Australian Government
Department of Resources, Energy and Tourism

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Committee Secretary
Senate Legal and Constitutional Affairs Committee
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Ms Dennett,

Passenger Movement Charge Amendment Bill 2012

Thank you for your email of 24 May 2012 seeking a submission to the *Passenger Movement Charge Amendment Bill 2012* inquiry from the Department of Resources, Energy and Tourism (RET).

The tourism industry is a diverse sector consisting of predominantly small and medium size businesses. In 2010-11, tourism consumption was valued at $95.7 billion to the Australian economy. The sector operates in an open and highly competitive global environment. It is therefore important that the passenger movement charge (PMC) framework is simple, efficient, provides a level playing field and an element of certainty for all industries, and allows Australian tourism businesses to compete effectively in world markets.

RET notes that the PMC was originally introduced as a cost recovery measure to fully offset the costs of customs, immigration and quarantine processing at Australia's borders and the costs of issuing short-term visas. Periodic increases were linked to the need to offset additional costs; the January 1999 rise assisted border facilitation of increased people and equipment during the Sydney 2000 Olympic games, the July 2001 increment supported increased passenger, mail and cargo inspections to prevent a foot and mouth disease outbreak and eliminate other quarantine risks, and the July 2008 increase to offset increasing costs of aviation security initiatives.

In 2010, *Australia's Future Tax System* Review noted the charge primarily affects international passengers and international airlines. While airports, cargo operators, domestic passengers, and the broader community all benefit from a safe and secure border, they do not contribute to the cost recovery of border agency services. The Review questioned the efficiency of the charge and noted "the PMC does not provide meaningful price signals related to the costs or risks associated with border protection." Therefore, a more transparent and efficient tax was considered possibly more appropriate to achieve the Government's desired objective.

The level of the charge and the rate of increase is attracting a range of industry views, both in Australia and internationally.

Most recent research available to RET suggests that there is minimal impact on the tourism industry from a rise in the PMC from its current level. Work undertaken in 2011 by the Centre for Economics and Policy within the University of NSW modelled a 20 per cent increase in the PMC. The research found that, overall, the tourism industry would be worse off by $7.5 million or 0.089 per cent per annum. The increase in the PMC would reduce tourism exports by $20.7 million a year but this loss is partially offset by an increase of $13.2 million a year in domestic travel expenditure as Australian residents switch from outbound to domestic travel. RET also notes the average international visitor to Australia last financial year spent $4,096 and the proposed increase of $8 represents only a small cost of the total trip spend (0.2 per cent).

While this suggests that, in isolation, the PMC has limited impact on the intent to travel, RET also notes that rising aviation security costs and the recent announcements in the Budget to cost recover Australian Federal Police services from airports and reduce the duty free tobacco concession, will add to the cost burden on airports. The PMC, combined with these other Government initiatives, will add further to the cost of travel to Australia, with impact on Australia's standing and reputation as a destination of choice in an increasingly competitive market.

RET notes the Bill introduces annual indexation of the PMC from 1 July 2013. RET's analysis reveals that, with limited exceptions, the PMC is considered high by global standards, for example analysis by the World Economic Forum. RET, however, supports the certainty and reliability that indexation provides the industry regarding future movements of the PMC.

RET welcomes the $61 million allocation from the PMC revenue to an Asia Marketing Fund over the next four years. The Fund will support the promotion of Australia as a tourist destination to growing markets in Asia and is intended to leverage additional funding from the private sector and State and Territory governments. The Fund will contribute to Tourism 2020's priority of growing demand from Asia, and assist in reaching the potential of markets such as China which is forecast to be worth as much as $9 billion by 2020. Tourism 2020 also seeks to ensure the tourism transport environment supports growth.

If you have any further questions, the contact officer within RET is Mr Sean Jenner, Tourism Transport Team and may be contacted on

Yours sincerely,

Jane Madden
Head of Tourism Division