17 September 2015

Ms Angela MacRae
Commissioner
Productivity Commission
Locked Bag 2, Collins Street East
MELBOURNE VIC 8003

Dear Commissioner MacRae,

Re: Productivity Commission inquiry into barriers to growth in Australian services exports

Thank you for the opportunity to provide a submission to the Productivity Commission inquiry into barriers to growth in Australian services exports.

Sydney Airport would welcome the opportunity to provide any additional information or support to help improve Australia's export sector. Should you wish to discuss this matter further or clarify any of the issues covered in this submission, please contact Mr Jon Stewart – Manager, Government Relations and Major Projects

Yours sincerely,

Kerrie Mather
Managing Director and Chief Executive Officer

cc: The Hon Malcolm Turnbull MP – Prime Minister of Australia
The Hon Warren Truss MP – Minister for Infrastructure and Regional Development
The Hon Andrew Robb AO MP – Minister for Trade and Investment
The Hon Joe Hockey MP – Treasurer of Australia

Barriers to Growth in Services Exports

Productivity Commission Inquiry

17 September 2015

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Introduction

Sydney Airport welcomes the opportunity to provide a submission to the Productivity Commission inquiry into barriers to growth in Australian services exports. As Australia's largest sustainable international export sector, Sydney Airport is committed to ensuring the ongoing prosperity of the tourism industry and encourages any steps that will lead to the continued growth of international visitation, particularly from our key source markets. Further, the role of aviation has, in recent times, become more significant to the movement of high value export freight from Australia to a number of near markets in Asia and the Pacific region.

A number of opportunities exist to maximise increased visitation and investment through the promotion of pro-competitive practices, including reducing protectionist measures that limit international aviation activity, tourism and freight growth, reducing competitive distortions that exist between Australia and a number of competitor markets for inbound visitors, and making improvements to the regulatory and operating environment to increase the development of tourism supply and tourism exports.

In responding to the Commission's draft report, Sydney Airport's comments broadly address a limited number of draft recommendations:

- Recommendation 7.1
- Recommendation 8.1
- Recommendation 8.2
- Recommendation 8.3
- Recommendation 8.4

Sydney Airport supports all of the above recommendations, with the exception of Recommendation 8.1, which Sydney Airport does not support.

Background

Sydney Airport is Australia's international gateway and premier airport. The airport is located 2km from Port Botany, 8km from the Sydney CBD, and less than 10km from the iconic Sydney Harbour and the southern beaches. Surrounding the airport is a network of light-industrial, export focused trade businesses and tourism-related organisations that rely on or support the airport, such as freight/logistics, catering, engineering, vehicle rental businesses and accommodation businesses.

Sydney Airport does not just serve passengers travelling to or from Sydney; it is also Australia's largest transport and logistics hub. At present, Sydney Airport facilitates over 40 international, domestic and regional airlines operating to 99 destinations, including 11 international and 8 regional destinations not served by any other Australian airport. Many passengers and large volumes of freight transfer between these flights, highlighting Sydney Airport's role as Australia's primary international gateway. The role played by Sydney Airport in providing access to Australia's regions is also significant, helping to support Australia's export sector securing rapid access to the export market base.

As the heart of our national aviation network, more than 40% of all international visitors and more than one-fifth of all domestic passengers pass through Sydney Airport annually. In 2014, 39 million passengers travelled through Sydney Airport, more than 100,000 a day – making Sydney Airport the 27th busiest airport in the world.

An April 2015 study by Deloitte Access Economics into the economic impact of Sydney Airport quantified the benefits of these activities. Key findings of the study include that Sydney Airport generates or facilitates:

- Jobs. Direct and indirect employment of 306,700 jobs (equivalent to 8.9% of NSW employment), including 170,700 direct jobs, 29,090 of which are on-airport
- Economic activity. Direct and indirect economic contribution of $30.8 billion, equivalent to 6.4% of the NSW economy and around 2% of the Australian economy
- Household income. Direct and indirect contribution of $14.7 billion. Additionally, at $87,900 per annum, the average FTE wage of an employee working on the Sydney Airport precinct is 12% higher than the NSW average for all employees.
- Taxes. Direct and indirect taxes, including:
  - Substantial income tax and GST revenues to the Australian Government
  - Substantial payroll taxes to the NSW Government
  - Annual contributions, in lieu of rates, to Botany Bay, Rockdale and Marrickville Councils.

Using forward-looking modelling, the study also indicated that Sydney Airport's economic contribution will increase as the airport develops. It is forecast that the economic activity generated or facilitated by Sydney Airport will increase from $30.8 billion in 2014 to over $54.5 billion in 2034 and total employment will increase from 346,500 jobs in 2014 to over 506,800 by 2034.

This study highlights that a relatively small development at Sydney Airport can have a potentially large economic impact on both the NSW and Australian economies. As an example, an additional daily A380 service from China would, on an annual basis, contribute an estimated:

- $451 million to Australian GDP
- $271 million to Australia's household income
- 5,260 FTE jobs (4,130 of which would be in NSW).

Similarly, an additional daily Airbus A380 from Dubai would, on an annual basis, contribute an estimated:

- $324 million to Australian GDP
- $194 million to Australia's household income
- 3,770 FTE jobs (2,160 of which would be in NSW).

In addition, the study highlights the significance of Sydney Airport within the local community. There are over 800 businesses operating at Sydney Airport with these businesses having a profound impact on local employment figures.

With this in mind, Sydney Airport maintains the view that the economic benefits to the Australian economy and downstream export trade industries from increased international aviation activity are significant.

In the current global economic climate and with the Australian dollar becoming more competitive from an export trade perspective, reducing barriers to trade and improving the efficient use of aviation infrastructure will be essential if Australia is to improve its international competitiveness and present a compelling value proposition to prospective export buyers. From a tourism perspective, improving the visitor experience begins at the time intention becomes a decision to travel. From that point on, the process should be as seamless and simple as possible, starting with the visa application right through to departing from Australia.

Tourism plays a vital role in both the Australian and NSW economies. One of Australia's largest sustainable industries, the tourism sector contributes more than $90 billion annually to Australian gross domestic product (GDP), equating to more than 5% of the Australian economy. This is represented by over 920,000 employees across the sector, a number which continues to grow year on year.

International visitation and capacity trends

The importance of international aviation and Sydney Airport to the community has increased substantially over the past 20 years, with a 190% increase in total passengers and a 187% increase in international passengers.

The evolution of low cost carriers (LCCs) and technology advancement has led to significant reductions in real airfares, which has in turn stimulated traffic growth. Further, liberalisation of air rights has encouraged growth in air travel and improved tourism and trade ties between nations.

Many of the industry changes reflect gradual trend shifts sustained over long periods of time, many of which are ongoing. These broad trends were and are taken into account in preparing forecasts of passengers, aircraft movements and airport capacity requirements across the airport sector in Australia. A number of key insights have been obtained when examining passenger and capacity trends over the last two decades:

- Passenger demand has grown more quickly than the general economy
- New generation aircraft have steadily become larger, quieter, safer, more fuel efficient and more comfortable for passengers
- Airlines have increased the average number of passengers on a given size aircraft through increased seating density and improving technology so that a higher proportion of seats are filled
- Lower fares as a result of increased efficiencies and new technology are stimulating demand
- The gradual increase in the proportion of leisure passengers, which has enabled and been supported by the growth of low cost airlines
- Changing airline partnerships and alliances have resulted in new products and offerings for passengers.

Other variations are more unpredictable and frequently produce only short term change. At the most extreme are the periodic disruptions arising from major events, such as terrorism, war, natural events (including volcanic ash clouds, floods and earthquakes) and health scares (such as Ebola virus disease, SARS and H5N1). In most cases, traffic levels quickly return to the previous trend once the circumstances causing the disruption have abated.

On the other hand, higher oil prices, concerns over climate change, and the long-term sustained effects of the Global Financial Crisis have combined to reduce aviation traffic growth over the past several years and it is widely expected that traffic will not recover to the preceding trends. In particular, the major economic forecasters are not predicting a period of above-average economic growth that would typically give rise to a period of above-average traffic growth in the short to medium term. Accordingly, traffic is not expected to recover to the pre-GFC trends at least in the foreseeable future.

Internationally, recent trends tend to support the view airlines no longer serve national catchments but instead serve regional (e.g. Europe or Asia) or global catchments. All airports globally are competing for the new generation aircraft that are being delivered to predominantly Asian, Middle Eastern and LCC airlines. These developments have dramatically increased the level of competition among airports for traffic in Australia, as elsewhere.

As illustrated below, Sydney Airport's top twenty source markets reflect a mix of key emerging Asian markets and Australia's traditional mature markets in Europe and North America.

Figure 1 – Total international arrivals by foreign residents

Nationality	Passengers May 14-15	Annual Growth	5 Year CAGR	Market Share
China	882,601	17.3%	16.0%	14%
New Zealand	860,637	0.3%	1.3%	14%
United States of America	667,891	3.4%	0.0%	11%
United Kingdom	533,388	-5.9%	-2.2%	9%
South Korea	298,963	3.5%	1.3%	5%
Japan	262,425	-1.7%	2.5%	4%
Singapore	220,551	-4.3%	8.3%	4%
India	191,183	18.3%	10.4%	3%
Hong Kong	174,701	-4.8%	2.1%	3%
Canada	170,365	4.9%	-0.7%	3%
Germany	156,387	-1.7%	-2.0%	3%
Malaysia	147,399	1.2%	18.2%	2%
Indonesia	133,037	1.0%	5.0%	2%
France	113,099	1.2%	-0.3%	2%
Taiwan	90,417	10.7%	1.9%	1%
Philippines	88,703	27.6%	11.8%	1%
Thailand	78,552	-5.0%	-0.1%	1%
Italy	60,294	-2.7%	3.1%	1%
South Africa	55,705	3.6%	-2.2%	1%
Ireland	54,512	-7.3%	-3.1%	1%
Other	898,332	1.7%	1.5%	15%
Total	**6,139,142**	**3.1%**	**3.1%**	**100%**

(Source: OAD, 2015)

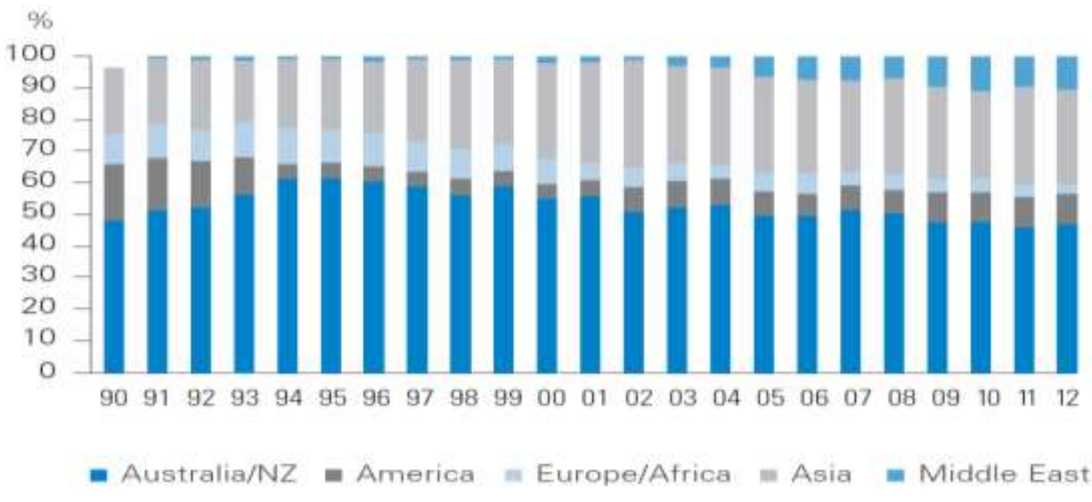
In addition, the importance of international inbound airlines to Sydney Airport has been steadily growing and Sydney Airport expects that this trend will continue, particularly from Asian carriers supporting increased travel demand from Australia's key inbound growth markets.

As the primary enabler of international visitation and high value export trade, aviation provides a vital link to the world. During the 12 months to May 2015, Sydney Airport welcomed 6.1 million international visitors – almost 41% of the total inbound foreign arrivals to Australia, representing a 3.1% growth in foreign arrivals over the previous year.

Individual airline strategies can change quickly and are very difficult to forecast. Over time, the accumulation of these changes to strategies and business models, airline alliances, and relative growth rates can completely transform the landscape for any given airport. Some of the changes that have occurred in the aviation industry over the past 20 years include:

- More than half of the international airlines which operated to Sydney Airport during the past two decades have been replaced by other airlines
- In particular, Asian and Middle Eastern airlines have replaced all of the continental European airlines (aside from British Airways) that have flown to Sydney Airport
- 88% of international capacity growth since 1991 is being offered by airlines that were not operating to Sydney Airport in 1991
- Since Ansett stopped flying in 2001, three low-cost airlines commenced flying – Virgin Blue, having since transformed itself into Virgin Australia, a full service airline
- Almost 30% of the international airlines operating to Sydney Airport in 1999 were no longer operating five years later and had been replaced by new airlines
- The Qantas Group created Jetstar Airways, an airline which has very different service and infrastructure requirements to Qantas Airways
- Four international low cost carriers now operate at Sydney Airport, none of which operated at Sydney prior to 2005.

Figure 2 – International capacity by region of airline at Sydney Airport – 1990-2012

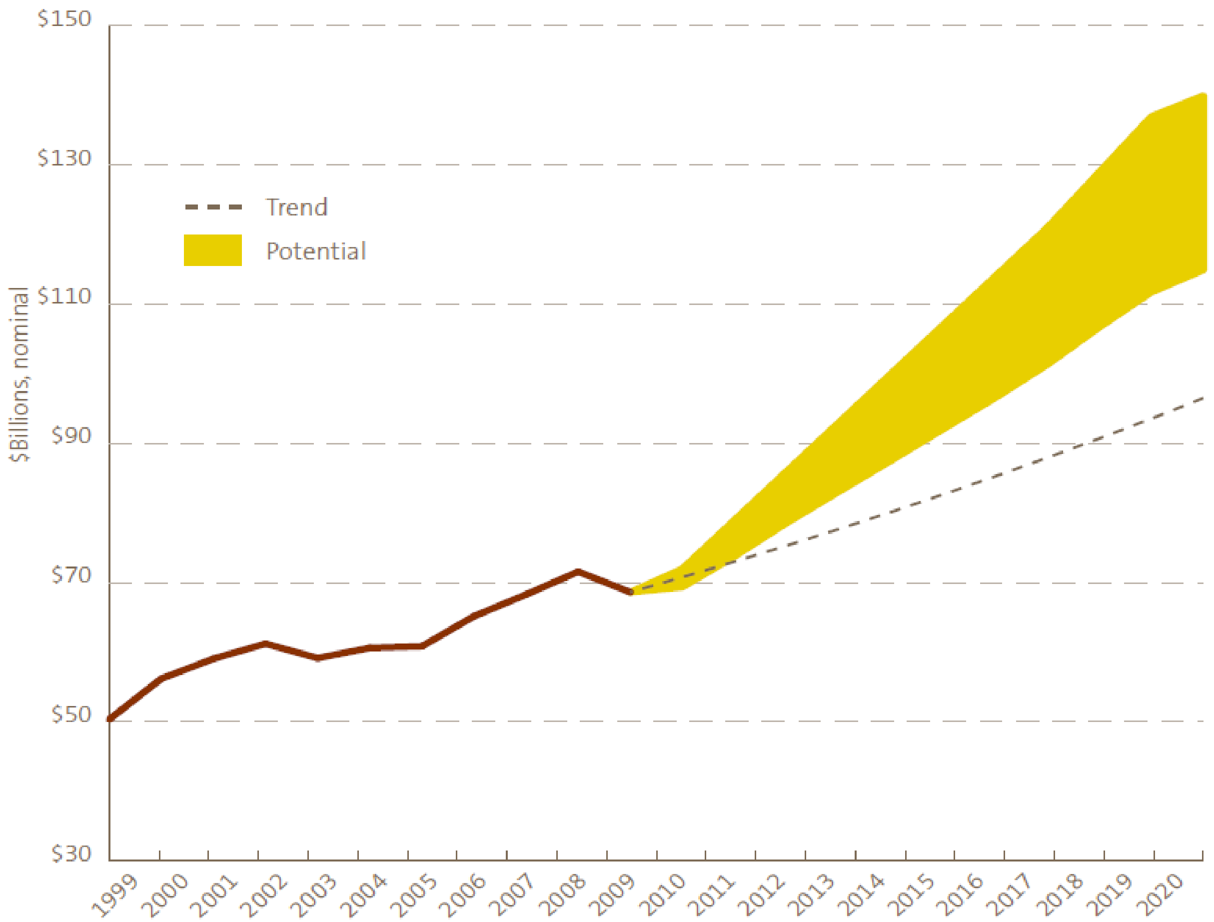


(Source: Tourism Futures International, 2013)

In order to capitalise on the strengths the visitor economy can deliver to Australia, the *Tourism 2020 Potential* was released by the former Department of Resources, Energy and Tourism in 2010 to set a number of goals for improving tourism growth and output. The core of the strategy aimed to increase total overnight visitor expenditure to $115-$140 billion per annum by 2020 (commonly framed as a doubling of overnight spend from $70 billion in 2009 to $140 billion in 2020). This was seen as an essential goal to ensure the Australian tourism industry remains globally competitive, while delivering significant economic benefits to the nation.

At the commencement of the *Tourism 2020 Potential* strategy in 2010, the trend in tourism growth projected a modest increase in overnight spend to around $95 billion by 2020. This fell significantly short of what industry and government collectively regarded as the potential of our industry should structural and regulatory reforms take place to promote growth.

Figure 3 – Potential for overnight tourism expenditure by 2020

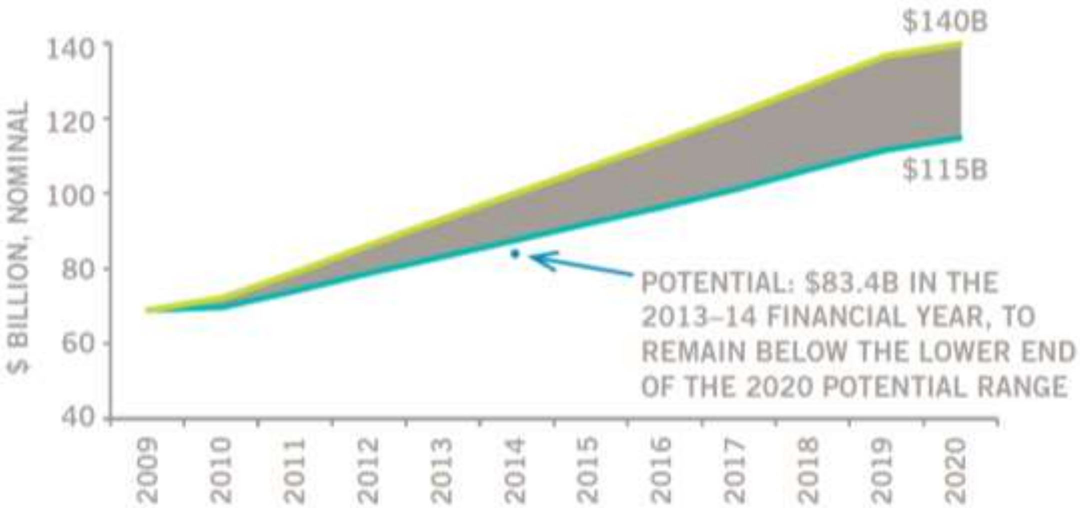


(Source: Tourism Australia – Tourism 2020 Growth Potential, November 2010)

However, since the commencement of the *Tourism 2020 Potential* strategy, slower than anticipated growth caused by limitations in tourism supply, such as international aviation access, accommodation supply and tourism infrastructure investment has resulted in the to-date progress falling below the lower limit of the strategy. As of August 2015, the overnight visitor spend per annum was around $84 billion, approximately 5% below the lower end of the potential range.

Critical to the implementation of the *Tourism 2020 Potential* strategy is continued high growth from a number of key Asian markets, including China, Korea, Hong Kong, Japan, Malaysia, Indonesia, the Philippines and Vietnam. Australia's relative proximity and natural attractiveness as a destination has provided a strong foundation to attract visitation in the past, and the comparative ease and cost of travel has provided Australia with a competitive advantage against our natural long-haul rival destinations, such as New Zealand, the United States and Canada, and a number of European markets.

Figure 4 – Recent tracking for the Tourism 2020 Potential



(Source: Tourism Research Australia – State of the Industry, October 2014)

However, in recent years, Australia has failed to keep up with reforms made by a number of rival long-haul markets, such as wide ranging tourist visa simplification measures, aviation access liberalisation, travel taxation reduction and increases in funding to promote tourism demand stimulation. This has eroded the competitive advantage experienced in the past, making visitation to Australia more expensive and difficult, and has led to a steady reduction in the market share of outbound Asian visitation to Australia, particularly China, as other markets capitalise on their recent reform activities.

In order to ensure Australia reaches the *Tourism 2020 Potential* targets to support economic development and prosperity, tourism supply reforms identified by the Productivity Commission should be adopted to allow industry to attract increased visitation to Australia, while also promoting greater investment in Australia's export trade sector.

International air services agreements (ASAs)

Unlike other trade agreements where free trade exists unless governments impose restrictions (such as protection tariffs or trade quotas), international air routes are restricted by default until two governments make arrangements to allow access.

Air services agreements (ASAs) are bilateral treaties between two countries (or markets, in cases such as Hong Kong, Dubai and Abu Dhabi, for example) to allow air traffic (including seat capacity, measured in seats or frequencies of aircraft per week, codeshare rights, on-rights, e.g. the right to carry passengers beyond the second country party to the treaty, and air cargo access) between and beyond the two jurisdictions party to the agreement. At present, Australia currently has ASAs between more than 90 markets around the world.

At present, the Australian side of the ASAs limit activity only between airports in Sydney, Melbourne, Brisbane and Perth, with other international airports around Australia free to operate services in an unrestricted manner. A similar market access arrangement occurs in the foreign nation, depending upon individual national circumstances and market conditions.

While not required under the international framework that governs the establishment of ASAs, the vast majority of agreements deliver reciprocal rights to both parties of the treaty, e.g. if the Australia-Hong Kong ASA provides total seat capacity per week of 45 frequencies, airlines of both markets are able to operate up to 45 services between Sydney, Melbourne, Brisbane, Perth and Hong Kong.

In the majority of cases where seat capacity has reached the limit, typically it is foreign airlines that have exhausted their allocation, while Australian carriers utilise only a small percentage of the total.

Under the current ASA framework, the Department of Infrastructure and Regional Development negotiate on behalf of all Australian airlines and the tourism industry more broadly. However, the current framework provides little transparency around the negotiation priorities established by the Department when conducting negotiations. While a 'national interest' test exists, industry has little visibility over how this is determined and opportunity for input is minimal. While Australian airlines are often represented in the delegation for these negotiations, airports are not.

The stated policy position of the federal government is to renegotiate ASAs ahead of demand to prevent undersupply. However, ongoing delays in bilateral capacity negotiations, which have fallen behind demand in many key growth markets, restrict the level of access to the Australian market from foreign carriers, preventing any further growth from international visitors. Further, while many markets are not at the complete capacity limit, the occasional practice of international airlines to ‘capacity hoard’ restricts the opportunities for new entrants into the market. Delays in capacity increases risk economic and tourism growth, which is highly reliant on inbound international visitation.

Where new capacity is being considered, it is important that capacity levels will allow Australian and foreign airlines to add seats ahead of demand. At the very least, agreements should provide no less than five years’ worth of growth. Airlines make aircraft purchase and market development investment decisions years in advance and for Australia to be competitive relative to other destinations, airlines require longer term certainty in accessing air rights on

Australian routes. At present, there are a number of markets that are at capacity and face significant limitations for growth. These markets include Hong Kong, Qatar, the Philippines, Turkey, South Korea and Fiji. Foreign airlines are particularly important to international tourism, as many passengers continue to display a general preference for flying with an airline domiciled in their own country.

Sydney Airport believes that airlines should have the ability to make their own decisions as to which routes are commercially viable. Airlines require access to the most commercially sustainable markets to be able to provide certainty of service across a network. Airlines increasingly will only serve destinations that allow them to make a reasonable rate of return; otherwise they will be compelled to divert their services to other, more commercially attractive destinations. It should not be a role of government to determine sustainability of international air services.

Should foreign airlines fail to secure more access to Australia, the alternative is to deploy the additional capacity on other overseas markets, which will not be in Australia's best national interest. This will result in decreased competition, higher costs for travellers and significantly lower economic benefits for the entire Australian economy.

Current market limitations (as at 18 September 2015)

While Sydney Airport welcomes the Australian Government's efforts to continue its negotiation schedule, it is vitally important that the planned timeline for negotiations reflect existing market demand and current capacity limitations. As such, Sydney Airport feels it is important that the Department of Infrastructure and Regional Development consult more broadly with industry to determine order of prioritisation to ensure limited resources are allocated in the most effective and efficient manner. At present, there are a number of key inbound markets for Australia that require renegotiation of the existing ASA. These markets include the following:

Philippines

A lack of capacity to operate under the Australia-Philippine ASA has prevented the introduction of further competition on various routes between Australia and the Philippines. This has reduced the availability of options for travellers between the two countries and beyond. A Philippine based airline has indicated a desire to increase its frequency from Manila, however, the existing bilateral agreement prevents them from doing so. This capacity increase will enable the airline to develop the yield necessary to operate the route in a sustainable manner. The required increase equates to 91,000 additional annual seats which could generate more than $62 million for GDP.

Hong Kong

The Hong Kong-Australia ASA has been at capacity for some time, reflecting the current negotiation deadlock experienced between the Australian Government and the Hong Kong Civil Aviation Department. All available capacity on the Hong Kong side of the ASA is currently utilised, and requests for further capacity have been declined by the Australian Government without the provision of an air operator's certificate for low cost carrier Jetstar Hong Kong and a number of other conditions (such as on rights, cargo provisions and codesharing).

The impact of this is that a Hong Kong based carrier is currently blocked from commencing services to Australia under the current air services agreement. This service equates to 178,000 seats and could add more than $173 million to the Australian economy.

<u>Qatar</u>

Qatar Airways are currently blocked from adding further capacity to Australia under the existing air services agreement. A new daily service has the potential to add up to 237,000 annual seats, generating an increase of $240 million in Australian GDP.

The Middle East is one of Australia's fastest growing inbound markets with an overall year-on-year growth in visitor arrivals of 14.9% in 2013. Its geographic location makes it an ideal transit point for traffic to and from Europe, Western Asia and Africa. As a result, a capacity increase between Australia and Qatar opens up high volume markets beyond the Middle East.

Over 75% of passengers currently travel to and from destinations beyond Middle Eastern hubs. These destinations, which form part of the government Tourism 2020 strategy, include European markets which have shown significant inbound growth over the last twelve months, including the United Kingdom, Germany and France, which saw an increase in visitor arrivals to Australia of 6.9%, 5.0% and 6.1% respectively. The government's Tourism 2020 strategy estimated that these three European markets combined have the potential to grow visitor expenditure by between $8.6 billion and $10.4 billion by 2020.

Sydney Airport supports a review of how ASAs are currently negotiated to place greater emphasis on the benefits of additional capacity, including job creation, economic expansion and tourism growth. A more transparent and proactive manner must be adopted by the Australian Government when conducting negotiations, taking into consideration the benefits of increased capacity to both international visitors to Australia and Australians seeking to travel overseas. Industry should be allowed a greater level of involvement in the determination of Australia's priorities and ability to shape the ongoing strategy in negotiating ASAs.

Further, while representatives of Australia's domiciled carriers often attend ASA negotiations, airports subject to the ASAs should also be invited to attend and support the government's efforts to seek an outcome that best fits the national interest.

Additionally, the process for concluding the mandate for negotiations and scheduling of talks with foreign governments should be improved to ensure the most expeditious process possible. While Sydney Airport acknowledges that there are instances where delays in continuing the process are out of the control of the Australian Government, we must ensure that our government takes all possible steps to progress these meetings as a matter of priority.

Tourist visas

The provision of simplified and cost effective visa arrangements for international visitors is essential to creating an affordable and approachable process. While Sydney Airport acknowledges that progress is being made by the Department of Immigration and Border Protection to simplify and expedite the visa application process, there remains room for improvement.

The World Travel and Tourism Council (WTTC) and the United Nations World Tourism Organization (UNWTO) have recently co-published an assessment of visa facilitation practices around the world. The report notes that while destinations on average require 63% of the world's population to obtain a visa prior to departure, tremendous progress has been made over recent years - 2% of the world's population can now apply for an e-visa, 16% can apply for a visa on arrival and 18% do not require a visa for leisure travel. Australia was ranked 42nd for improvements to procedures for 20 or more countries between 2010 and 2012, up 24 places.

This follows a 2012 study modelling the benefits of visa facilitation reform in G20 economies, with reforms holding the potential to generate an additional US $206 billion in tourism receipts and 5.1 million jobs by 2015. Key recommendations included improving information delivery, facilitating current processes, differentiating treatment for tourists, instituting e-visas and establishing regional agreements. Among G20 economies, Australia was named as having the third most open visa policy, with 4% of current source markets requiring visas in 2011.

While progress is being made to simplify and expedite the visa application process with the move to online visa processing for all countries, there remains room for improvement to meet the significant enhancements made by competing markets to attract larger numbers of tourist visitors. User-pays processing models would provide a faster option for passengers willing to pay a premium, which should extend to preferred customs and immigration clearance on arrival in Australia. Sydney Airport also supports the implementation of a more equitable fee structure for visas which better reflects the cost of processing, and a review of charges associated with visitor, student and working holiday maker visas in light of significant increases over the past few years.

Specifically, a number of key inbound visitor markets still face high visa charges, longer than required processing periods and more onerous identification and processing requirements than some of our more mature inbound markets. China, Thailand, the Philippines, Vietnam, India and South Africa all face the significantly higher $130 processing cost together with a 3-4 week processing period in addition to a lengthier and more complex processing regime. This is very different to a number of other Asian markets such as Japan, Hong Kong or Korea that are able to receive 30 minute online processing for $20 by completing a simple and light-handed application form.

A number of other countries have adopted improved visa arrangements to capitalise on increased visitor growth.

<u>United States</u>

In early 2012, President Obama took steps to shorten the visa processing period for Chinese visitors from four months to three weeks. Not surprisingly, this resulted in increasing the capacity of visa processing in China by 40%. It is estimated that an associated increase in Chinese visitation could create up to 1.3 million jobs and add US$850 billion to the American economy by 2020 through increased traveller demand and higher overnight visitor spend.

<u>New Zealand</u>

The New Zealand Government announced ‘Vision for 2015’ in March 2012, which is designed to reduce cost and processing times for visa applications. A new technology platform, known as Immigration ONLINE, is being introduced in stages over three years and will allow for most visa applications to be dealt with entirely online. Efficiencies and improvements in the process will result in a significant reduction in cost, with some visa classes reducing in cost by as much as 80%.

With Australia falling behind and facing increased competition from these and other nations to attract the growing number of Asian tourists, the federal government must take all necessary steps to ensure access to Australia is as simple and cost effective as possible. The Tourism & Transport Forum (TTF) recently released a report outlining a number of recommended improvements to the visa charging and processing arrangement system. *Visitor Visa Reform: Reducing the Barriers for Travel to Australia* lists a number of reforms that will improve Australia's competitive standing among long-haul destinations competing for increased Asian visitation, while maintaining the integrity of our immigration and border controls.

Sydney Airport is highly supportive of ongoing reform to our border facilitation arrangements in order to secure a competitive advantage for Australia as a destination. Continued imposition of trade tariffs and charges significantly harm the growth potential of Australia and jeopardise the sustainability of our visitor economy.

Sydney Airport strongly supports a raft of measures to simplify visa processes and costs for visitors to Australia. These measures include:

- Rapid implementation of online visitor visa processing, prioritising Asia
- Extend visitor visas to 36 months to facilitate multiple trips, improving Australia's competitiveness while reducing processing costs
- Introduce a user-pays premium multi-entry visitor visa processing model to provide a faster option for passengers willing to pay, including preferred customs and immigration clearance on arrival (working hand-in-hand with VIP passenger processing)
- Produce visitor visa forms in other languages to better service identified key visitor source markets, prioritising Asia
- Examine a more equitable fee structure for visas addressing the current inequities in visitor visa costs between Australia's traditional and emerging source markets (for example, $20 for a visitor from the UK versus $130 for a visitor from China or Indonesia)

Border facilitation cost recovery and service provision

In recent years, the federal government has proposed the increase of a number of travel related taxes or charges. The most significant of these charges is the Passenger Movement Charge (PMC), Australia's departure tax. Originally designed as a cost recovery levy for the provision of government mandated border facilitation services, such as customs, immigration and biosecurity screening, the PMC has gradually transformed into a means of general revenue raising.

Since its introduction in 1991, the PMC has increased seven times, now costing passengers $55 per journey and collecting more than $908 million in 2013. However, over the same period, the total expenditure on passenger facilitation has decreased in real terms, with less than $230 million being spent on border processing during 2013. In fact, since 2006, the PMC has increased by more than 30%, while the total expenditure on passenger facilitation has declined.

With the consistent growth in arrivals to Australia, particularly from developing Asian markets, the demands for border facilitation services continues to increase. In recent years, Australia’s major gateways have all experienced an increase in passenger movements, while the provision of border facilitation resources have, in real terms, declined.

The passenger experience has been downgraded, with queue times for processing at the primary and secondary line increasing beyond record levels in recent years. As the first experience for visitors to Australia, this creates a poor initial impression, impacting repeat visitation or discouraging visitors from recommending Australia as a destination to others – both of which undermine our ability to achieve continued growth in key Asian markets.

In order to better meet the forecast demand in passengers, particularly from high-growth Asian markets where processing times are often longer than for traditional, mature markets, Sydney Airport strongly recommends returning the PMC to a hypothecated cost recovery regime. This will allow an increase in the border facilitation resourcing and expenditure to the amount collected by the PMC, creating a significantly improved passenger experience while supporting projected increased demand in the future.

Sydney Airport has long supported reform to the Passenger Movement Charge and would welcome a return to full hypothecation, in line with the total amount expended by border facilitation agencies on passenger processing. This would ensure the PMC returns to the original mandate of the legislation as a hypothecated cost recovery charge and that service levels provided to passengers, particularly for inbound visitors, more accurately reflect the Passenger Movement Charge amount.

Sydney Airport further recommends increasing the level of funding available to Australia’s border agencies to improve service quality, particularly for arriving visitors. This includes increased resources for automated processing, such as additional inbound SmartGates and a comprehensive implementation of outbound automated e-gates.