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

Dear Mr Secretary

#### **JUNE 2004 REPORT 400: REVIEW OF AVIATION SECURITY IN AUSTRALIA**

We refer to the Joint Committee of Public Accounts and Audit and its inquiry into Aviation Security in Australia and wish to make a submission on behalf of Linfox's two airport companies Avalon Airport Australia Pty Ltd and Essendon Airport Pty Ltd.

In response to the Terms of Reference, we comment as follows:

- a) *regulation of aviation security by the Commonwealth Department of Transport & Regional Services and the Department's response to aviation security incidents since June 2004;*

On balance, Linfox considers that the Department of Transport & Regional Services (DOTARS) has taken a positive and proactive stance on aviation security matters – however, more recently, we are very concerned with their impending change of ideology.

To date, DOTARS' view has been consistent with the requirements of the *Aviation Transport Security Act 2004* and its 2005 Regulations. This Act requires the operators of each security-controlled airport to establish a Transport Security Program (TSP). The TSP is formed following an in-depth Risk Assessment of each airport. This process requires an airport to undertake a review of its individual characteristics and circumstances and adopt the necessary security changes and upgrades.

The process has been very beneficial, particularly for "new-entrant" airports such as our Essendon Airport facility. Pursuant to the *Aviation Transport Security Act 2004* and following the risk assessment approach as outlined above, Essendon Airport established two TSPs which were approved on the 10<sup>th</sup> March 2005. These TSPs addressed Essendon's unique characteristics such as its Victorian Police Airwing Operations, "critical-infrastructure" status, vicinity to Melbourne's CBD and corporate jet and VIP flight activities.

The TSP/Risk Assessment process, with the support and guidance of DOTARS' Office of Transport Security, enabled the establishment of upgraded security arrangements. These works, which include additional lighting, access control, fencing and CCTV installation, will commence in the coming months and will deliver a significant increase in security arrangements for Essendon Airport.

Having experienced this very proactive process for Essendon Airport, Linfox is concerned with the apparent change in DOTARS' policy for the security screened non-CTFR airports, and particularly Avalon Airport.

It seems that DOTARS is now considering a return to the old regime of generic processes; a "one size fits all" approach, which does not take into account the vast differences in airport circumstances and operations around Australia.

For example, we note that the Department advised the security screened non-CTFR Airport Operators (which includes Avalon Airport) on the 23<sup>rd</sup> June 2005 of various homogeneous proposals which are being contemplated for all passenger-screening airports.

In particular, Linfox understands that the OTS is considering a requirement to fully screen all persons, goods and vehicles entering *and leaving* Avalon's SRA and/or airside. Further, it is understood that the Department may specify a minimum standard of fencing at Avalon Airport.

Linfox is concerned that these proposals are being considered at a time when there has been *no* specific threat increase for airports. Additionally, no incidents have occurred at Avalon and continuing risk assessments have been undertaken which do not advocate these increased requirements.

Avalon Airport acknowledge that these security upgrade proposals are likely a result of recent events at Sydney Airport, but consider it inappropriate to embroil smaller airports into this issue. We feel it important to note that Sydney Airport has 26.5 million annual passenger movements and thousands of airport workers within their SRA. Avalon Airport has only 1.7% of those passenger movements and just eight airport workers within its SRA at any one time.

Therefore, recommendations based on the experiences of Sydney Airport (and other large airports) are being made without regard to the consequences for the secondary aerodrome; such as Avalon Airport – and completely disregard the very suitable methodology adopted in the TSP / Risk Assessment approach.

For instance, Avalon Airport already has very significant security arrangements in place. These include six security guards in a terminal of less than 1,000 square metres. With only 600 departing passengers each day, this is a ratio of one guard per one hundred departing passengers – this compares very favorably to most other Australian airports. Further, five of these security guards screen only one flight (177 passengers maximum) at a time.

Additionally, the airport is isolated, with a passenger terminal located over 700 metres inside the airport's boundary. There is extensive terminal fencing and 24-hour guarded airport security.

Therefore, recent discussions which suggest *further* compulsory security measures - including increased screening of employees and extensive fencing - do not reflect actual circumstances.

Linfox considers that these issues will involve capital expenditure of at least \$2 million for Avalon Airport. Additionally, the potential implementation of an additional screening point, for only eight airside workers, would be a very peculiar arrangement.

Such excessive outlays, with no financial return or benefit, are extremely prejudicial to regional airports and would lead to a considerable deterioration in their competitive position.

In summary, we consider that the return to the old regime, which advocates industry wide "one size fits all" measures, are alarmist, unfair and anti-competitive. They are an unnecessary financial impost on the travelling public and of dubious benefit.

Linfox urges a continuation of the TSP/Australian Standard Risk Assessment Approach for non-CTFR airports as we consider this proven method clearly results in security upgrades which are based on actual realities not irrational processes.

*b) compliance with Commonwealth security requirements by airport operators at major and regional airports;*

To date, Linfox has been pleased with the regulatory regime and compliance arrangements for both our Avalon Airport and Essendon Airport properties. This has included the approval of Essendon's TSPs and a rigorous implementation of a new security regime associated with the commencement of RPT services at Avalon Airport.

Avalon Airport continues its security arrangements within a framework of a Security Plan and a Security Committee and regularly meets with the airport's major users and tenants. This Security Plan will be updated in accordance with the requirements of the new Act, however significant resources have been directed at Avalon's security and no significant security issues have emerged.

As mentioned above, Linfox is concerned with the emerging view that regional airports must adopt security measures developed as a result of recent incidents at capital city airports – such as the Schapelle Corby and Moose Head incidents. These measures are inappropriate for secondary airports and we consider that the implementation of capital city security regimes at regional airports (and the associated costs) could eventually lead to a severe downturn in growth at secondary airports – with a large negative impact on regional tourism and communities.

*c) compliance with Commonwealth security requirements by airlines;*

Linfox has no specific opinion on this matter, other than to state that our experience with the major users of Avalon Airport, Jetstar and Qantas, has indicated that they undertake their security responsibilities to the highest standard.

*d) the impact of overseas security requirements on Australian aviation security;*

Linfox has no specific opinion on this matter.

*e) cost imposts of security upgrades, particularly for regional airports;*

Cost imposts of security upgrades for regional airports is the most significant security issue for secondary airports.

These cost allocations for struggling regional airports are enormous imposts on their commercial operations – particularly airports (such as Avalon Airport) that have difficulty developing the large passenger movements and associated economies of scale necessary to reduce these costs on a per passenger basis.

All new security proposals and policies developed by DOTARS for regional airports must be carefully considered and implemented. For example, requirements to screen small numbers of airport workers at regional airports need to be commercially viable for the airport operator.

For this reason, Linfox is cautious of recent DOTARS proposals to implement additional fencing and employee screening arrangements. These types of proposals have potential to add millions of dollars of costs for little, if any, value.

Additionally, one matter often overlooked by policy makers is the ability of smaller airports to fund these massive costs. Almost all financial institutions will lend money to smaller airport companies based on future cash flows derived from those lent monies. In the case of security, there is no income benefit - it is simply a direct cost. Therefore, it is very difficult for the smaller airport company to fund additional multi-million dollar security measures as financial institutions will not eagerly fund the outlays required.

Eventually, the continuation of high cost structures for regional airports will have serious consequences on regional communities and regional tourism. Airport security charges are one of the higher airport cost structures - their continued impost can greatly impact the regions - but we need to be mindful of the benefit; it must be the correct balance. Added security at regional airports needs to be carefully considered prior to its implementation – all that could be left is a regional airport with heavy security measures – but few passengers able to afford it.

*f) privacy implications of greater security measures;*

Linfox has no specific opinion on this matter.

*g) opportunities to enhance security measures presented by current and emerging technologies, including measures to combat identity fraud;*

Linfox has no specific opinion on this matter.

*h) procedures for, and security of, baggage handling operations at international, domestic and regional airports, both airlines and airports.*

As stated, Linfox considers that Avalon Airport has very significant security measures which are entirely appropriate for its level of activity.

Linfox considers Avalon Airport has some of the best airport security standards in Australia – 6 guards for each flight of 177 passengers, a small operating environment and only eight airside workers engaged in RPT flight services.

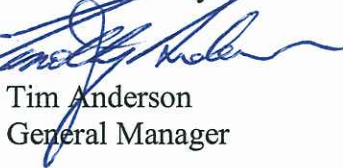
Although there has been a number of high-profile media incidents in the past year, the overwhelming view is that current security arrangements at Australian airports are entirely appropriate and exceed world standard. The processes work, are effective, and assist with the orderly and secure movement of aircraft and passengers. Regional Airport operators are anxious to ensure that the current arrangements continue and would not like to anticipate further cost imposts.

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We trust that this correspondence assists the Joint Committee of Public Accounts and Audit's inquiry into Aviation Security in Australia and clearly outlines many of our concerns in relation to this issue.

Finally, on behalf of Linfox, we would like to invite the Committee to both our Avalon and Essendon Airports, to experience first hand the security arrangements in place and the proposals for these aerodromes. We are sure an inspection, in conjunction with this submission, will assist your deliberations in relation to this matter.

Yours faithfully



Tim Anderson  
General Manager