



Our Ref: Security 20-03

25th July 2003

Mr Bob Charles MP
Chairman
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Mr Charles,

I would like to thank you for inviting Virgin Blue Pty Ltd to make a submission to the Joint Committee of Public Accounts and Audit (JCPAA) on aviation security within Australia.

Virgin Blue is a new-comer in the Australian aviation industry and we will have been operational for three years next month. We came into the aviation industry at a difficult and volatile period. We have expanded and developed against expectations, with Virgin Blue now having around 30% of the domestic aviation market. Our goal is to reach around 50% of that market, once we acquire 10 new 737 aircraft currently on order, and to expand into international aviation routes, commencing later this year.

The events of September 11, 2001 created a complete rethink of aviation security and risk assessment. This event was not only tragic but a wake-up call for aviation security. Of course, the tragedy in Bali in October 2002, the war in Iraq and recent aviation security incidents, has added further pressure on the aviation industry.

The Federal Government - including the Department of Transport and Regional Services (DOTARS), the Australian Federal Police (AFP) and Australian Protective Services (APS) - the airlines and airport operators have played a critical role in developing timely responses to those security challenges. Virgin Blue has welcomed the close working relationship that we have developed with those agencies as we have introduced additional, appropriate security and safety procedures. But the nature of the security threat, as well as the spate of recent "copycat" security incidents, means that we have to be ever alert to further improving those procedures. The Australian public expects the Federal Government to take the lead role in guaranteeing their

safety. At Virgin Blue, we will continue to work with the Federal Government to achieve that goal.

Aviation Security is a matter of being proactive and not being reactive. We must review, monitor and audit, and continually assess our systems and procedures to ensure that we have “world's best practice”. Our ultimate goal is to further develop a security program that is operationally sensible, and which delivers sound security outcomes; but achieving these outcomes is costly. Unfortunately, the Federal Government has forced the aviation industry to shoulder the financial burden of introducing new security measures. No other sector has been required to do so, despite, for example, the higher level of security threat to other national infrastructure assets, such as rail and port facilities, and the Sydney Harbour Bridge. We believe that enhanced security measures are a national responsibility, requiring a substantial financial contribution from Federal, State and Local governments.

There is a feeling within the aviation industry that the financial impact of introducing the necessary security upgrades can readily be passed on to the airlines and passengers, with little understanding of the impact on airlines' viability. As a low cost, low budget airline, we are extremely price sensitive. Therefore, it is critical to Virgin Blue that no measures be imposed without careful consideration of the impact of them.

Until recently, there had been a paucity of consultation with the aviation industry about proposed security enhancements. This posed major problems, particularly for the airlines, who have to balance operational requirements with safety and security requirements, and financial imperatives. Following objections expressed to DOTARS and other members of the Federal Government, particularly to the Minister for Justice and Customs, who has shown commendable leadership in understanding and assisting us overcome our concerns, we have made considerable progress.

By comparison with our experience in Australia, the United States Administration, following September 11, has totally funded and expanded the aviation security program. We believe there is a strong case for the Federal Government following the US lead.

The Federal Government could immediately begin to make a financial contribution to aviation security. It could do so by allocating excess funds from the Ansett levy, which was paid in full by airline passengers, is estimated to amount to as much as \$150 million. This follows Virgin Blue's decision to reduce the cost of travel by \$10 on every return trip, once the levy was cancelled on 1 July 2003.

The aviation security industry is a close knit and supportive group of professionals from airlines and airports. We see the issues of Counter Terrorist First Responses (CTFR), Passenger and Checked Baggage Screening as part of a holistic approach. The security measures in place will never be a 100% fix to any potential event. However, a multi-layered approach is considered the most effective in reducing any potential risk.

The AFP have recently taken over from the APS responsibility for CTFR, which is funded by the airlines and airports. There is a case for having the Commonwealth

make a financial contribution to that national interest activity, as it does for other vital asset protection.

Virgin Blue is also involved in the Air Security Officers program, which is voluntary, and we provide all seats and administration at no cost. That program is working effectively, and we appreciated the level of cooperation with the AFP/APS in developing and introducing that program.

We believe that the current aviation security regulators, DOTARS, should continue in their role. They have the knowledge and experience within the industry to make educated assessments with the consultation of senior industry participants. Any change to this model could reduce the effectiveness and ultimate security outcomes. The only change to the current model would be to ensure that the industry participants are consulted continuously, directly involved in regulatory reform and working with law enforcement agencies and state authorities.

The direct effects from SARS and the Iraq war indicate how serious a single incident can affect an airline or Australian tourism. Virgin Blue takes security seriously. We understand that a serious security incident could financially ruin our airline. Therefore, it is in our best interest and the interests of our staff and passengers to foster and enhance a safe and secure aviation industry.

We participate in a variety of aviation security committees, programs and working groups to enhance and develop a secure and prosperous aviation industry. Aviation is seen as the pinnacle of transport security in Australia and the current model is being used to develop the rail and shipping industries. Therefore, major changes to the current security program within the aviation industry could have undesirable consequences. We suggest that the JCPAA take a cautious approach to recommending any substantial changes to existing arrangements, which are generally working well. But, we acknowledge the need to continuously make gradual improvements.

The information that we have detailed in this letter hopefully provides the JCPAA with a solid understanding of aviation security. We would welcome the opportunity to provide further information to the Committee, should that be required.

I once again thank you for allowing us to forward this submission for your consideration.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Scanlon', with a stylized flourish at the end.

Phil Scanlon
Head of Security
Virgin Blue Airlines Pty Ltd