

POLICY POSITION

Passenger Movement Charge

Position

The Passenger Movement Charge (PMC) is now applied partly as a general revenue raising source and is no longer solely linked to a cost recovery for services supplied by the Australian Customs Service (ACS), Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) and the Australian Quarantine and Inspection Service (AQIS). As a consequence the PMC represents a tax on tourism as well as a significant net cost to airlines.

The PMC should conform to the equity and transparency principles applicable to all government charges. Hence, the government should revert to original intent of the PMC to recover the costs of government border control services. Further, the government should provide the aviation and tourism industries with timely annual statements of PMC collections and costs of services for which funds were collected.

Rationale And Background

Every international airline passenger departing Australia pays \$38 to the Australian Government in the guise of the PMC. The PMC is the levy on passengers, originally imposed to recover costs of delivery of border control functions at international airports performed by DIMIA, ACS and AQIS. The levy is collected by airlines from their passengers and remitted to the Government.

In 2002-03 the PMC raised \$290.6 million for the Government.

Publicly available information suggests that the PMC generates significant surplus funds. The data that point to an over-recovery of border control costs by the PMC are a Government report titled *Passenger Movement Charge; Quantum, April 1997* and information supplied to the House of Representatives on 27 November 2000 by the Attorney General.

To the extent that the PMC over-recovers the costs of border control functions it represents a tax on airline travellers. This is readily admitted by the Government. The Australian National Audit Office (ANAO) Audit Report No 12 (2000) stated that the PMC "is now applied partly as a general revenue raising source and is no longer solely linked to a cost recovery of Customs, Immigration and Quarantine service." (p13)

Such surreptitious policy shifts are to be deplored. Governments should not just assume that charges introduced to recover costs of government services can be considered as taxes merely because the charge collects more than the costs of the services being delivered.

The PMC also imposes a significant net cost on airlines due to a substantial leakage of collections, particularly from overseas travel agents and other ticket sellers. Airlines must pay the ACS the full PMC liability regardless of whether the funds are added to the ticket price by travel agents.

The PMC should conform to the following principles applicable for government charges:

- efficiency - consumers should pay charges based on efficient delivery of services;
- user pays/equity - consumers should pay for costs of those services actually consumed;
- public accountability/transparency - the efficiency of charges levied by government monopoly service providers must be transparent; and
- quality of service - charges imposed by government agencies should not reward them for providing poor service.

There is sufficient evidence to suggest that the PMC fails the second and third of the above principles. As a consequence the PMC represents a hidden tax on tourism.