



Tasmania

Submission No. 32

PREMIER



Dr John Carter
Inquiry Secretary
Joint Committee of Public Accounts and Audit
Parliamentary House
CANBERRA ACT 2600

Dear Dr Carter

Thank you for the opportunity to provide a submission to the Review of Aviation Security in Australia. Please find attached the Tasmanian Government's submission.

The submission highlights the Tasmanian Government's view on a range of issues, in particular that:

- Regulation of aviation security should remain the responsibility of the Commonwealth to ensure compliance with internationally agreed aviation security regimes and *to ensure consistency within and across Australian jurisdictions*; and
- The Commonwealth Government should meet the cost of security upgrades for Tasmania's categorised airports to ensure that security is consistent with the highest existing standard.

I hope that this submission provides some assistance to the review.

Yours sincerely

Jim Bacon MHA
Premier

TASMANIAN GOVERNMENT

RESPONSE TO THE:

REVIEW OF AVIATION SECURITY IN AUSTRALIA

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

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INTRODUCTION

Airports, airlines and regulators currently operate in a complex and dynamic environment, of which security issues form one part. Other important considerations include a range of factors relating to the immediate commercial viability and long-term sustainability of the aviation industry (and industries that support and rely on it) as well as maintaining the extensive national network of aviation services. In particular, many smaller airports are marginal operations without the capacity to absorb the high costs of enhanced security arrangements. Passing these costs on to passengers will inevitably have an effect on the viability of air travel to many destinations, given the price sensitivity and low margins associated with air travel to regional destinations.

This response is therefore provided in the context of the:

- Current national and global environment impacting on the aviation industry; and
- Recent audit of the Commonwealth Department of Transport and Regional Services (DoTaRS) by the Australian National Audit Office (ANAO).

Given the widely differing circumstances of major and regional airports and the various security regimes applicable to them, it is also important to ensure that a realistic and reasonable approach is adopted in developing and implementing suitable security regimes.

It is also important to note that aviation security has impacts and benefits beyond the bounds of airports and airline activities. In other words, there are broader community benefits that accrue as a result of the development and implementation of aviation security regimes. A nationally consistent, high-level security regime benefits all Australians. As the aviation industry comprises an integrated network of airports the security is ultimately determined by the lowest common denominator, and one airport with poor security can jeopardise the integrity of the whole network.

Recognising that consistent aviation security provides national community benefits — and indeed, that there is no direct relationship between the cost of security for an airport and the benefits of that security for the local community — it is therefore unreasonable to impose the costs associated with aviation security on small airport operators (and ultimately, the passenger) or State taxpayers. The Commonwealth Government should accept responsibility for funding the implementation of *increased* security measures at Australian airports.

TERMS OF REFERENCE

a) **Regulation of aviation security by the Commonwealth Department of Transport and Regional Services**

The Commonwealth, through the DoTaRS and its predecessors, has had responsibility for regulating aviation security matters for many years.

The Commonwealth has recently expressed the view that the responsibility for protective security measures at all of Australia's commercial airports lies with the owner/operators. Thirty-eight of these airports are categorised for security purposes under the *Air Navigation Act 1920*. At these airports the Commonwealth regulates the standard of protective security measures and considers security at all the other airports to be a matter for the owner/operators.

The Tasmanian Government is of the view that aviation security regulation should remain with the Commonwealth to ensure compliance with internationally agreed aviation security regimes and to *ensure consistency within and across Australian jurisdictions*.

It is particularly important that a consistent security regime is implemented within and across Australian jurisdictions, because in such an integrated network of services the security of the network is ultimately determined by the lowest common denominator.

The recent terrorist alert by the United States' Department of Homeland Security indicating that Australia may be an "attack launch pad" for suicide hijackers supports the argument for a nationally consistent security regime.

Tasmanian Government Recommendation:

Regulation of aviation security should remain the responsibility of the Commonwealth to ensure compliance with internationally agreed aviation security regimes and *to ensure consistency within and across Australian jurisdictions*.

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

Airport operators have a responsibility to comply, and to facilitate compliance by other airport-based entities, with the security requirements for airports established by the Commonwealth. The Tasmanian Government notes the findings of the ANAO in its *Audit Report No.26 2002-03* and endorses the recommendations made by the ANAO. It notes DoTaRS' agreement to the recommendations.

In particular, the Tasmanian Government supports appropriate action to ensure and improve compliance with airport security requirements, including:

- increased efforts to develop an appropriate security culture for airports;
- improved effectiveness of monitoring activities by DoTaRS; and
- improved accountability measures including the use of enforcement options and penalties by DoTaRS.

c) Compliance with Commonwealth security requirements by airlines

As for airport operators, airlines also have a heavy responsibility for compliance. The comments made above under Term of Reference (b) also apply to airlines.

d) The impact of overseas security requirements on Australian aviation security

Australia has an excellent record in adopting and implementing internationally agreed aviation regulatory arrangements and for meeting its associated obligations. These measures always come at some cost, both in direct financial terms and indirectly through the effort required to ensure compliance, but have ensured that Australia enjoys a safe, secure, and generally viable aviation industry compared with the rest of the world.

Internationally agreed security requirements have a diverse range of impacts on Australian aviation security and the aviation industry and economy more broadly. These impacts include, those on:

- Domestic Australian aviation operations (in terms of costs, requirements for services and processes);
- Inbound and outbound passengers (including travelling trends and attitudes); and
- Inbound and outbound freight operations (including costs and processes).

To ensure that Australia's aviation industry (and industries that support and rely on the aviation industry) is not unfairly disadvantaged from operating within a security regime that exceeds that of its trading partners, it is critical that the Commonwealth Government monitors global regulatory arrangements to ensure that a safe and competitive level of compliance is implemented in Australia. Imposing higher standards of compliance than necessary (i.e. for ensuring the safety of Australian passengers and freight) leads to cost increases for various exporters, particularly those that rely on air transport such as exporters of fresh produce, which in turn results in uncompetitive export prices.

This is a significant issue for Tasmanian exporters as they already face relatively high air transport costs into highly competitive international markets and the addition of unnecessary costs or processes will have a direct impact on the viability of these industries.

It is also important that inbound airlines and the countries from which they depart meet the same high standards of performance required by Australia's aviation industry, if the integrity of Australia's aviation security regime is to be maintained. Although, this is currently a minor issue for Tasmania given the small number of direct international flights to this State, as the opportunities to attract international flights are increasing this issue is becoming more of a concern.

e) Cost imposts of security upgrades, particularly for regional airports

Tasmania's Airports

Tasmanian has two major airports (Launceston and Hobart) serviced by jet aircraft for both Regular Passenger Transport (RPT) and freight operations. Both of these airports have a security rating of Category 3, with Hobart Airport also having an Australian Protective Service (APS) presence.

Tasmania also has five smaller regional airports handling a variety of RPT and/or charter passenger and freight operations.

Two of these, Burnie and Devonport, have several services per day provided by larger (34-36 seat) turboprop aircraft with another, King Island, also serviced by a smaller (19 seat) turboprop aircraft on a once-daily basis. King Island's service converts to a larger (34 seat) turboprop aircraft at seasonal travel peaks.

Flinders Island and King Island are predominantly serviced by small piston-driven aircraft of 6-9 seat capacities, along with Cambridge Airport in Hobart.

Cost Implications and Funding of Security Upgrades

Of the five smaller Tasmanian airports, only two have a security rating, Burnie at Category 5 and Devonport at Category 4. The costs of either airport upgrading to Category 3 requirements, even in part, are significant. For example, the costs of introducing and operating passenger and baggage screening alone have been estimated at \$1 million per annum, per airport. Both airports would also have to undertake extensive modifications to their terminals to accommodate a sterile area for screened passengers, at considerable extra cost.

In order to maintain the integrity of the national aviation network the security at the Burnie and Devonport airports should be upgraded in line with other Category 3 airports. The options for financing these upgrades are: for small airport operators to fund capital and recurrent costs, for Tasmanian taxpayers to finance the costs, or for the Commonwealth Government to finance the costs.

Given the price sensitivity of air travel and due to the lack of 'economies of scale' of regional airports, if small airport operators were required to recoup the costs through higher ticket prices the continued operation of Burnie and Devonport airports would be compromised. It would be impossible for the other three small Tasmanian airports to continue operation if airport operators were required to recover upgrade-costs through higher ticket prices.

Alternatively, if the State Government was required to assist in upgrading regional airports Tasmanian taxpayers would not only be funding security measures at local airports but also in effect subsidising the security of larger airports. Under this type of arrangement, Tasmanians would finance the cost of upgrading but the benefits would be dispersed nationally. Given the imbalance between concentrated costs and the dispersed benefits of high-level security in regional airports it is appropriate that the Commonwealth Government fund such activity. At least this way the costs and benefits can be shared across Australian taxpayers.

Tasmanian Government Recommendation:

The Commonwealth Government should meet the cost of security upgrades for Tasmania's categorised airports to ensure that security is consistent with the highest existing standard.

The financial impact on regional Tasmania will be significant should the Commonwealth Government not fund the required security changes of Tasmania's categorised airports. This should be considered in the context of the Commonwealth and Tasmanian Governments policy position of ensuring that regional communities have the same opportunities and access to services that are available to people in urban areas.

Airport Risk Profiles

The Tasmanian Government generally supports the security ratings assigned to Tasmanian airports - as compiled by the DoTaRS as part of a comprehensive risk profile. However, the Tasmanian Government has recently undertaken a Critical Infrastructure Review, which rated Hobart International Airport as *Very High* (the second highest priority) and Launceston, Burnie and Devonport Airports as the next priority of *High*. Smaller airports rankings range from *Medium* to *Low*. While this indicates some inconsistency between the Commonwealth and the Tasmanian Governments ranking systems, perhaps more importantly it highlights that a case for upgrading regional airports such as Burnie and Devonport, depends on the type of risk analysis used to inform the decision.

f) Privacy implications of greater security measures

The Tasmanian Government is conscious of the need to balance security measures for both passengers and freight with community expectations of ease and freedom of movement. However, as the recent incident on Qantas flight QF1737 demonstrates, even the current level of screening at major airports is unable to detect all possible threatening instruments/devices.

A key issue for the Australian travelling public and regulators is therefore: how far should screening and searches of passengers and personal baggage go? This is a complex issue which requires balancing the benefit of establishing and maintaining an adequate safety regime against the cost of such a regime, the inconvenience imposed on the traveller by such a regime, and the actual level of risk likely to be experienced.

Consequently, there is a need to carefully consider the limitations of passenger and baggage screening in creating a "safe" aviation environment. Air travel in this country is a relatively safe transport mode compared to other modes of public transport. In this context, it is important that public expectations of aviation safety are not raised to unrealistic levels, and furthermore it is important that the public understand the risks that regulators, airport and airline operators are trying to minimise and the risks that are unavoidable, at least in the short to medium term. Such an approach endeavours to balance the privacy implications associated with greater security measures against providing adequate information for the public to make informed travel decisions.

g) Opportunities to enhance security measures presented by current and emerging technologies

Screening technologies have advanced rapidly in recent years and may provide opportunities for enhancing airport security. However, along with the rapid advancement in the capability of equipment and in the training of operators, costs for these increasingly sophisticated security systems have also risen steeply.

There is no simple way of determining which technology would enhance security in a cost-effective manner. A comprehensive analysis is required to determine the appropriate balance between the costs imposed by increasingly expensive and sophisticated technology (and the pass-through effect on fares and demand) and the actual security outcome achieved as a result.