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Secretariat Biosecurity Funding
Department of Agriculture, Fisheries and Forestry
GPO Box 858
Canberra ACT 2601

Via email: SecretariatBSF@agriculture.gov.au

SUBMISSION ON SUSTAINABLE FUNDING AND INVESTMENT TO STRENGTHEN BIOSECURITY

The Qantas Group (the Group) welcomes the opportunity to provide feedback to the Department of Agriculture, Fisheries and Forestry (the Department) on biosecurity funding and investment to strengthen biosecurity discussion paper.

The Group takes seriously the importance of biosecurity measures implemented both in Australia, and in high-risk countries when deemed necessary, to minimise the risk of pests, weeds and diseases entering, emerging, establishing or spreading within Australia. We understand and support the need for enhanced biosecurity measures and checks for passengers and freight at our international airports to adequately protect Australia's biodiversity, trade, travel and the economy.

Travel has rebounded in Australia but demand remains unpredictable as a result of ongoing management of COVID-19 community outbreaks and fluctuating consumer confidence, resulting in operational and commercial challenges for airlines.

The discussion paper identifies a number of funding models for stakeholder consideration. Qantas is supportive of a review into the funding methodology for biosecurity, however in order to provide more meaningful feedback, a series of costed options or models under consideration from Government would greatly assist us in forming a view. However, the Group notes that airlines operating in Australia have already experienced significant cost increases in recent years as a result of government initiatives, leading to comparatively high ticket taxes and charges, for example, the Government's recent rollout of enhanced security screening equipment will cost the industry \$1.5 billion. Any increase to charges will become more prohibitive, as the industry looks to recover, particularly in the international arena, as markets around the world compete for tourism trade. The industry cannot continue to fund continual cost increases effectively leading to a 'tax on tourism', without dampening demand.

The discussion paper raises six different funding options for consideration. Given the current climate, the Group opposes any increase to ticket charges or taxes given its potential to dampen demand and tourism in Australia. Our response though primarily focuses on the proposed option to increase the passenger movement charge (PMC), with a fixed share going directly to the Commonwealth's biosecurity system.

The Group opposes an increase to the rate of the PMC which was last increased by \$5 in 2017, without further information of the proposed cost increase or greater surety that the PMC would be used to directly fund biosecurity costs, rather than be returned to consolidated revenue.



The PMC disproportionately affects Australian airlines, in an intensely competitive aviation market where airlines are often 'price takers'. Any proposed increase in many instances is unrecoverable by the airline. The PMC is not differentially applied, and therefore routes which are principally composed of leisure traffic - which has a higher elasticity of demand – and short-haul international routes will be most significantly impacted, as will prospects for growth by airlines on these routes. The ticket price is advertised as a global ticket price, and for most travellers, it is the total cost of a ticket, rather than the breakdown of charges and taxes that is most relevant. This significantly effects low-cost carriers (LCCs) as their customers are more price sensitive. For instance, on some international routes, Jetstar's fares can and often start at around \$130, which means the PMC represents 46% of the fare. To the extent any further increases to the PMC could be passed on to the consumer, it would only inhibit the passengers' ability to access cheaper fares, stifling the opportunity to stimulate international demand and travel.

The Group supports a revenue-neutral model for biosecurity at the border. Without greater transparency of what the PMC pays for, on face value, it appears that the PMC collected for each departing traveller, merely contributes significantly to government revenue, and is not completely redirected into the aviation industry. Since 2018, \$2.2742 billion has been collected for the PMC. Given the significant amount of money collected already for the PMC, the Group recommends a review of the current usage of revenue from the PMC and reassessment of the allocation of consolidated revenue to the Department for the proposed future enhancement of the biosecurity strategy.

Any proposed increases to the PMC warrants further, detailed cost analysis to ensure the model is fit for purpose and the impacts on passenger demand are fully understood. The Group considers further dialogue on the range of future measures and Industry participation in the design and implementation of such measures is critical to leverage knowledge, technology and innovation.

The focus on costs will be unrelenting in the years ahead as the industry looks to recover and find a sustainable path forward. We look forward to the opportunity to discuss the above further with the Department and can provide additional information should that be of assistance.

Yours sincerely,



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