Date introduced: 16 April 1986
House: House of Representatives
Presented by: Hon. Peter Morris, M.P.,
Minister for Aviation

Purpose

To provide for the collection of departure tax by international airlines.

Background

As the aviation industry grew prior to World War II, the Commonwealth assumed an increasingly costly responsibility for the provision of aviation infrastructure. Prior to 1947, the Commonwealth did not seek to recover from the aviation industry the costs of aviation facilities that had been provided. Although charges were introduced in 1947, it was not until 1961 that the Government adopted a policy of full cost recovery. In 1947 the Air Navigation Act was amended to provide for the imposition of air navigation charges for the use of departmental facilities and services. The airlines disputed the imposition of the charges, and had commenced proceedings in the High Court, when in 1952 the Commonwealth and Australian National Airlines resolved the matter in the Civil Aviation Agreement.

Cost recovery is a method used to measure the extent to which public undertakings are able to recover the cost of providing services from users over a period of time. With a budget outlay estimated at $379 million for 1985-86,[1] the air transport industry's cost recovery program is by far the largest of a number of such programs by which the Commonwealth seeks to recover, wholly or in part, the costs of the services it provides.
The Department of Aviation provides many services to the air transport industry, including air traffic services, a network of air navigation facilities, air rescue and fire-fighting services. In addition, the Department is responsible for the prescription and enforcement of airworthiness standards and operates 56 aerodromes.

Until 1972 the Government allowed Departmental costs to be discounted by between 25 and 50 per cent for cost recovery purposes in recognition of defence, national development and other community benefits. In 1972, however, the Government reaffirmed its 1960s policy of aiming to achieve full cost recovery.

In the decade to 1982-83, the recovery levels achieved in the aviation cost recovery program increased slightly from 53.6 per cent in 1973-74 to 54.8 per cent in 1982-83.[2] Overall cost recovery in 1985-86 is estimated at approximately 61.4 per cent compared with 59.3 per cent in 1984-85.[3]

The process of identifying revenues to be taken into account for recovery purposes is referred to as 'revenue attribution'. The three sources of Commonwealth revenue attributable for cost recovery purposes are Air Navigation charges, aviation fuel excise payments and airport rentals. The Report of the Independent Inquiry into Aviation Cost Recovery (Bosch Committee Report) noted that the government's policy of full cost recovery would not be achieved unless there are significant changes in the government's policy regarding the revenue available for recovery purposes.[4]

In September 1978 the Government imposed a departure tax on all international travellers (other than diplomatic personnel on official business) aged 12 years and more departing from Australia. The tax, which is currently set at $20 per passenger, is expected to raise $49 million in 1985-86.[5] The departure tax was introduced as a general revenue measure, although it is a direct impost on aviation industry users. In both the USA and Canada the proceeds of taxes on departing international passengers are used for aviation cost recovery purposes.

The departure tax is a growing source of revenue. This is partly due to increased departures, which increased at an annual rate of 14.3 per cent in the 20 years to 1982-83.[6] The Department of Aviation estimates that growth in international passenger movements until 1995 will
average about 5.2 per cent annually. The Bosch Committee recommended that the departure tax be attributed as revenue for aviation cost recovery purposes. The Committee also said that unless the departure tax was attributed for cost recovery purposes, the increases in other charges necessary for full recovery would be disruptive to the industry and counter-productive.

The government adopted the Bosch Committee's recommendation and made the departure tax an attributable revenue for aviation cost recovery purposes. As such, the government considers it appropriate that the airlines bear the cost of collecting the tax, currently $1 million per year.

Outline

The Bill will require airlines to make tax stamps and exemption stamps available to people leaving Australia. The stamps will be supplied under terms and conditions prescribed by regulation.

Main Provisions

Clause 3 will amend section 3 of the Principal Act to define terms used in the Bill, such as 'exemption stamp' meaning a stamp denoting exemption from the departure tax, and altering the definition of 'authorised officer'.

The power to make regulations will be extended to include regulations relating to the terms and conditions of supply and sale of both tax stamps and exemption stamps by the Commonwealth to the airlines. Regulations will also be able to be made to provide for the Commonwealth to reimburse the airlines when they have made refunds (clause 4 which will amend section 11 of the Principal Act).

Clause 5 will insert new sections 11A, 11B and 11C into the Principal Act. The proposed sections form the basis of the scheme proposed in the Bill and will come into operation on 1 July 1986.

International airline operators who operate at international airports will be required to make tax stamps available, in accordance with the regulations, for sale to passengers (proposed sub-section 11A(1)). Private and certain charter flight operators will be exempted from the requirement, although their passengers will still be liable to pay the departure tax. Operators which are not exempt
and fail to meet the requirement will be liable to a fine of $2000 for a natural person and $10 000 where the operator is a body corporate.

Similar provisions for the supply by the airlines of exemption stamps are made in proposed section 11B.

The Minister, after considering the scale of operations, may exempt an airline from having to supply stamps with respect to any or all of the airline's charter flights (proposed section 11C).

For further information, if required, contact the Economics and Commerce Group.

14 May 1986

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References
7. Ibid.