



20 October 2016

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

AUSTRALIA PASSENGER MOVEMENT CHARGE

The International Air Transport Association (“IATA”) is a global trade association, representing approximately 265 airline members across the world and accounting for 83% of total global air traffic. There are over 20 member airlines with services to/from Australia and these include Qantas, Virgin Australia, Air New Zealand, Singapore Airlines, British Airways, American Airlines, Air China, Cathay Pacific, Korean Air Lines, Thai Airways, Air India, Emirates, Etihad, and others.

I am writing to you with respect to the recently announced increase in the Passenger Movement Charge (“PMC”) of AUD5 to a revised total of AUD60 per departing international passenger.

I would like to bring to your attention several issues with respect to the increase in the PMC that are detailed below and attached to this letter for your kind consideration.

International Obligations & Efficient Taxation

With respect to the imposition of the PMC, it is important to note that per accepted international standards, aviation charges should be established on the basis of the cost of aviation-related services and/or infrastructure provided to passengers.

The International Civil Aviation Organization’s (“ICAO”) Policies on Taxation in the Field of International Air Transport contained in Document 8632 makes a conceptual distinction between a charge and a tax in that *“charges are levies to defray the costs of providing facilities and services for civil aviation while taxes are levies to raise general national and local government revenues that are applied for non-aviation purposes.”*¹

Currently, it is our understanding that the proceeds from the PMC imposed by Australian authorities on departing international air passengers is collected by the Department of Immigration and Border Protection and is then remitted to the Commonwealth Treasury.

As a result, there is no direct link between the funds generated from the PMC and the provision or funding of aviation services and/or infrastructure to passengers, thus contradicting the definition of a charge outlined in ICAO Document 8632.

¹ Source: Available at: http://www.icao.int/publications/Documents/8632_3ed_en.pdf



Thus, as an effective form of taxation, the PMC further contradicts the following standards in ICAO Document 8632 that “each Contracting State shall reduce to the fullest practicable extent and make plans to eliminate...all forms of taxation on the sale or use of international transport by air, including taxes on gross receipts of operators and taxes levied directly on passengers or shippers”.²

Moreover, Article 15 of the Convention on International Civil Aviation (“Chicago Convention”) states the following:

“No fees, dues or other charges shall be imposed by any contracting State in respect solely of the right of transit over or entry into or exit from its territory of any aircraft of a contracting State or persons or property thereon.”³

Australia, as a Member State of ICAO and a signatory country to the Chicago Convention, should seek to adhere to these accepted international principles.

Importance of Aviation to the Australian Economy

In addition to accepted international policies on aviation charges and taxes, it is important to consider the relevance of the aviation sector, as well as the travel and tourism sector, to the Australian economy. **Attachment 1** to this letter provides a detailed analysis of the negative economic impact of increasing the PMC in Australia.

In light of the above, we highly encourage the Australian Government to reconsider its decision to increase the PMC and to undertake a complete review and analysis of the PMC to determine its detrimental impact on the Australian economy with a view to its abolition.

IATA appreciates the opportunity to submit these comments and would be happy to meet to discuss this matter in greater detail with you.

Yours sincerely,

Ian Lorigan
Area Manager, South West Pacific

cc. Mr. Conrad Clifford, Regional Vice President, Asia-Pacific, IATA
Mr. Vinoop Goel, Regional Director, Airport, Passenger, Cargo and Security, IATA
Mr. Deannath Kulatunge, Regional Head, Member and External Relations, IATA
Ms. Charlotte Fantoli, Assistant Director, Industry Taxation, IATA

² Available at: http://www.icao.int/publications/Documents/8632_3ed_en.pdf

³ Available at: <http://www.icao.int/publications/Pages/doc7300.aspx>