

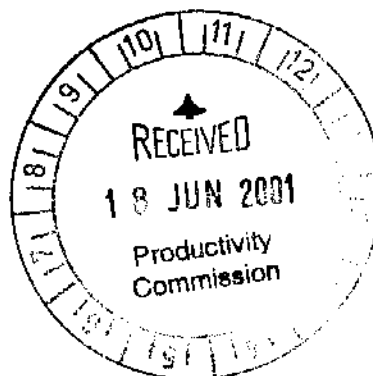


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# BOARD OF AIRLINE REPRESENTATIVES OF AUSTRALIA INC.

Our Ref.: Lct.1323

15 June 2001



Mr Paul Belin  
A/g Assistant Commissioner  
Productivity Commission  
LB2 Collins Street East  
Melbourne VIC 8003

Dear Mr Belin

**RE: INQUIRY INTO COST RECOVERY ARRANGEMENTS OF GOVERNMENT AGENCIES**

The Board of Airline Representatives of Australia (BARA) has reviewed the Draft Report of the Productivity Commission Inquiry Into Cost Recovery Arrangements of Commonwealth Government Agencies (the Inquiry). BARA generally endorses the recommendations and findings contained in the Draft Report.

However, BARA would like to offer the following comments in relation to the arrangements for the collection of the Passenger Movement Charge (PMC). As noted in the BARA submission to the Inquiry, the PMC is:

- (a) a charge levied on airline passengers departing Australia, and
- (b) collected by airlines on behalf of the Commonwealth Government under individual agreements between the airlines and the Australian Customs Service (ACS).

Airlines are dissatisfied with the current administrative arrangements relating to the collection of the PMC. This dissatisfaction arises for two reasons.

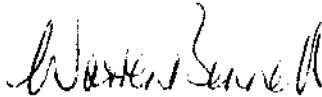
First, the PMC is a hybrid revenue arrangement. It was originally implemented to cover the costs of customs, immigration (including short term visa applications) and quarantine inspection (CIQ) services at airports. However, now the PMC, at least according to the Australian National Audit Office Audit Report No 12, is applied partly as a general revenue raising source and is no longer solely linked to a cost recovery of CIQ services. The PMC, as a hybrid revenue arrangement, is characterised by a disturbing lack of transparency. There is no accountability by Government for that part of the PMC which is allocated for the provision of CIQ services and

that part which is a general revenue raising tool. However, the fact that the ANAO acknowledges that the PMC is a general revenue raising tool confirms that it collects more than is required to meet the cost of CIQ services. BARA believes that, as a matter of principle, hybrid revenue arrangements such as the PMC should be discontinued and all Government collections made either a transparent cost recovery mechanism or a transparent taxation mechanism.

Second, the collection arrangements in place for the PMC result in a direct net cost on airlines, despite the allowance for airlines to claim an administrative fee. The reasons for the existence of that direct cost were explained in the BARA submission to the Inquiry. The new agreements between airlines and the ACS, to come into effect on 1 July 2001, have had the reference to the 3% tolerance between assessed collections and actual remittances removed from them in accordance with the recommendation contained in Audit Report No 12. Hence, from 1 July 2001, there will be no recognition of the direct cost to airlines associated with the leakage from the PMC collections, principally due to travel agents failing to include the charge on some tickets. BARA maintains that, where a third party is required to collect a charge from consumers to meet Government costs, there should be adequate arrangements in place to allow the third party to deduct as near as possible to the full costs of collection and remittance of the charge.

I trust that the above further comments are of assistance to the Inquiry.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Warren Bennett', written in a cursive style.

Warren Bennett  
**Executive Director**