wine tourism. WFA considers increases to the PMC as an inhibitor to Australian in-bound travel and provides added pressure at a time of historically high exchange rates. With up to 4,765,000 domestic and international visitors to Australia's 1,693 cellar doors each year, the PMC increase has the potential to have highly detrimental flow-on effects to one of Australia's premier tourism regional drivers.

The PMC was originally introduced at a rate of $27 per departing passenger to cover the costs of customs, immigration and quarantine processing of passengers entering and leaving Australia, as well as the cost of issuing short-term visitor visas.[1] However the rate continues to climb to its current rate of $45, with plans for an $8 increase to $55, despite reductions in customs, immigration and quarantine processing costs.

[1] Senate Standing Committee on Legal and Constitutional Affairs 2008.

In community consultations prior to the release of the *Australia's future tax system* review, international carriers argued that the PMC overcharges for the services actually provided.[2]

In his final report, Dr Ken Henry viewed the PMC as not efficient and that airports should be charged directly for some of these services, not passengers:

> "The PMC does not provide meaningful price signals related to the costs or risks associated with border protection, and is on a relatively narrow base, other sources of tax revenue would be more efficient. Further, the funding provided by the charge may impede the adoption of more efficient cost recovery, such as charging airports directly for some of these services".

The PMC clearly exceeds the cost recovery rationale of the original charge and should be abolished altogether in light of the Henry Review recommendations.

WFA opposes the measures in the 2012 Budget to both increase the PMC by $8 per departing passenger, and to index the PMC to the CPI on an annual basis from 2013-14 onwards.

If you require further information on wine tourism, please contact Andrew Wilsmore, General Manager, Policy and Government Affairs on

Kind regards

PAUL EVANS
Chief Executive

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2 http://taxreview.treasury.gov.au/content/ConsultationPaper.aspx?doc=html/publications/Papers/Consultation_Paper_Summary/Chapter_12.htm