

Our Ref: 0768/03

6th August 2003

The Secretary
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Secretary

**SUBMISSION TO JOINT COMMITTEE of PUBLIC ACCOUNTS and AUDIT
REVIEW of AVIATION SECURITY in AUSTRALIA**

Firstly thank you for the opportunity belatedly extended to the Mackay Port Authority to provide a submission on this issue. As owner of the Mackay Airport, the Authority was disappointed that it had received no direct advice of this committee enquiry and was not formally invited to make a submission.

This submission particularly addresses points outlined in the terms of reference;

- (a) regulation of aviation security by the Commonwealth Department of Transport and Regional Services
 - (b) compliance with Commonwealth security requirements by airport operators at major and regional airports;
 - (e) cost imposts of security upgrades, particularly for regional airports.
- (a) The Authority places Aviation safety and security as priority one with its airport operations and therefore is in general agreement with the new regulations even though they will not address the obvious weakness in the system of aircraft arriving at categorized or security controlled airports from unscreened uncategorized airports.
- (b) The matter of compliance requirements whereby the final responsibility and penalties lie with the airport operator is an issue with many factors outside of the operator's control.

For instance at Mackay compliance with the present 'security restricted area' requirements under ASM 18 is not possible, as Qantas is the "designated Passenger Screening Authority" at Mackay airport and hours of operation of the screening point do not allow for screening of passengers using the main apron as required under ASM 18.

The Authority would concur with the thrust of the new Aviation Security Bill 2003 as long as the General Aviation communities at security controlled airports are included as restricted areas. The Commonwealth apparently does not want to impose any impost on the General Aviation sector and yet airport operations by these operators are often the weakest link in the security chain.

The issues of provision of adequate airside access at all times to General Aviation whilst maintaining "Access control measures in airside areas" as stipulated by the new Security Bill is a big challenge, especially when the general aviation operator lands at category 1-4 airports during operational periods.

- (c) As airports will be liable for any infringements, they have the ultimate responsibility to police and ensure airside access and this will necessitate stricter control of General Aviation and the cost of the resources required for compliance will consequently be passed on with higher landing, parking and tenants' lease charges. As the General Aviation industry is generally loathe to accept 'user pays' charges this will certainly attract adverse reactions.

Additionally, the continual additional cost imposts of Commonwealth-related charges does present for Mackay airport increased difficulties in encouraging airlines to retain or expand capacity, or to commence flying new routes such as Mackay to Auckland due to:

- the non-level playing field created by Location Specific Pricing in Airservices charges, and now
- compliance with the new Aviation Security Bill 2003 including the requirement for checked bag screening (at least \$1m capital outlay which does not include any alterations that will be required to the baggage conveyor system or terminal building itself to enable installation), which must ultimately be passed on to the fare paying passenger.

To elaborate on these major cost imposts and their anti-regional development impact, the simplistic economic rationalist argument adopted in recent years is that the higher throughput of passengers or aircraft tonnages through an airport, the lower the unit cost for any service provided.

- An example of this is the Airservices Australia proposed charges for Aviation Fire & Rescue services at airports. The cost per person on a Boeing 737-700 aircraft with a 70% load factor is proposed to be \$10.83 per passenger on the Brisbane to Mackay service and \$0.51 for Brisbane to Sydney in the new charges regime submitted by Airservices to the ACCC. The Authority has long and consistently expressed the view that safety and security are not location-specific issues to which an economic rationalist approach can be applied. Such issues are clearly network issues and should be funded through network pricing policies, where passengers pay the one fee for a service standard across the network irrespective of location.
- All of the requirements of the new Security Bill will require increased initial and ongoing commitment of resources like infrastructure such as CCTV systems, explosive trace detection (\$100,000 capital), checked bag screening (\$1m capital), new ASIC printers, incorporation of biometrics, and additional employee resources to operate that infrastructure and perform enhanced perimeter patrols, tenant premises patrols, manning of airside access gates as well as kerb-side terminal patrols. At Mackay, it is anticipated that this will add approximately \$500,000 pa on a cost recovery basis to operations which will translate to \$3.15 per tonne or \$1.50 per passenger.
- In isolation this may not seem much but on the Brisbane to Mackay sector when added to the Global Security Charge of some \$7, Passenger Screening charge of around \$1, the proposed Airservices charges for ARFFS at Mackay airport of \$10.83 a passenger, Tower charge of \$4.80, Enroute Navigation of \$2.40, Ground handling services of \$4, airport runway and terminal charges at Mackay of \$11.15 and all attracting 10% GST, collectively these charges and taxes equate to \$45.50 out of a low everyday fare of \$115 or 40% of the Mackay-Brisbane fare. So any additional charge can take an airline service from marginally profitable to a loss situation. This is why charges at regional airports based on Location Specific Pricing can lead to reduction or withdrawal of services.
- This existing inequity that exists with Airservices Location Specific Charges on Aviation Fire Rescue services may be compounded by the present review of the subsidized Control Tower services which could result in an extra \$2.20 per passenger if the subsidy is discontinued.

Airlines analyze each route they fly and make decisions to maintain, expand or cease services based on route profitability. Mackay airport and other regional airports are grossly disadvantaged by user pays systems which are reflected in the fares airlines charge as these airports do not have the passenger throughput of the larger airports to dilute the costs. This has the effect of suppressing regional growth.

At the recent Tourism Futures conference held 21st to 25th July on the Sunshine Coast the Australian Tourist Commission representative advised that the critical factor required to grow the number of international visitors to Australia and bring money into this country was the expansion of tourism into regional areas which offer new natural attractions and experiences for the potential traveler.

The ATC representative went on to say that access to regional airline capacity and low cost fares were critical in achieving this outcome of dispersal of tourists to regional areas of Australia and if this was not supported then the majority of international travelers would only be visiting Brisbane, Sydney and Melbourne, and in reducing numbers.

Summary

The Authority strongly believes, like many others in the industry that Aviation Safety and Security is a national responsibility and is thus a network issue not a location specific issue. Therefore any regional airport charges levied by the Commonwealth over and above the national weighted average charge for services should be funded by the Commonwealth as a Community Safety and Security Obligation.

The existing user pays system (or location specific pricing) of Airservices Australia and provision of enhanced security at airports are clearly stifling regional growth due to their disproportionate impacts on individual passenger costs.

One way of providing improved access and affordability for international tourists to access regional areas such as Mackay & the Whitsundays, Alice Springs, Ayers Rock and Broome, which are long distances from international gateways is to provide international services direct. However the cost impost of complying with the unilateral requirement to provide check bag screening is enormous, will clearly inhibit commencement of charters and will act to suppress growth of these regions and consequently Australia's tourism industry.

Yours faithfully

JOHN TAYLOR
Chairman

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