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Bills Digest

No. 141 2000–01

Passenger Movement Charge Amendment Bill
2001

ISSN 1328-8091

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Published by the Department of the Parliamentary Library, 2001

I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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No. 141 2000-01

Passenger Movement Charge Amendment Bill 2001

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5 June 2001

Contents

Purpose	1
Background	1
Revenue raised by the Passenger Movement Charge	1
Administration of the Passenger Movement Charge	2
Rationale for the proposed increase in the Passenger Movement Charge	3
Responses to the proposed increase in the Passenger Movement Charge	3
Main Provisions	4
Endnotes	4

Passenger Movement Charge Amendment Bill 2001

Date Introduced: 24 May 2001

House: House of Representatives

Portfolio: Justice and Customs

Commencement: 1 July 2001

Purpose

To increase the rate of the Passenger Movement Charge from \$30 to \$38.

Background

The passenger movement charge (previously called the departure tax) is levied under the *Passenger Movement Charge Act 1978* and collected under the *Passenger Movement Charge Collection Act 1978*. It is a charge levied on passengers leaving Australia for an overseas destination and is collected by airlines and shipping companies as part of their ticketing arrangements.

The passenger movement charge is administered by the Australian Customs Service (ACS). It was introduced in January 1995 as a cost recovery measure to recoup the notional costs of customs, immigration and quarantine processing of inward and outward passengers, and the costs of issuing short-term visitor visas.¹ These activities are administered by the ACS, the Department of Immigration and Multicultural Affairs, and the Australian Quarantine Inspection Service. Although the rationale for the passenger movement charge is a cost recovery measure, in legal terms it is a tax.² Revenues from the charge are paid into Consolidated Revenue.³

Revenue raised by the Passenger Movement Charge

The passenger movement charge is currently levied at \$30 per passenger departing Australia.⁴ Generally speaking, the charge is payable by all air and sea passengers. There are 12 broadly defined categories of exemption, mostly covering crew members, diplomats

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and children under 12 years of age.⁵ Air passengers account for the vast bulk of passenger movement charge collections. Of the \$226.2 million revenue collected from the charge in 1999-2000, approximately 99 per cent was collected from air passengers.

Revenue collected from the Passenger Movement Charge (PMC)

Financial Year Ended	PMC Collected at Airports (\$m)	PMC Collected at Seaports (\$m)	PMC Collected Total (\$m)
1994/95*	63.7	0.4	64.1
1995/96	146.4	1.4	147.8
1996/97	173.6	0.9	174.5
1997/98	187.7	1.3	189.0
1998/99**	198.6	1.5	200.1
1999/00	224.1	2.1	226.2

Source: 'Question on Notice: Passenger Movement Charge (Question No. 1996)', House of Representatives, *Debates*, 27 November 2000, p. 22822.

*Revenue collected in 1995 is for half a year. The PMC commence on 1 January 1995 at a rate of \$27.

**The PMC increased from \$27 to \$30 on 1 January 1999.

Administration of the Passenger Movement Charge

The ACS administers the passenger movement charge legislation through voluntary arrangements with each carrier, and the arrangements are standardised for each type of carrier. This means that regular public transport airlines have one form of arrangement to collect and remit the charge; charter airlines have a different form of arrangement; and shipping companies have another. Where a passenger purchases a travel ticket through a travel agent rather than from an airline or shipping company, the agent is required to collect and forward the passenger movement charge to the relevant carrier.

The existing formal arrangements with regular public transport airlines cover the period 1 July 1998 to 30 June 2001. The ACS is currently negotiating new formal arrangements to replace the existing ones. The formal arrangements that the ACS has with charter airlines and shipping companies are on-going. The ACS is required as part of the formal arrangements with the regular public transport airlines, to pay the administration costs

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incurred in collecting and remitting the passenger movement charge. In 1999-2000, the ACS paid approximately \$1.2 million in administration costs. The relevant arrangements do not require the ACS to pay administration costs incurred by charter airlines and shipping companies.⁶

Rationale for the proposed increase in the Passenger Movement Charge

This Bill seeks to increase the passenger movement charge by \$8 to \$38 from 1 July 2001. Announcement of the change was made in the Budget.⁷ In his Budget Speech the Treasurer announced that quarantine protection at Australia's airports would be strengthened to protect the country from foot and mouth disease and other risks to our environment and agriculture. Under new arrangements announced by the Minister for Agriculture, Fisheries and Forestry on 22 May 2001, all cargo and mail entering Australia will be inspected.⁸ Passengers arriving by air will be screened and, in most cases, their luggage will be inspected or X-rayed by AQIS officers. The reason given for the increase in the passenger movement charge to \$38 per passenger is to offset the increased cost of inspecting passengers, mail and cargo at Australia's international airports.⁹ It is estimated that the \$8 increase will raise an additional \$72 million a year.¹⁰

Responses to the proposed increase in the Passenger Movement Charge

The press has reported a number of comments on the Government's proposal to increase the passenger movement charge to offset the increased costs of preventing foot and mouth disease entering Australia.¹¹ The Minister for Agriculture, Fisheries and Forestry, Hon Warren Truss, was reported as saying that he thought a higher passenger charge would be fair, and a sensible cost recovery mechanism. 'Those paying would be receiving the extra services', even though they might not need them. He said it would be too complicated to have the extra amount apply just to incoming passengers.¹² He was also reported as saying that efforts to stop the disease getting in were costing \$1 million a month, and that any increase in the passenger charge would be removed later, unless there were permanent ongoing costs.¹³

The Shadow Minister for Transport, Mr Martin Ferguson, was reported as saying that everything possible should be done against foot and mouth disease, 'but the Government should use the money it was already making from the aviation industry before imposing further charges'.¹⁴ The executive director of the Board of Airline Representatives of Australia, Mr Warren Bennett, was reported as saying that about \$20 million in revenue collected by the passenger movement charge was not spent on border control services.¹⁵

A spokesperson for the Minister for Tourism, Hon Jackie Kelly, was quoted as saying that Australia had to keep foot and mouth disease at bay and if that meant increasing the passenger movement charge, 'then so be it'.¹⁶ Mr Joel Fitzgibbon, the Shadow Minister

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for Tourism, was reported as saying that tourism could suffer but acknowledging that the ‘seriousness of foot-and-mouth’ may make the increase necessary.¹⁷

The Chief Executive Officer of the Queensland Tourism Industry Corporation (QTIC), Mr Daniel Gschwind issued a press release on 23 May 2001 saying that the Government had failed to increase promotional funding for the Australian Tourist Commission in the Budget. He said that:

The Federal Government has milked more money from tourism, but has not reinjected any new funds into a sector which has the potential to drive many regional economies. They talk about boosting the economy but are not prepared to invest in one of the biggest growth sectors in the economy. They’ve taken more money from the tourism sector via the \$8 increase in international departure tax, a 26 per cent increase, and given nothing back to the industry in return.¹⁸

He also said that QTIC was waiting to see the details of the new border controls for incoming tourists. ‘The tourism sector is obviously committed to appropriate quarantine measures to protect the environment, but we have some concerns and we need to be sure that the new border measures do not deter tourists or cause unnecessary complications at airports’.¹⁹

Main Provisions

Item 1 of Schedule 1 increases the rate of the Passenger Movement Charge from \$30 to \$38. The amendment will apply to those passengers leaving Australia on or after 1 July 2001 (**Item 2**).

Endnotes

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- 1 Willis, Hon Ralph, ‘Second Reading Speech’, Appropriation Bill (No. 1) 1994-95 [Budget Speech 1994-95], House of Representatives, *Debates*, 10 May 1994, p. 587; and Lindsay, Hon E.J., ‘Second Reading Speech’ Passenger Movement Charge Amendment Bill 1995, House of Representatives, *Debates*, 8 June 1995, p. 1609.
 - 2 Australian National Audit Office, ‘Passenger Movement Charge, Australian Customs Service, *Audit Report No. 1 1996-1997*, p. 7–8.
 - 3 Answer to Question on Notice, ‘Passenger Movement Charge (Question No. 2285)’, House of Representatives, *Debates*, 1 March 2001, p. 24895.
 - 4 The original rate of departure tax was \$10 in 1978. This was increased to \$20 in 1981, but then reduced to \$10 in 1988. In 1991 the rate was increased to \$20, and to \$25 in 1994. It was further increased from \$25 to \$27 in 1995 when the name of the charge was changed

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from 'departure tax' to 'passenger movement charge'. The charge was increased to \$30 from 1 January 1999, some of the revenue going towards meeting additional costs associated with the movement of people and goods for the Sydney 2000 Olympic Games. (See *Budget Measures 1998-99*, (Budget Paper No. 2), 2-20; and Truss, Hon W, 'Second Reading Speech', Passenger Movement Charge Amendment Bill 1998, House of Representatives, *Debates*, 28 May 1998, p. 4068.)

- 5 The categories of exemption are detailed in section 5 of the *Passenger Movement Charge Collection Act 1978*.
- 6 Australian National Audit Office, 'Passenger Movement Charge – Follow-up Audit, Australian Customs Service', *Audit Report No. 12 2000-2001*, p. 25.
- 7 Costello, Hon Peter, 'Second Reading Speech', Appropriation Bill (No. 1) 2001-02 [Budget Speech 2001-02], House of Representatives, *Debates*, 22 May 2001, p. 25754.
- 8 Truss, Hon Warren, 'Safeguarding Australia's borders', *Media release*, 22 May 2001 [AFFA01/119WT].
- 9 *Budget Measures 2001-02*, (Budget Paper No. 2), p. 7.
- 10 *ibid.*
- 11 See for example, Robinson, Mark, 'Budget 2001: Spending up to avoid a disaster', *Sydney Morning Herald*, Wednesday 23 May 2001; Baker, Richard, 'Budget 2001: Disease vigil intensifies, at a cost', *Age*, 23 May 2001; McKenna, Michael and Christine Jackman, 'Budget boost disease watch', *Courier-Mail*, 18 May 2001; Haslem, Benjamin, 'Air tax rise to fund foot-and-mouth fight', *Australian*, 22 March 2001; Grattan, Michelle, 'Foot-and-mouth may force up departure tax', *Sydney Morning Herald*, 22 March 2001.
- 12 Grattan, Michelle, 'Foot-and-mouth may force up departure tax', *Sydney Morning Herald*, 22 March 2001.
- 13 *ibid.*
- 14 *ibid.*
- 15 Haslem, Benjamin, 'Air tax rise to fund foot-and-mouth fight', *Australian*, 22 March 2001.
- 16 *ibid.*
- 17 *ibid.*
- 18 Queensland Tourism Industry Corporation, 'Federal Budget milks money from tourism but ignores opportunity to boost economy', [*Media Release*], 23 May 2001.
- 19 *ibid.*

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