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Official Committee Hansard

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Reference: Further inquiry into aviation security in Australia

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**JOINT STATUTORY COMMITTEE ON
PUBLIC ACCOUNTS AND AUDIT**

Wednesday, 24 August 2005

Members: Mr Baldwin (*Chair*), Ms Grierson (*Deputy Chair*), Senators Hogg, Humphries, Moore, Murray, Scullion and Watson and Mr Broadbent, Ms Burke, Miss Jackie Kelly, Ms King, Mr Laming, Mr Somlyay, Mr Tanner and Mr Ticehurst

Members in attendance: Senators Moore and Watson and Mr Baldwin, Ms Grierson and Mr Ticehurst

Terms of reference for the inquiry:

To inquire into and report on:

The Joint Committee of Public Accounts and Audit will inquire into and report on developments in aviation security since its June 2004 *Report 400: Review of Aviation Security in Australia*, with particular reference to:

- a) regulation of aviation security by the Commonwealth Department of Transport and Regional Services, and the Department's response to aviation security incidents since June 2004;
- b) compliance with Commonwealth security requirements by airport operators at major and regional airports;
- c) compliance with Commonwealth security requirements by airlines;
- d) the impact of overseas security requirements on Australian aviation security;
- e) cost imposts of security upgrades, particularly for regional airports;
- f) privacy implications of greater security measures;
- g) opportunities to enhance security measures presented by current and emerging technologies, including measures to combat identity fraud; and
- h) procedures for, and security of, baggage handling operations at international, domestic and regional airports, by both airlines and airports.

WITNESSES

O'CALLAGHAN, Mr John, Government Relations Adviser, Virgin Blue Airlines Pty Ltd..... 1

SCANLON, Mr Philip, Manager, Security Department, Virgin Blue Airlines Pty Ltd 1

Committee met at 9.41 am**O'CALLAGHAN, Mr John, Government Relations Adviser, Virgin Blue Airlines Pty Ltd****SCANLON, Mr Philip, Manager, Security Department, Virgin Blue Airlines Pty Ltd**

CHAIR (Mr Baldwin)—The Joint Committee of Public Accounts and Audit will now commence taking evidence, as provided for by the Public Accounts and Audit Committee Act 1951, for its inquiry into aviation security in Australia. I welcome everybody here this morning to the committee's third public hearing for the committee's review of developments in aviation security since the tabling of its *Report 400: Review of aviation security in Australia*. I advise witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege. I refer any members of the press who are present to a committee statement about the broadcasting of proceedings. In particular, I draw the media's attention to the need to report the proceedings of the committee fairly and accurately. Copies of the committee statement are available from the secretariat staff. Do you wish to make an opening statement to the committee before we proceed to questions?

Mr Scanlon—Thank you for the invitation to present to your committee. I apologise for the late forwarding of the letter. Due to health reasons, I was unable to get that forwarded to you earlier. I will refer to the document that we have provided to you. Virgin Blue Airlines have been in existence for five years. During that time we believe that we have implemented measures in relation to security throughout Australia—and beyond, with Pacific Blue, our international airline out of New Zealand. Not only do we believe that the measures we have implemented are in accordance with government standards but also we are trying to achieve world's best practice. As a result of that, we are constantly reviewing and assessing our security program in consultation with government officials and policing agencies throughout Australia. We are also continuing to try and adapt and develop as we can. Once again, I thank you for the opportunity to speak here today.

Mr O'Callaghan—I will add a few comments to what Phil Scanlon has said. It is the case that, if we go back to the period post 9-11, it would generally be agreed across industry—across the aviation industry at least—that the relationship between the industry and, in particular, the Department of Transport and Regional Services needed to improve somewhat. I think that there was a practice in the past, for example, where the department tended to draft regulations and present them to parliament through their minister without necessarily consulting industry widely. The good news is that in recent times there has been terrific consultation with industry. I would like to put that on the record to commend not only the department of transport but other agencies as well.

Obviously, Virgin Blue have a very close working relationship with, for example, the Australian Federal Police, ASIO, the department of immigration, Customs and others from time to time—including the Prime Minister's department, Treasury and the department of finance, particularly when it relates to budgetary matters and the impact on the cost of particular security measures.

So I have to say that, over the last few years, there has been a substantial improvement in the amount of consultation with industry. We welcome that. For example, at the suggestion of industry some years ago, the department of transport instigated what was called a 'high-level group on aviation security policy', chaired by the deputy secretary of the department—previously Peter Yuile and now Mike Mrdak. We think that that has provided a useful forum for not only industry players but also representatives of the sorts of agencies that I mentioned earlier to sensibly work through the relevant security issues before all of us. It is fair to say it is a work in progress, because, as you will appreciate with the work you are currently doing, aviation security issues are to the fore. That will not change in the foreseeable future—we have to be realistic about that. There are constant demands not only on government and government agencies but also on industry players such as us to respond to those demands.

Our principal starting point is this: we seek and are guided by the threat analysis provided by the expert agencies. In the case of the AFP, ASIO and others, we believe that the sort of advice they provide to us is generally well considered, timely, relevant and very helpful. That is not to say that we always get it right, but in terms of the direction that they provide for developing and implementing the policy changes that are required from time to time—improvements to aviation security measures—we think that the work they do is generally pretty good, and it is improving. I particularly commend the work of Dennis Richardson, the former Director-General of Security for ASIO. I think it would generally be agreed within the industry that he gave us outstanding leadership at a difficult time—in fact, over a long period—and we commend him for that.

CHAIR—Thank you very much. In the fourth paragraph of your submission, which we have just received, you consider that in being a low-cost carrier—not a small airline but a low-cost carrier—you bear a disproportionate burden of the costs of a number of security requirements. Can you tell me why you think your being a low-cost as opposed to a high-cost carrier has a bearing on how much you should pay for security?

Mr Scanlon—The point you make is a relevant one. Obviously, it is not unreasonable for all airlines to carry some cost associated with security measures. I think it is important to put this in context. As I understand it, the government has the view that it has responsibility for first response—counter-terrorism type response—at both airports and elsewhere across the country. That is entirely appropriate. The government, in fact, has substantially funded that activity over a long period but particularly since 9/11. It is also the case, though, that the sorts of measures that have flowed from the threats we have had to deal with have put a substantial cost burden on Virgin Blue and others. Because we are a low-cost entity, I am saying in effect that we believe the impact on us is greater than on a traditional type of airline, for example, principally because they do not have the cost structure that we have.

It is particularly relevant, we suggest, in regional areas of Australia. In our submission we have highlighted the impact on our activity in terms of whether we would decide to fly to a new destination, for example, or whether we might remain in an existing destination. Looking across the map of Australia, we have seriously thought about commencing operations to a number of additional regional areas. As we judge whether to fly there or not—to, say, Wagga Wagga, Albury, Port Lincoln or Kalgoorlie, and we have been looking to fly to a number of other locations—checked bag screening alone is a significant cost to us.

A measure on that is this: we estimate that the cost of introducing checked bag screening, say at a regional location such as Kalgoorlie, is about \$1 million for the actual equipment and around \$600,000 to \$1 million to operate and sustain. That is a fairly significant cost imposition on whether to fly to and from a location like that. Recently we decided not to fly to Kalgoorlie principally because we had lengthy discussions with the airport owners there, the local council, about what would be an appropriate formula and charging regime to operate there. The issue of checked bag screening alone was a significant issue for us in coming to that conclusion.

CHAIR—I do not know the flight patterns of your major competitor, which would be Jetstar as a low-cost carrier. They would be reflecting the same statement. You could not argue that it is uncompetitive on you in any different way than it would be on Jetstar. If the cost is based on passenger movement, then that cost is spread equally between the passengers that you carry, Jetstar carries, Qantas carries and other airlines carry.

Mr Scanlon—One of the significant issues is in relation to the type of aircraft. Obviously, I will not speak for Jetstar but we use 737 jets through our whole fleet. We do not have any other type of aircraft in our fleet and that is a low-cost model. Other traditional airlines have different types of aircraft and as a result of that, in regional ports if the aircraft is not a jet aircraft, they do not have to screen their passengers or their baggage. For every airport we go to, every passenger must be screened. The input then will be the future development of checked bag screening. That is where we see the cost. We are not referring to ourselves as being independent on this.

CHAIR—An A320 or a 717 is still a jet aircraft.

Mr Scanlon—That is right but there are also the propeller aircraft that are used in the same airports and they do not have to be screened.

CHAIR—Propeller aircraft are not normally low-cost carriers.

Mr Scanlon—That is what we are saying, yes.

CHAIR—I am trying to get to the point. You have said that all low-cost carriers—and I stand to be corrected—are running jets, whether it is 717s, A320s or the 737s that you are running. The one that runs up out of Cairns is an international low-cost carrier; I could be corrected on that. You are still equally as affected. There is no competitive advantage to any other low-cost carrier because no other low-cost carrier is running a propeller-driven aircraft.

Mr Scanlon—The low-cost carriers all use jet aircraft, so therefore we have the disadvantage over the other carriers.

CHAIR—Other than the actual airline and your own staff employed directly by Virgin, what other organisations do you issue ASICs for?

Mr Scanlon—Because of the ownership within our organisation, the Patrick Corporation have a major shareholding in our company. We have a venture, which is our engineering company, which is Virgin Tech Engineering and there is also Patrick Engineering. As they work for our airline, we provide them with ASICs because we deem them to be employees or under the company structure. Outside of that, we do not issue ASICs to any other people.

CHAIR—In Sydney you use Aerocare for part of your ground handling operations.

Mr Scanlon—Yes.

CHAIR—I do not know who you use in Queensland or other areas. Who would issue Aerocare their ASICs to be able to work on your aircraft?

Mr Scanlon—Sydney Airport Corporation in Sydney.

CHAIR—The airport directly issues those to other companies that contract to you.

Mr Scanlon—The way it is structured with the department of transport and with our program is that we have done it solely for our own staff. Contractors to us then have to go through the airport authority to get an ASIC to work in that port.

CHAIR—Are you happy with the arrangements for the issue of ASICs?

Mr Scanlon—I have been involved in working groups with the Department of Transport and we have discussed a number of options, issues and changes in relation to the ASIC program. I believe it can be enhanced. We have put forward to the department—and they consider our opinion and the opinion of others—that we believe that ASICs should be issued by a centralised government agency. Currently, we provide ASICs to our staff. We make the determinations in relation to persons who make applications to us in accordance with the guidelines and our programs. This happens through a number of agencies throughout Australia, mainly airport authorities and airlines. We believe, for consistency, it would be more appropriate that one central body make determinations. The determinations would then be consistent, whereas now I am not sure what determinations other airports make in relation to that.

Looking at it as a fundamental process, I believe that a centralised organisation with a centralised database would be more efficient. Currently, we have a fairly protracted process in that we receive applications and we then have to send information to the Australian Federal Police, who then forward it to ASIO. We then have to forward information to the department of transport, who forward it to immigration. Once again, it is working and we are getting that information, but I believe it could be more cohesive and more effective if one centralised unit made the determinations and did the assessments.

CHAIR—In your submission to the committee you stated:

We fly to 23 destinations in Australia, New Zealand, the Cook Islands, Fiji and Vanuatu.

How many of those destinations are in Australia?

Mr O'Callaghan—Around 18.

CHAIR—How many of those airports that you fly to do you issue the ASICs to?

Mr O'Callaghan—Four.

CHAIR—Which would be Brisbane, Sydney, Melbourne and Adelaide. Who issues ASICs for the others?

Mr Scanlon—The airport authorities or the issuing authorities of those ports.

CHAIR—So if you had a flight engineering crew that had their ASIC in Sydney and were required to fly to Newcastle, who would issue the ASIC for them to be able to move around at Newcastle on airside?

Mr Scanlon—We provide it. Our operating crews are provided what is called an Auswide pass—an ASIC which allows them to travel throughout all the ports in Australia.

CHAIR—So that would be for your pilots, aircrew and maintenance crew. What do you call your maintenance crew that fly around?

Mr Scanlon—Engineers.

CHAIR—I know the name of the work they do but is there a special designation for those engineers who fly from airport to airport with aircraft?

Mr Scanlon—Yes. We assess each one of those. All our flight crew, namely pilots and cabin crew, are issued an Auswide obviously because of the nature of their operations. We then assess the engineering capabilities of the staff as to whether they need to go from port to port. If they do we provide them with an Auswide pass. If they work in a centralised port and do not have to move anywhere we will provide them with a Brisbane, Sydney, Melbourne or Adelaide pass. They are port-specific. We believe that is a measure that reduces the ability for them to move around. At the end of the day they still have the same checks, whether it be an Auswide or a port-specific one. The thing we have to consider is that those cards are identification cards; they are not access cards. They do not give them the right to go through certain access doors.

CHAIR—Could you brief the committee on the amount of resources, financial and otherwise, that you devote within Virgin Blue to the issuing and management of your ASICs.

Mr Scanlon—Obviously Virgin Blue is a small airline compared to some of the other major ones. We have developed over a period of five years. With respect to our ASIC issuing area, we have two staff who work in that area. We only started issuing ASICs approximately 18 months to two years ago. I cannot recall the exact date. Prior to that they were issued by other airports. We would issue approximately 4000 ASICs Australia wide over a two-year period.

CHAIR—When you issue your ASICs to your personnel, do you charge them for the ASIC?

Mr Scanlon—No. The company pays for it.

CHAIR—Do you require a bond or a deposit to be placed for the issuing of the ASIC to make sure it is returned to the company?

Mr Scanlon—No. Because they are our employees and we employ them at all times we do not see a need to obtain a bond from our own staff. Obviously, if they leave employment with us,

we have to have return of a number of items, such as access cards, ASICs, uniforms, manuals, documentation and whatever. We do not provide a bond on it. If an ASIC has been lost or misplaced, we ask them to make an official report to us. Also, if it has been stolen, we ask them to make a police report and we need to get a copy of that. We then charge them for the replacement. But the original issue is at the cost of the company.

CHAIR—How much would the charge be for the cost of a replacement?

Mr Scanlon—I stand to be corrected, but I think it is approximately \$30.

CHAIR—What is the recovery rate of ASICs on expiry or when people leave your airline?

Mr Scanlon—I will have to get the exact detail for you, but our recovery rate would be approximately 99 per cent.

CHAIR—I ask you that you take that on notice to provide those answers to the committee. At this point I will hand over to other members of the committee to ask questions.

Senator WATSON—Thank you very much for your submission; it is particularly good. On page 2 you mention that you operate 300 flights every day, employ 4,000 people and operate 50 modern 737 aircraft. To give us some idea of the change in the ‘aerodynamics’ that has occurred in aviation, what was the configuration at the height of Ansett? How many staff and how many aircraft?

Mr Scanlon—To be quite honest, I could not give you those figures.

Mr O’Callaghan—I can help. My understanding is that when Ansett was rated as the world’s best business class airline it was operating 55 jet aircraft, mainly domestically, with three, I think, operating internationally. It employed about 13½ thousand people. In answer to your question, an interesting comparison is that Virgin Blue, as of this day, employs about 4,000 people plus some additional subcontractors and has fifty 737 jet aircraft. That tells you something about the nature of the changing dynamic of the aviation sector. Going back to a question that the chair raised earlier, it gives a bit of an insight as to one of the reasons Jetstar is operating the way it is now. I will not comment about its operation, but those numbers give you a bit of a steer as to where the airline industry is going.

CHAIR—I think it would be fair to say that the transport of people in aircraft is becoming more akin to coach travel than a restaurant and dining experience.

Mr O’Callaghan—We rate highly the food that we offer for a fee on board our aircraft. I would like to add to the answer to Senator Watson’s question. The average cost of air fares since Virgin Blue commenced operations nearly five years ago has been reduced by between 40 per cent and 50 per cent. There are a lot more Australians and others flying these days than ever before, and that also tells you something about the changing dynamics of the airline industry.

Mr TICEHURST—It is no longer a duopoly.

Mr O’Callaghan—Definitely not.

Senator WATSON—Towards the bottom of page 2 you say you have some reservations about air security officers and the ASO program. You mention that it was introduced without advance consultation. Then you compare it with the UK, which operates in a more threatening environment and has no requirement to introduce ASOs. Would somebody like to add to that a little in terms of whether we need something else instead of an ASO, or somebody more relevant than an ASO?

Mr Scanlon—The ASO program was introduced, shall we say, quite hastily as a result of September 11. Virgin Blue was a very new and dynamic airline at that stage. We had very little consultation, if any, in relation to the air marshal program. The air security officer program was implemented by the federal government without consultation with the airlines. Once it was implemented, I have to say, the operational process and the operational staff of the ASO program were second to none. We have the greatest faith in the people that work in that capacity and we have an exceptional working relationship with the management of the ASO program.

We are not condoning the program as such; we are condoning the process—how it was implemented and the consultation process. I think it was just to provide a further example of the fact that in the early days decisions were made without consulting with the airlines or the industry to get a more appropriate response. We have used the ASO program in relation to threat issues during that time and we believe that the operatives that work within the industry now have training standards and efficiencies that are second to none. Their operational process is exceptional. As to whether that is a benefit to the airline industry or the travelling public, I suppose the test will come should there be an incident. At this point, we are grateful that there has been no need for them to be involved in any incidents, and we hope that continues. As to whether the process that has been implemented is advantageous or not, we can always look at other options and possibilities, but it must be reviewed to see if it is still proactive and effective today and it should continue to be reviewed and monitored, like all security issues.

Senator WATSON—So your air marshals have not had a consultative role since the implementation.

Mr Scanlon—For obvious reasons, due to the nature of their role, I would not be at liberty to discuss incidents. I would respectfully let them comment on what they have and have not done. But we have utilised them when we have seen potential threat issues. We used the air marshal program on two occasions and the threat was diminished at the termination of flights. We have used them to reduce the risk to our airline, but we believe that operationally there are no issues.

Senator WATSON—With the greater screening of baggage since September 11, is there still the same need for air marshals? What does it cost you per annum to maintain that service?

Mr Scanlon—The cost is a moving beast. Our airline is new in comparison to other carriers so our increase each year has been dramatic. Each year the cost basically doubles. The government funds and provides training for the ASO program. We provide a seat, and that seat is obviously at a cost to us, and we do not receive any compensation for that.

Senator WATSON—So you do not fund any costs, apart from providing the seat?

Mr Scanlon—We have the lost revenue of a seat. Initially—it was ironic—we were paying taxes on those seats, but the government, after some lobbying by us and Qantas, decided to pay the tax.

Senator WATSON—What would be the cost to you, which would be the loss of revenue of a seat, for having the air marshal arrangement?

Mr Scanlon—I could not give you the figure today. I believe we presented a figure at the last hearing.

Senator WATSON—If it is doubling every year, could you give us a current figure?

Mr Scanlon—I could give an estimated figure for this year on notice to the committee, if you would like.

Senator WATSON—Yes, if you would not mind doing that. In the UK, what do they have in lieu of air marshals?

Mr Scanlon—You have to consider security requirements world-wide. We look at other measures on a continual basis. The UK has been in a heightened threat situation for a number of years as a result of the IRA and other measures. They have implemented full airside screening of all employees. They have reduced the number of entrance points to airside. I stand to be corrected on the figures, but I believe Heathrow Airport had something like 146 entry points and reduced that to 12. By reducing the entry points you reduce the capacity for people to come and go from airports. People were screened to go into the airside. I am not 100 per cent sure, but I believe they were also checked on the way out. Their screening process has been heightened. Their threat assessments are continuous. They have police presence at all their major airports in the country. Unfortunately, we do not have that ability in Australia. Those are some of their measures.

Senator WATSON—How many entry points do we have for staff at airports—for example, Sydney airport or one of the other big airports?

Mr Scanlon—I cannot give you a figure of how many entry points because we use only one particular portion of the airport, which is what we refer to as the ‘common user’ section of the terminal. But for argument’s sake, at Brisbane Airport—that is the only airport we control in Australia—we have eight entrances, which we are reducing to one or two in the coming weeks.

Senator MOORE—In your area?

Mr Scanlon—Yes, in our particular area. If you look at Sydney and Melbourne, obviously vast numbers are in there.

Senator WATSON—In other words, we have comparable entry points. What about camera surveillance of baggage? Do you have camera surveillance of all baggage handling from the time a bag leaves the check-in operator?

Mr Scanlon—To be honest, to have full camera surveillance of bags at all times would be an engineering feat. The number of areas that bags go through on what are called ‘lateral belts’ and whatever through the terminals—I am not sure whether you are familiar with how the baggage system works in the major airports—say, at Sydney and Melbourne are like spaghetti mazes. To get the capacity of camera coverage on every single point would be an astronomical undertaking and the cost would be phenomenal. I believe that general coverage should be considered; but it is like any situation—to get 100 per cent coverage would be just about impossible.

Senator WATSON—There is the Corby case with Qantas. If a luggage handler wanted to, could they find the time, the space and the secrecy to tamper with luggage in your system?

Mr Scanlon—Obviously, I cannot refer to the Corby case—

Senator WATSON—I know; but that is the general scenario that I am painting.

Mr Scanlon—It is like any situation: people are going to find potential to commit dishonest acts. They are going to look at the most opportunistic approach. We have designed a new camera system for our Brisbane terminal, and we are in the process of implementing that. We are also trying different equipment. We are looking to fill those gaps. To do that to 100 per cent is not practical. We are looking more at getting realistic views of areas where potentially people could go into a bag. We would hopefully design a system that would combat that, and there would be other measures such as ensuring that we have other staff in the area. We have supervisors constantly going through those areas. We have security guards. Australian Federal Police Protective Service officers continually patrol in baggage areas. There are a number of measures.

CCTV is not the golden panacea. We have to look at a number of other measures. CCTV is a good tool to be utilised. If you provide an extensive CCTV coverage, you have to man that where the potential is. Obviously, if nefarious activities could be done in a split second, and we have people trying to monitor an unknown number of cameras. They are a good tool to be used in conjunction with a number of other measures that can be utilised within the area.

Senator WATSON—So you believe that, compared with the UK system, the AFP are probably underutilised at airports?

Mr Scanlon—The role of the Australian Federal Police Protective Service officers is in counter-terrorism first response. That is their ultimate role. They have no community policing role and they have no other role within the airport precinct. It is something that we have spoken about with a number of personnel within the Australian Federal Police, the government and the department of transport. I know there are political issues in relation to state versus Federal Police regarding policing and funding, and I know there are number of other issues. That is something—

Senator WATSON—Where should these people be? What is the priority?

Mr Scanlon—To my way of thinking, they should be doing constant patrols within the airport precinct, both airside and landside. Their role should not be specific to general public areas. They should be allowed to go in all areas that staff are involved in within the terminal so they can look and wander through.

Senator WATSON—Is that a problem at the moment?

Mr Scanlon—It is not at the moment because obviously—

Senator WATSON—They are not there.

Mr Scanlon—The number of personnel and the funding process is such that as an airline we attempt to get the best advantage we can from the people who are there in looking after the general travelling community. They do utilise areas and to give them all their due they are attempting to go within our baggage areas and within those of Qantas and Jetstar and whoever else. But, in looking at the number of personnel within an airport, we believe that their training capacity and their role is something that should be reconsidered.

Mr O’Callaghan—Perhaps I could add to that. We think that the announcement by the former transport minister, John Anderson, about the Australian Federal Police having a stronger coordinating role, or at least a coordinating role, at major airports is a positive development. It will lead to not only better coverage but far better coordination of those activities.

Senator WATSON—As of 1 September, all baggage will have to be screened. How will you cope with that and what sort of difference will that make to your cost structure?

Mr Scanlon—I am sorry; I missed the first part.

Senator WATSON—From 1 September, all baggage will have to be screened in Australia. Is that right? That is my understanding.

Mr Scanlon—No. Currently the top eight airports, I believe—I stand to be corrected on that—have checked bag screening at a certain standard.

Senator WATSON—But that is not on every piece of baggage.

Mr Scanlon—No, that is random continuous.

Senator WATSON—In America at most airports they have complete screening of all baggage.

Mr Scanlon—Yes. But that is totally funded by the US federal government and the capacity of the equipment that they provide.

CHAIR—Are you sure about that?

Mr O’Callaghan—The TSO have been providing all equipment for all US airports that I am aware of since September 11. Once again, I stand to be corrected on that, but I am fairly sure.

Senator WATSON—So we are not going to the full American system on 1 September?

Mr Scanlon—No. My understanding is that checked bag screening has been implemented in the designated airports. It is random continuous at this stage. From 1 January 2007 there will be 100 per cent checked bag screening in 11 airports.

Senator WATSON—And that will mean having to turn up 30 minutes earlier to allow for that process?

Mr Scanlon—To be quite honest, we have not got any input into any other airport bar Brisbane, because we do not control the checked bag screening process. We obviously attempt to liaise with the airport authorities and look at what systems they are using to try to facilitate things with them. At Brisbane Airport we are currently in the process of trying to upgrade our terminal so we can use that as a catalyst for all the other airports we deal with to show what costs and initiatives we have used. We are in the process of redesigning our whole baggage system and our check-in system at Brisbane Airport. Our working group on that commenced approximately 1½ months ago, and we are hoping to have 100 per cent checked bag screening at Brisbane Airport through our terminal by mid next year. So we are looking to implement prior to the government mandate.

Senator WATSON—But won't that require passengers to check in earlier? It certainly does in the United States.

Mr Scanlon—The situation is that we are trying to design and develop a system. We are having meetings with all sorts of suppliers, and we are looking at other systems to try to develop a more efficient and effective way of screening not only baggage but also passengers to ensure that there is ease of people going through screening points. At the current time we are using technology and processes that have been developed as a result of September 11. They are operationally sound, but we are looking at more efficiencies and better ways to get people through. And I have to say that the industry as a whole is looking continuously to try to develop better and more effective processes.

Mr O'Callaghan—Can I add something there? It is important, in the discussion about checked bag screening, to reinforce this point that Phil made: at each of the major airports, including the airport at Brisbane where we have control over the part that we operate from, we have had to make major changes to the infrastructure to allow for checked bag screening. That has been a substantial cost.

Mr Scanlon—The latest budget that I did on this costing was approximately \$7 million for Brisbane Airport alone, just for Virgin Blue. That was the initial set-up cost, not the operational cost each year after that.

Senator MOORE—As it goes through there will be a segment of your budget to maintain it.

Mr Scanlon—Yes. We would be looking at somewhere in the vicinity of \$1 million a year to maintain that, plus the manpower of the personnel involved. You could quite realistically look at a \$1.5 million to \$2 million a year recurrent cost for that system.

Mr O'Callaghan—If I could put in a plea from the point of view of Virgin Blue as a low-cost carrier, we would like to see the federal government make a contribution to that infrastructure

cost because it is an important initiative. We think it is a good initiative actually. It will give greater certainty and surety not only to the travelling public but also to us as an airline operative. It is a significant cost, and at some of the other airports the cost will be even larger. I am sure as you take evidence from other entities over the coming weeks you will get to hear about that. We think there is a case for the federal government to make a substantial contribution to offset that one-off infrastructure cost.

Senator MOORE—Just in regional?

Mr O’Callaghan—Certainly in the case of regional the infrastructure changes would be less. But where there are requirements to introduce checked bag screening and where we do have to make changes to terminals to do that, we would like to think that there could be some one-off contribution from the Commonwealth.

Senator MOORE—That was exactly the point I was going to follow up, but Senator Watson has effectively taken just about all the questions!

CHAIR—Senator Watson should apologise to Senator Moore for that!

Senator MOORE—The final point I have is on the issue of the cost and the involvement of the government in the process. I know that this has been an ongoing discussion all the way through. Your submission was very diplomatic about that element, but you have opened the door. In the area of security and the way that the government and the industry need to work together, have you given any thought to how that process should be funded? You said a significant contribution is needed, but have you thought about how it can be funded? What elements of security should the government funding be for? You have said it is needed for the checked bag screening, but it is a much wider area than that. What are your thoughts on the best way that should operate?

Mr O’Callaghan—As a general principle, the policy that the government has applied where it provides first response funding has made a lot of sense. But, when it came to the decision to introduce checked bag screening, the infrastructure costs alone were quite substantial, so we think that the equation should shift a little to assist the airlines in this regard. At the end of the day, we would obviously pass on the cost to passengers. For the benefit of regional members and senators—senators cover not just states, they cover regions as well of course—and to reinforce the point I made earlier: some of the considerations when we decide on new locations to fly into include the cost of checked bag screening and other security measures. These can be factors in deciding whether we do or do not go there.

I will give you an example from the point of view of boosting economic activity in regional areas. Four years ago Virgin Blue did not operate to Coffs Harbour, but it now operates there with jet aircraft. There was a recent study which the tourism minister, Fran Bailey, discussed with us. I am sorry I cannot recall the name of the independent entity in Victoria that produced the report. The report suggested that the stimulation to the economy of the Coffs Harbour area by operating larger jet aircraft in that region has been quite substantial. The challenge I would put to the committee is that it is about getting the balance right. We acknowledge that airlines and airport owners need to make a contribution. We think that the contribution is skewed too much to

penalise us at this point in time. We would like to see the equation shifted somewhat so that the Commonwealth makes a larger contribution in addition to its first response contribution.

Mr Scanlon—With respect to what contributions should be made or how the government should be involved, one of the issues is the Australian Federal Police Protective Service, previously known as the Australian Protective Service. The APS personnel who work at the airport are there purely for counterterrorist first response. A number of incidents, be they only minor, occur at the airport which relate to general policing roles. That becomes a frustrating process for airlines and airport operators in that we have personnel who are dressed in police uniforms and who look like police officers and carry firearms, yet the general public has the perception that they are police. When people try and make a formal complaint these personnel attempt to assist but, unfortunately, they then have to go a state or federal police officer. It is a cause of frustration for all of us in that, should there be a minor incident on board, these people have to attend the aircraft because at that stage they are not aware of whether it is a counterterrorist first response incident or an unruly passenger on board. Their roles and responsibilities have been clearly defined over years and years of practice but could be reconsidered.

I am aware that, as a result of September 11, the government has decided to fund extra Australian Protective Service Federal Police at the airports, but the other officers are still funded by airports, which pass the charge on to airlines and passengers. So the policing role—which is not really a policing role; it is a counterterrorist role—is partly funded by the industry and partly funded by the government. That could be seriously considered in looking at where the state and Federal Police work. I am not sure of the exact figures but, of the major international airports, only three do not have policing agencies at the airport, and Sydney happens to be one of them. Obviously, Brisbane and Melbourne do. We see that as an anomaly that could be seriously addressed in relation to policing, because the travelling public have this perception that there is a uniformed presence all around them and that they are police. Unfortunately, their role is completely separate from that.

Senator MOORE—Mr Scanlon, if something happened at the airport that was not terrorist linked—in which case the AFP would then swing into action with whatever procedure you had—but an incident of theft, drunkenness, a car being broken into or something like that, it is a policing issue. Your staff are trained to call the local police station?

Mr Scanlon—Yes, and we have certain protocols and procedures. We have security training and awareness programs for all our staff.

Senator MOORE—What is the police station's response time? It is the one that is on that road leading up to—

Mr Scanlon—At Brisbane Airport?

Senator MOORE—Yes. You can't guarantee it, but is it 10 minutes?

Mr Scanlon—You can't. We have an excellent working relationship with the local police station and with the Queensland police, but it comes down to normal policing protocols. If a car has been broken into at Brisbane Airport, is that as serious as an assault in the city? They will go

to a crime in which an individual has been injured as opposed to a property issue. Therefore, it could be half an hour or three hours. It just depends on the circumstances and where the state police are at that time.

Senator MOORE—But the nearest police station is about 10 minutes away?

Mr Scanlon—Yes, it is. That is correct. I would like to add to John's comments on checked bag screening. Airports were designed a number of years ago. I do not think too many have been built in the last three years. Those airports were designed in such a fashion that checked bag screening was never considered. In some of those airports it is actually an engineering feat to try and install a checked bag system in the current structure. Obviously, with space issues in places like Sydney, Melbourne and Brisbane it becomes very difficult. So that increases the cost of the infrastructure. I used an example in my submission with respect to New Zealand. The New Zealand government provided funding for equipment in the major airports that would be conducting checked bag screening. It is another consideration that may be taken on board.

Senator MOORE—This question is to do with Brisbane, where you do have control of your area. One of the things we are finding out is that, in this whole area, technological stuff is happening and improved ideas are coming up as the need grows. Is there cooperation between your area and the other side of the airport in terms of the technology, the resourcing and the firms you use for the different security aspects? I know that you sublease your bit, and have control over it, from the Brisbane Airport Corporation, but I am trying to work out just how cooperative the sharing of information and knowledge is. If Qantas comes up with a new way of security processing—to the traveller they all look the same; what you are doing seems similar—would there be shared knowledge? Would you get access to what they think is good, look at the costs and minimise the costs of putting equipment in?

Mr Scanlon—We have an exceptional working relationship with our opposition carriers. We work very closely with Qantas in relation to security requirements, contractors, equipment and procedural matters. We are continually working collectively with the department of transport and other government agencies to try and come up with the best possible solutions. In security, we see no boundaries between us and any other carrier. I sit on a number of committees and working groups with airport authorities and airlines. We are more than willing to provide information to each other because we believe that, whatever issue may potentially happen, whether it be in Brisbane or Sydney, we all have the ability to address the issue collectively and come up with the best possible solution.

Senator MOORE—But do you independently sign the contracts for the equipment and the firms that you use?

Mr Scanlon—Yes. It is obviously a commercial agreement that we enter into, but we consider what standards other carriers and other airports are using and we look at the benefits and disadvantages of equipment, whether it be utilised by them or whether they have done research on it. Once again, we are looking at some alternative measures at the moment, and we would be more than willing to provide that information to any other carrier or any other airport. That has been a continuing process for as long as I have been in the industry.

Senator MOORE—You made a comment earlier about ASIC being more effectively operated by having a single point to determine that process. Have you given any thought to having a standardised approach to all these other elements of security, through DOTARS or some high-level committee, which would be the determining factor of best practice and which other people would be able to access rather than doing their own thing?

Mr Scanlon—Yes. Prior to the hearing today, I picked up on a point you mentioned with regard to consistency.

Senator MOORE—I was going to ask you off the record about that.

Mr Scanlon—As a security person for a number of years—this is my personal opinion; I am not saying it is the opinion of my organisation—I have looked at a number of standards in different parts of the world and in different organisations. I believe that currently the system in Australia is operationally sound—and I do not say that in a derogatory sense—but I believe we should have a standard organisation that would utilise standard equipment. On a small scale, New Zealand is a prime example. They have an AVSEC organisation which reports to the Civil Aviation Authority board. They provide the same equipment, the same training, the same staffing and the same processes across the whole country. Once again, they are another organisation we work with; we deal with them consistently. At this time, there are only a few major companies involved in Australia to which one can afford to pay the insurance levies involved in aviation security. They have a very good working relationship among themselves and with us, other carriers and airports. I believe that a stand-alone organisation—whether it be a semigovernment organisation, fully contracted or whatever—would be preferable. But, again, that is my personal opinion.

Ms GRIERSON—Is the New Zealand organisation that you have just mentioned semigovernment, regulated, contracted out, tendered for or what?

Mr Scanlon—I do not know the exact term for it, but it is a quasigovernment organisation. It is a separate entity that has been set up by the New Zealand government. The general manager reports to the board of the Civil Aviation Authority. The Civil Aviation Authority board is also the AVSEC board, which also reports back to the government. There is a legislative requirement as to how they must operate and what their standards and protocols are.

Ms GRIERSON—So they would look at the standards of training, the ASIC checks and the equipment that is used, or is it more specific than that?

Mr Scanlon—They look after the screening process, whether it is passenger screening or baggage screening. Currently—and I stand to be corrected on this—they issue ASICs but they do it through the policing agencies, I believe.

Mr O'Callaghan—The term is 'quango'!

Mr TICEHURST—Do you think we have gone overboard with regulations and requirements for airlines as a result of 9-11? Compared to sister airline operations around the world, are we ahead or behind?

Mr Scanlon—As a travelling member of the public most days of the week, I feel secure travelling on airlines within Australia. I believe that the standards in Australia are equal—

CHAIR—Can I just clarify—you are talking about within Australia?

Mr Scanlon—Yes. I will not make any comments about other parts of the world other than the Pacific area, because obviously that is not in our jurisdiction. I believe that the Australian standards are more than adequate at this point in time. I believe that the way that processes are currently being conducted is more than adequate. However, security is something that we forever have to monitor, review and continually assess. It is something that we cannot stand still on. Where we are at this point of time is a very productive area within Australia compared to other world aviation ports. I believe that the way we are dealing with a number of these measures is adequate.

Mr O’Callaghan—Can I add to that for the benefit of the committee. I think that one of the benefits we have in Australia is that successive governments have invested heavily in intelligence gathering and analysis. That obviously is the starting point for determining what security measures are required to deal with whatever threat level is determined. I think we benefit substantially from the close relationship we have had at a number of levels, particularly at a government level but also between agencies, with the US—and that is absolutely critical to us—and also the UK. For example, the decision by the former Minister for Transport and Regional Services, John Anderson, to appoint Sir John Wheeler to do the current review of aviation security is, I think, confirmation of the close relationship we have with the UK in particular.

We can look, for example, at our sister organisation, Virgin Atlantic. We were discussing earlier the issue of air security officers, or sky marshals, as they are referred to in the United States. It is interesting to us that our colleagues at Virgin Atlantic were fairly relaxed about whether the UK government would introduce a similar program. As Phil mentioned earlier, because of the IRA threat but more recently because of the terrorist threat, their level of threat has consistently over a long period of time been at a higher level than it has been in our experience, both in recent years and currently. Yet they decided not to introduce a sky marshal program for the reasons that were explained earlier. It principally relates to the capability of their intelligence surveillance and analysis, which we match pretty closely. From my own background, having come out of the Defence organisation, partly in that area, we are pretty much at the forefront there. I think that, from an aviation perspective, we benefit to that extent.

I would add one other element from a lateral perspective. It relates principally to the sound management of the economy and the benefits that flow from regular surpluses, which you and your government deserve some credit for, obviously. We have been talking to the federal government, the transport minister and the transport department over a period of time about the possibility of extending AusLink to include investment in regional airports. We think that is the missing element in the transport node. We have rail and road. I mentioned earlier the Coffs Harbour experience. There are a number of examples around the country. Senator Watson would appreciate from the point of view, for example, of Launceston how important the improvements to jet aircraft operations have been for that part of Australia.

Senator MOORE—Just to localise: Mount Isa is a point in Queensland which is critical if you are looking at that kind of thing.

Mr O’Callaghan—Sure. Every week I get phone calls from ministers, particularly in the states, asking about the possibility of Virgin Blue flying to yet another destination. We are always open-minded about these things. One of the critical issues to us—obviously it is not just the cost of security—is that we think there is a case for expanding AusLink to include opportunities to open up new destinations.

CHAIR—I can say this to you: we are having enough trouble getting state governments to sign up to AusLink on roads and rail.

Ms GRIERSON—There is some blame shifting and cost shifting going on here!

CHAIR—If we introduced airports into it, because it is all composite funding, you would really expand the headache. If you wish to put forward a submission along that basis to the committee, we would be glad to have a look at that. You might want to refer that submission to the transport committee of the federal parliament as well.

Mr TICEHURST—When you are looking at regional airports, you are saying that you look at the security risk. You have been in contact with the AFP and ASIO. From a layperson’s point of view it appears that the risk would certainly be much lower in regional airports compared to the capital cities. Also, the facilities and the available space would not allow you to have the same sort of baggage handling. Personnel screening is not as big a deal, but certainly baggage handling—we have seen what happens at Sydney airport and we are going to see Brisbane today—is a complex thing and it takes lots and lots of space. I could not imagine the baggage handling at Sydney being translated to somewhere like Newcastle. It is just not on. Why do you think the requirement for jet aircraft is different to turbo props or prop aircraft?

Mr Scanlon—It all comes down to our concern that everything is assessed by risk, and we believe that we should mitigate the risk to an acceptable level. With respect to the risk context that has been provided for regional airports as opposed to major domestic airports and international airports, it is obvious to state, as you have, that the risk in smaller ports is less. We say we should look at all aspects of risk at all ports. To use the Coffs Harbour analogy again, we are screened at Coffs Harbour because we are a jet aircraft. The rationale for that is that obviously there had to be a cut-off point somewhere where there was substantiation to say: ‘How many airports do we go down to? Do we go to the top 40 or do we go to the top 100 or do we go to the top 200?’ That was a justification that the department of transport made with respect to what airports were classified as having to have passengers screened or not. It should be reviewed as to how we do that. I cannot come up with the magic formula. I cannot give you one. It is a difficult scenario.

Regional airports are a different kettle of fish compared to major ports. We should assess the risk accordingly. Therefore, do we put checked bag screening in Thargomindah airport? I do not know if there is one there; it is an example. Or do we put it in Cairns airport? Obviously the risk context would be higher in Cairns, even though there is no specific threat against Cairns. But that is how we have to judge this—on specific threat assessments for each port. I believe that would be the more beneficial way to address this.

Mr TICEHURST—Would it be the carrying capacity of the aircraft?

Mr Scanlon—You can have commercial jet aircraft currently that can carry 30 people and you can have turbo props that can carry 85 people. So there is the analogy there.

Mr TICEHURST—That is the thing. I think Qantas are looking at introducing Dash 8-800s that will take in the order of 70 or 80 passengers.

Mr Scanlon—Obviously we would look at specific ports, but there are ports where we have a zone or a time period where our passengers are screened when we fly in. Outside of that, because no jet aircraft fly in, they are not screened. The general public looking at that could obviously be somewhat confused. Therefore, as we stated in the early part of the proceedings, we see a cost for us there whereas other carriers use those other types of aircraft, so that cost is not spread across the whole industry.

Mr TICEHURST—From what we learned at Sydney airport the baggage screening is really only screening for explosive materials. When screening passengers, they are looking for metal. It seems to vary. In one case I got pinged coming out of Canberra, I think it was. In my briefcase I happened to have a drill that I had been carting around for about a year. I had forgotten the thing was there but, all of a sudden, one day this drill came up and of course it was confiscated. I was talking to a schoolteacher only yesterday. She had just flown back from Europe on Brunei and was surprised that they were able to have metal knives until they flew into Australia when they had to change over to plastic knives. If you look at cutlery, a fork could certainly be far more lethal than a knife. Do you think we are going overboard with those sorts of things?

Mr Scanlon—I think there are a number of issues within current legislation that obviously can be tweaked to ensure a greater consistency with worldwide standards. I know the question of prohibited items and weapons is something that has, with all carriers, been a point of angst with the government and we have addressed it on a number of occasions. The example that you use is that you fly into Hong Kong, Singapore or wherever and then on the next leg into Australia out come the plastic knives and forks. As a low-cost carrier it is not a major issue for us. I know our competitors have a major concern with that and I am sure that is something they can address. At the end of the day, we believe consistency is the approach to take. New Zealand have a similar process and they use what they call the ICAO standards. Australia has developed a standard that is actually higher than the ICAO standards. Whether or not that is right is again, I think, something for further discussion with the department of transport by us and the industry.

Mr TICEHURST—Also, in Australia if you are carrying a laptop computer you have to take it out and run it through a separate process. I believe when that was initially introduced they were thinking these things might have carried a plastic bomb. There was a time when you had to show that the thing would work. They have dropped the test on making it work, but I understand that in Europe and other places they now no longer require you to take the computer out of your bag. Do you think we are behind the times or have gone overboard in some of these requirements?

Mr Scanlon—It is one of those issues where you are damned if you do and damned if you don't. In respect of laptop computers, there was a threat assessment that was issued. Australia took the lead and said, 'We will remove all laptop computers from bags.' That threat assessment

was specific for a period of time. I suppose that, like anything over time, it has just become part of folklore and it has come into requirements and regulations now, whereas you go to other countries and they say, 'No, we don't need to remove them.' Because with a laptop you carry cables and all sorts of things, sometimes it is quite difficult for the screener to identify certain items within the bag when the laptop, cables and everything else are in there. So that was the rationale—to give them a clear view. In other parts of the world you can leave the laptop in, but if they do become concerned that they cannot identify things they will give it back to the passenger, have the laptop removed and put it through. It is one of those situations: do you reduce the measure and then have the general public say, 'They're getting slack on security measures,' or do we say it provides more ease of mind for passengers? I think it is one of those very difficult situations.

Mr O'Callaghan—I think commonsense ought to apply most times. I will give you an interesting example. I was flying from Melbourne to Sydney recently with a number of Collingwood football supporters—I do not think Senator Ray or Senator Rod Kemp where there but they probably were there in spirit. One of the crew members said to me, 'Johnno, some of those flags look pretty dangerous, don't you think?' She probably wasn't a Collingwood supporter, but the point she was making was that there were pointy ends on the flags. With an issue like that, commonsense would suggest that perhaps it may not be appropriate to have those on board an aircraft. Again, being hard and fast about this is a difficult issue. For the players sitting around the table at, for example, the high-level group at the department of transport, these are the sorts of bread-and-butter issues that need to be discussed and changes need to be made from time to time.

Mr TICEHURST—Do you get complaints from passengers, particularly elderly people, who are required to take their shoes off? I had one couple come to me and say that they went through New Zealand without a particular problem but when they arrived in Sydney they were pinged and were forced to take their shoes off. I know this is a problem with some people. In Parliament House in Canberra where people go in they have a footstool there, so that people can put their foot up on it and the guys will run the hand-scanner over it and be able to say, 'Okay, you have metal in your shoe.' It just seems another one of these things that agitates people, particularly elderly people, because there is no facility there for them to sit down and put shoes off and on.

Mr Scanlon—I agree with what you are saying and I have to say that the pair of shoes I am wearing now is one that goes off every time, so I know never to wear them when I am travelling. It is one of those things on which Australia and New Zealand have some variances in standards. Once again, that comes down to what level of prohibited items they have as opposed to what level Australia has. I know the Department of Transport and Regional Services, the Civil Aviation Authority of New Zealand, Qantas, Air New Zealand and us have sat down at a number of meetings—we have two meetings a year—where we have looked at security measures and tried to get some commonality between our two countries. We would look at those issues but some of those, unfortunately, are ones on which we can only make suggestions; we cannot actually make the changes. But there are some variances between our two countries in relation to that.

CHAIR—What is amazing, though, is that you can wear a pair of boots, which predominantly have a steel strap in the sole, and you can walk through some airport scanners and they do not go off and you go through others and they do go off.

Mr Scanlon—What you have also got to remember, with due respect, Mr Chairman, is that the equipment is tested to a certain standard, but some are raised to a standard which is more sensitive than others. Also it depends on the way you walk through, because it is a mass of metal that goes through and it depends on the angle at which it goes through—there are a number of different issues that can come into it. But I do not disagree with you, and I have the same problem every day.

Ms GRIERSON—You said that you do ASIC issuing for four airports for your staff. You are required to do a review; what were the findings of your review? Did you have any people you have had to question, or people you have had to submit for further checks, or refuse ASICs to?

Mr Scanlon—Yes, we have. We currently have, I have to say, four personnel within our organisation of whom we have done a review and who could be considered potentially inappropriate. With respect to that, we will put that determination to the secretary of the department of transport or their delegate in relation to the criminal history of those personnel. We currently have, I believe, two of the four currently before the department for consideration as to whether they should be issued passes.

Ms GRIERSON—So were they stood down at the time, or do they just keep operating until there is a determination?

Mr Scanlon—They had actually been issued an ASIC previously under the standards and guidelines that allowed them to have one. We actually had one person—and again I do not want to disclose identities, for privacy reasons—prior to us being an issuing authority, who applied through another agency. They were refused an ASIC. They appealed through the appeals process and were then issued an ASIC. It is a bit hard for us to overturn an appeals process, but once again they are some of the systems that I believe could be quantified by having a centralised agency. We have another concern in relation to those personnel. Obviously we would look to see if we can utilise those personnel in some other area, other than working airside. But because the goalposts have changed since their employment and the issue of an ASIC, that has the potential to become an industrial issue—given that we have employed them, whether we give them redundancy; if we dismiss them, whether it is unfair dismissal—if we cannot, unfortunately, find another role for them in the organisation. We have put that to the government and said, ‘Here are some concerns that need consideration.’

Senator MOORE—Just following up on that, Mr Scanlon, do you then, as an employer, in effect become a referee when they put their appeal through?

Mr Scanlon—They put their application—

Senator MOORE—If they are existing staff, you have had them on staff and they have been through one process, but this is a change of process. In terms of having any special status as an employer, all you can do is put some form of comment up; the decision is still out of your hands, isn't it?

Mr Scanlon—That is correct—whether they are approved or refused because they have certain criminal convictions. We either refuse it outright or, because the rules have changed, we will put it to the secretary and say, ‘You provide us with a determination as to whether this

person is fit and proper.' The appeal process comes after that. In effect, we are on the sidelines. It is an unfortunate situation where we cannot deal with our own staff because of the way the government has changed it.

Ms GRIERSON—I imagine you would prefer not to have to do that. That is why I think standards and centralising it would probably be a good idea. For day hire, do you use a labour hire firm? Do you have casuals or relief staff who have day passes?

Mr Scanlon—Yes, we do.

Ms GRIERSON—Could you quantify that—at any time would it be 10 per cent of your labour force or 20 per cent?

Mr Scanlon—I would have to get back to you on that. It is in our four major ports that we provide ASICs and visitors passes. The majority of staff are employed by Virgin Blue but we do use, as the chair stated previously, Aerocare in Sydney and I think we use another company in Brisbane. But they are just ad hoc.

Ms GRIERSON—Are you happy with the standards of security screening for those people?

Mr Scanlon—It comes down to the same protocols—they have to go through either the airport authority or, if they are employed by us, through us.

Ms GRIERSON—You mentioned in your submission that you think that now that the Australian Federal Police will have management presence at airports that could help coordinate policing better. What do you mean by a management presence of AFP at airports? How will that work?

Mr Scanlon—Recently, at a higher level group meeting with senior government officials and industry representatives, a number of initiatives were discussed. As a result, the previous transport minister made a commitment through the Australian Federal Police that they would provide this new role at the major airports. We believe that having one centralised unit—whether it be for intelligence or any other kind of information or process within an airport where you have Customs, Immigration, AQIS, the Australian Federal Police, state police and APS officers—that we can tap into and also provide with information, rather than having to go to five or six different organisations or vice versa, and that can provide information to us in a timely and effective manner would be more consistent.

Ms GRIERSON—One of the issues coming up for the inquiry is the coordination of information across so many agencies and industry players. Will we see that sort of presence at Brisbane Airport today? Will we see a different AFP presence?

Mr Scanlon—You will see the AFP Protective Services officers. They will be patrolling the airport. But, as far as any other policing roles are concerned, there will be nobody else.

Ms GRIERSON—We saw none at Sydney airport which was interesting—

Senator MOORE—That we knew.

Ms GRIERSON—Yes, that we were aware of at least. For baggage screening at regional airports you use common-user terminals. Do you have any control over that? Do you have any involvement?

Mr Scanlon—Obviously in regional ports we attempt to advise the airport authorities and assist them in equipment and process from our own experiences. I know other carriers are exactly the same. But, at the end of the day, they will make the process, they will purchase the equipment and contractors and it is their final determination.

Ms GRIERSON—You are not a regulator.

Mr Scanlon—No. In one particular port quite recently the cost per passenger for a domestic carriage was somewhere in the vicinity of \$36. We obviously had concerns regarding that.

Ms GRIERSON—You also mentioned the high-level group that you are a member of, you mentioned forums that have been useful and I know you are supposedly represented on airport security committees. Can you tell me what is working well and what you think could be improved.

Mr Scanlon—I have received documentation from the department of transport that they have actually reviewed the process, that on the sixth or seventh of next month there is to be a meeting in Canberra of the major players within the organisation, that they are restructuring the consultative approach and that the transport minister will be present at that meeting. At this point in time I believe that we and Qantas, with the department of transport, worked fairly hard to achieve the higher level group's formulation. As a result of that, I believe it was a very beneficial group. It looked at strategic process, within a long-term process, within the aviation industry. Rather than looking at it from a company perspective, we looked at it from an aviation security perspective to try to come up with greater efficiencies and a better process. I believe that has been very beneficial.

Ms GRIERSON—So you have been quite happy with that?

Mr Scanlon—Yes. That has been in recent times. The industry consultative meeting, which is basically of airports, airlines and government agencies, gives the major airports and airlines the ability to present to the department of transport and other government agencies. However, it does become rather cumbersome and fairly large. I think in one of the meetings we had 35 people.

Ms GRIERSON—Is that like an airport security committee?

Mr Scanlon—No. There is another step down after that. Each airport then has an airport security meeting. Once again, it is of a very good standard for people working at the airport for the minor players but for the Qantas and us the information that is disseminated is mostly what has come from the other groups down, so we are already fully conversant with what is being said. The other benefit from it is that, if there are any peculiarities in relation to the particular airport, we are made aware of them at that time as well and can have discussions with the airport authority.

Mr O’Callaghan—It is probably worth making the point that, for example, there is a lot of day-to-day contact between us and senior players in the department of transport. I think the working relationship has improved substantially in the last four or five years since we have been operating—and that is to their credit as well. It is always an area to be worked upon. I think it would be fair to say that some of the people who have been there for a long period of time have had to adjust their practices to the new way of doing business and that some of the new blood that has come in has introduced new measures, systems and procedures which have generally been pretty good. I think that people’s preparedness to sit down and discuss issues and the solutions to them is much better now than it was, but there is always room for improvement.

Ms GRIERSON—Do DOTARS audit Virgin airlines?

Mr Scanlon—Yes, they do.

Ms GRIERSON—Annually, randomly or are they always notified?

Mr Scanlon—We are audited in every port that we fly to. The airport authority is also audited and Virgin Blue is audited as an airline annually. We are also audited at those ports when they do the airport audit.

Ms GRIERSON—Is it a rigorous process?

Mr Scanlon—Yes, it is fairly in depth at times. It depends on what areas they are auditing on. We would have approximately three to four audits every month.

Ms GRIERSON—Is it a favourable audit or are there a certain number of recommendations to be followed up?

Mr Scanlon—I have to say the ratio of the number of audits that we have to the number of noncompliances is very minimal. Should there be any breach of protocol, our internal procedures or regulatory procedures, we are more than willing to address them immediately. We discuss them. We have 28 days to respond when we are notified of anything. We then respond to the department of transport with a course of action that we will take or they respond in a number of cases, when they come back and advise us, that the audit was complimentary.

Ms GRIERSON—Are there penalties?

Mr Scanlon—There are penalties.

Ms GRIERSON—Are they financial penalties?

Mr Scanlon—There are financial penalties, yes.

Ms GRIERSON—You have mentioned threat assessments and risk assessments a lot today and how important it is for any measures to be based on those. Do you feel that the risk assessments and threat assessments done by key players are well informed? Are you then given good information about those in terms of intelligence as to new risks or changing risks? If so, how does that happen?

Mr Scanlon—It is one of those conundrums as to how much is good intelligence. Given the fact that you receive a lot of information one month and not much the next month, does that mean there is not a lot happening? It is an unknown factor.

I think the department of transport, through ASIO, provides us with an adequate amount of information. Should we have any specific area in which we are doing something different, we ask. John referred earlier to when we did the tsunami flights up to Indonesia and Thailand. The department of transport, the Australian Federal Police and ASIO were absolutely sensational in providing us with up-to-the-minute information in relation to threat and risk in those areas, and that was very beneficial.

On a day-to-day basis, we have a number of personnel within my department who are cleared to secret level who receive information from the department of transport. We also receive intelligence and information from a number of other agencies overseas, from other government departments and from private organisations. So we collate our own information as well as receiving government information. It is one of those things that I am sure could be improved—there could be a better process—but it is like everything. Everything needs to be monitored and reviewed.

Ms GRIERSON—How often do you feel frustrated that you have been informed after the event?

Mr Scanlon—Touch wood: at this point in time there has been no major event, so we have not been informed after.

Ms GRIERSON—Is there preparation for the Commonwealth Games? Have industry players been brought together to prepare for that, or are you anticipating that that will happen?

Mr Scanlon—Yes. We have been dealing with Melbourne airport in relation to what requirements they are putting in place. I know the Victorian government have counter-terrorist plans that are Melbourne specific, and there is also the national counter-terrorist group. We are in constant contact with all the major players. With respect to the recent London terrorist attacks, we were constantly updated as a result of that by the federal government, through a number of agencies, during the night and the early hours of the morning. Even though we do not fly there, obviously we needed to consider whether there would be any effects in Australia. So we consider all that information.

Ms GRIERSON—Does Virgin carry air cargo and, if so, does it do its own screening of any air cargo? Or is it always coming from a different group? What happens?

Mr Scanlon—Air cargo is a very small part of the market for Virgin Blue. I think we have in the vicinity of one or two per cent of the overall cargo market, so we are a very minor player. Our main focus is on passengers.

CHAIR—Would that air cargo be predominantly fresh food transportation?

Mr Scanlon—I could not tell you exactly what it is. Senator Watson has walked out at an inappropriate time, but I know that we bring quite a lot of fresh seafood from Tasmania. But I

could not tell you about the mix in relation to that. Currently we do not have measures to fully screen all cargo.

Ms GRIERSON—So you depend on the terminal operator who brings that cargo through?

Mr Scanlon—At this point in time there is a program in place where, if it is not a known shipper, those items are opened and checked by hand to ensure there is nothing in there. That meets the current regulations and requirements. We are implementing off our own bat—and I know Qantas already do this—a random screening process through our cargo area at our major ports by the end of the year. There will be a component of screening plus the hand searching as well.

Ms GRIERSON—Some evidence was given to us by flight crew that preflight security checks may be happening at a time when rear doors are still open and things are still happening. They felt that at times they were compromised in doing their preflight security checks because there was still so much movement in and out of the aircraft. Do you have any information about that or a view on that?

Mr Scanlon—We have a set process regarding preflight security checks. The cabin crew—and in a 737-800 we have five crew—are responsible for the search of the actual body of the aircraft. We then utilise our ground crew to do a search of the full hold. They both have to complete that, sign that off and provide that to the captain prior to any take-off. The captain then signs off as saying that aircraft is secure. We believe that the measures implemented are more than effective, and I have not received any complaints in relation to that aspect from our pilots or crew.

Ms GRIERSON—There was a suggestion by the TWU that there was an incident involving a cracker, in which a plane turned around. They alleged that inadequate security training led to the wrong response in that incident. Did you do an investigation of that incident?

Mr Scanlon—Yes, we certainly did. That matter was raised at the last committee and we addressed it then. I have no problems with that. There were some staff members who work for us who had not completed the training program through inefficiencies at the time. They have since been addressed. We always have had a fully documented program that must be completed by all staff. So that is something that we did address at the time.

Ms GRIERSON—So you think your training of staff is of a high standard now.

Mr Scanlon—We believe the standards are more than adequate. We have just implemented a brand new training program for our cabin crew and pilots that cost us in the vicinity of \$1½ million.

CHAIR—How does that differ from the previous program?

Mr Scanlon—We have adapted a more hands-on approach with respect to putting them in a threat environment, putting them in situation conditions. It is currently a full one-day program where we go through theory but we also go through practice.

Senator MOORE—Is this a specific security training component?

Mr Scanlon—It is just security; there is nothing else.

Senator MOORE—So this whole new bit is specifically on security.

Mr Scanlon—Yes, it is one full-day of training for cabin crews and pilots.

Ms GRIERSON—I gather that, come September, Brisbane Airport is trialling some new biometric equipment, and Customs is involved with that.

Mr Scanlon—That would be through the international airport, not through the domestic terminal.

Ms GRIERSON—You still use that, don't you?

Mr Scanlon—We use an access control system; we do not use biometrics.

Ms GRIERSON—Are you involved in that trial or have you not been briefed on that trial?

Mr Scanlon—Because we are a domestic carrier, it is through our Pacific Blue area, which is a very small component of the marketplace.

Ms GRIERSON—So it is not significant.

Mr Scanlon—But we are aware of the trial being operational.

Ms GRIERSON—You mentioned something earlier about having to close up some gates or reduce numbers of entry points. Do you have a view on perimeter security? We had that incident at Sydney airport recently where someone entered airside at night. What is your view on perimeter security? It is not your responsibility wholly and solely, but what is it like at airports? Is it a risk area or not?

Mr Scanlon—The major issue when you are dealing with human beings is that if a measure is against their wills they will try anything. We have fencing around airports. If they want to get a truck and drive through the fence then what measures are we going to put in next to stop that? We believe the measures that are currently adapted through electronic access control, through static guards and through airside patrols by safety officers and Australian Federal Police Protective Services officers are adequate. However, we will always look at beneficial outcomes. If there are benefits to be gained from putting new measures in, we are more than willing to trial and implement those measures if they are effective.

Ms GRIERSON—Mr Scanlon, as Virgin has grown so rapidly in Australia, you would be fairly pleased that there have been very few incidents related to that growth.

Mr Scanlon—Yes. I think we stated at the last presentation to the committee that the number of incidents we have on board our aircraft compared to public transport would be minimal. For

the number of flights per day and the number of passengers, the number of incidents where even police are called are very few and far between.

Ms GRIERSON—Do you think all incidents are reported?

Mr Scanlon—I would have to say probably not.

Ms GRIERSON—There is no requirement to do that—unlike, say, aircraft safety incidents, which have no-fault type reporting, that does not apply to aviation security. Do you think there should be some way of encouraging reporting with a no-fault, no-blame type of investigation then happening?

Mr Scanlon—There currently is legislation that requires us to report certain incidents and there are penalties for people not reporting those. We have what we call a just culture within our organisation. We have spent an enormous amount of time, effort and money developing this. Obviously, we have the benefit of new staff. Over a five-year period we can develop that culture through what we call our safety system standards. That happens through our safety department, security department and quality control, where we have put a lot of time and effort into getting people to report incidents without blame.

We believe that is a positive approach and we believe we are receiving some very credible information. By the same token, if you can tell me how you can get 100 per cent of that we will surely implement it. We believe that we would have some knowledge of the majority of incidents that occur. You also have to consider that there are external agencies, such as the Australian Federal Police Protective Service and the airport authorities, that are also at the terminal. So, should one of our staff fail to notify us of that, we usually get some information, which is always secondary information, from other organisations. I believe we have a very good culture in that respect.

Ms GRIERSON—It is good to hear it. Thank you very much.

Senator WATSON—I must say that your staff are generally a lot more friendly than perhaps those of a lot of your rival airlines so it creates an atmosphere of less hostility between the passengers and the crew if people are tense—because people are often tense on aircraft, and that could lead to a low level of incidents.

Mr Scanlon—Thank you, Senator. I will pass those comments back to our executive.

Senator WATSON—I fly quite frequently with your airline. On the question of security, have all your doors been strengthened?

CHAIR—You cannot get upgraded.

Mr Scanlon—It is all first class, Chair. Yes, all aircraft have reinforced flight-deck doors and they have since the mandatory requirements.

Senator WATSON—What special arrangements do you make in terms of catering, because sometimes this comes from off site, doesn't it?

Mr Scanlon—It does.

Senator WATSON—How do you make sure that nothing untoward has been put in the catering van off site?

Mr Scanlon—We have processes and procedures with our catering company.

Senator WATSON—Do you have security staff monitoring that?

Mr Scanlon—We have our on-ground staff and our cabin crew monitor that. We do not have specific security staff monitoring at this stage. However, with the new requirements that we are looking at that is something that we are considering.

Senator WATSON—So that is potentially a weak point at the moment?

Mr Scanlon—Potentially we could have weak points at any part of our organisation, I presume. We believe that the measures are adequate now but I believe we can always look at it and monitor it to a better level. We also have to consider that the department of transport audit our catering facilities as well to ensure that the security requirements are of a standard that they are happy with.

Senator WATSON—During the break I travelled extensively in Canada and the United States with five or six Americans. On every occasion I had to take my shoes off. That only applies occasionally in Australia. Do you think that should be mandatory?

Mr Scanlon—It depends on whose shoes they are, I suppose.

Senator WATSON—It happened to everybody, without exception.

Mr TICEHURST—That is ridiculous.

CHAIR—I think Washington Airport in particular is like that.

Mr Scanlon—It comes down to one of those things: why are they taking the shoes off? What advantage are they getting?

Senator WATSON—They are screened separately. The shoes go on the belt.

Mr Scanlon—Currently the Australian standards do not require that.

Senator WATSON—No.

Mr Scanlon—Looking at the particular airports that do that, I do not see any major security benefit. Should there be an issue with shoes, that would be detected by the metal detector or through the possibility of trace detection at the screening point as well.

CHAIR—When I went through Washington airport they made me take off not only my shoes but my belt. They made me unpack my briefcase and take the battery pack off the laptop.

Ms GRIERSON—They just had to look at you to know to do that.

CHAIR—The airport at Washington—I think it is called Reagan airport—is a little extreme in some of their measures.

Ms GRIERSON—There was an article in the media saying that the Australian Standards Board were going to look at luggage wrapping and those sorts of devices and set some standards for those. Does that generally result in higher cost and more expense for people or is it a good thing to have standards on those sorts of products?

Mr Scanlon—Not fully knowing what the outcome will be, I suppose I cannot comment on that. The other issue is that you have to consider what type of luggage wrapping you use because, once again, it could interfere with the screening process of baggage. I know that some of the ports are having difficulties because shrink wrapping is being used on baggage and once it goes to the screening equipment they have to take it off because of certain requirements.

Ms GRIERSON—So there probably is a need for the industry to look at what works and what does not work and what will interface well with the security measures.

Mr Scanlon—That is something we are currently discussing within the industry. Obviously, in the last few months, it has been a very topical issue. But, at the end of the day, we believe the safety of our passengers' bags is paramount and we will do everything we can to ensure the safety of those bags and their contents.

Ms GRIERSON—When the Corby allegations were made that there may be systemic movement of drugs through passenger baggage—and therefore interference with passenger baggage—did Virgin, with your flights out of Brisbane and Sydney et cetera, do a review or any checks? Did it prompt you to look at any possibilities in your own operations?

Mr Scanlon—It certainly did. We looked at the potential for that to occur. Once again you have to look at the staffing issues and availability at those ports. Obviously it is something that we looked at with the airport authorities as to what we could do. We looked at the issues of CCTV, different methods of using the screening process and the availability of supervisors to be in certain areas when staff are there.

Ms GRIERSON—So clearly the industry thought it was possible.

Mr Scanlon—There is always a possibility of anything. You can never say never, I suppose.

CHAIR—You fly to locations outside Australia. What risk assessment do you see in those countries? Noticeably, some of those areas are designated high-risk traffic areas. What additional measures do you take as an airline pertaining to those airports?

Mr Scanlon—Our Pacific Blue airline lives and works out of Christchurch airport in New Zealand. It is an independent organisation from us, yet wholly owned by Virgin Blue. So, with

respect to intelligence and information, the intelligence area in my office receives extensive amounts of information from the Australian government, through different departments, and from the New Zealand government. We also receive information from other governments within the Pacific islands. Obviously the current threat level in Fiji is something to be considerate of. On a day-to-day basis we look at those issues. If we believe there needs to be any high standards or measures, for not only our passengers but also our staff, we will monitor that accordingly and put in place whatever measures we feel will be beneficial at the time. Should it come to the point that the threat is of a level that is not acceptable, we will stop flying until we believe it is at an acceptable level.

Ms GRIERSON—I am thinking of the Corby case again. Do you have incidences of whistleblowers? It would be very damaging for any airline to find that there was an incident of drugs movements or smuggling of illegal substances through your baggage systems; therefore, it is in your interest to make sure there is good disclosure or whistleblowers are encouraged. How do you do that?

Mr Scanlon—Once again, it is through what we referred to as our ‘just culture’. We speak to all our employees. We put information out to them to provide information and data irrespectively. One of the things that we highlight is that, should they record anything through our electronic systems or a manual system, we advise them that their name is removed from that documentation. Then, should for any reason somebody else within our organisation need to see that report, the name is not disclosed on that. So at all times we keep one hard copy with the exact details on it, which is secured, and the security department has a secure office as defined by the Australian Federal Police.

Ms GRIERSON—And you think staff are aware that those protective processes and confidentiality are—

Mr Scanlon—We strongly communicate that to our staff. Where people have provided information to us, we have moved them to other areas to ensure their safety for periods of time and things like that.

Ms GRIERSON—So you do have people come forward with information at times?

Mr Scanlon—We have people come through with information in relation to all sorts of aspects of our airport, other airports or other organisations. We encourage that at all times.

Mr O’Callaghan—Adding to that, it is probably also worth making the point that it is the case that the travelling public is highly alert. The number of reports of possible or alleged incidents has skyrocketed, frankly. Handling the number of calls is an issue in itself, but the fact of the matter is that the Australian public is alert. That is a challenge for us, but it is a benefit to us as well because it means that we are often being told of issues.

CHAIR—I know the issue of visitor identification cards has been briefly touched on. Given that you as an organisation subcontract a lot of your work to various groups, what checks and balances do you put into place to make sure that people with visitor identification cards are accompanied at all times by a person with an ASIC?

Mr Scanlon—It is obviously a requirement, and we advertise it and communicate it quite fully on our web site. We have security web sites for all our staff to monitor. When the card is issued to the visitor, the person who is escorting them has to provide their name and details. Those records are kept and the department of transport monitors them.

CHAIR—If there were a move to make all people engaged in airports for more than a day to be prequalified with ASICs, how would that sit with Virgin Blue?

Mr Scanlon—We would be more than willing to accept that. We believe that would be a great standard. As long as the government, through the Australian Federal Police, ASIO, Immigration and the department of transport, can turn around those checks in 24 hours, we would be more than willing to assist in that.

CHAIR—Do you talk to your subcontract companies about having prequalified ASIC people in their casual employment work force?

Mr Scanlon—Obviously, with respect to them employing personnel, it is one of those difficulties that the aviation industry is such a small, defined industry. It is very hard to get people who have the approval from day one. I know that is not just Virgin Blue; it is everyone throughout the industry. It would be preferable, and we have advised them it would be preferable, if they could do their pre-checks prior to the person commencing employment but, due to supply and demand, on occasions that is not possible.

CHAIR—What I predominantly refer to there is the issue of labour hire companies that provide people to work in the aviation industry making sure that they have the adequate number of staff or only supplying staff who have prior ASIC approvals.

Mr Scanlon—Obviously that would be beneficial but, practically, from my understanding they cannot achieve that at this time.

CHAIR—What are Virgin Blue doing to push that with the people that they subcontract to?

Mr Scanlon—That is something we believe we could deal with if we could get the government to have a quicker turnaround on the ASIC applications rather than have a three- to four- to five-week process.

CHAIR—We have heard discussion that people are quite regularly engaged on a casual basis for a day here and there but are repeatedly engaged on a one-day basis and have a number of visitor passes issued to them over a 12-month period instead of going through the process of applying for and holding an ASIC.

Mr Scanlon—I have to say, I am not familiar with that. We say that once a contractor employs someone to work on our behalf then, should they continue to work with us, they should immediately be making an application for an ASIC and getting it.

CHAIR—So what do you do to enforce that?

Mr Scanlon—I do not think we have had—and I stand to be corrected—any major issues about knowing that people have been working for a 12-month period.

CHAIR—Not working for a 12-month period but at varying times during a 12-month period, and they have been continually issued with VICs. The subcontractor has been engaged or the labour hire force has put them out once or twice, but they have not bothered to get the ASIC. I do not know whether it is a cost-saving measure, but we are looking at doing what we can to reduce risk in airports and in aviation security. That is why I am asking what your response would be to having prequalified people being able to work airside. I can understand the exception for a person who may be there for a day, maybe two days, and where it is a once-only visit in a set period of time, but to constantly engage that person to come backwards and forwards over a period of time, not necessarily on consecutive days, really flies in the face of the requirement to have an ASIC.

Mr Scanlon—As I stated, we do not believe that has occurred—but, if it has, we would put to our contracting companies that persons who work for us should make an application.

CHAIR—If you do not believe it has occurred I would ask you to provide to this committee on notice an analysis—you would be able to identify those who have had visitor identification cards issued to them—of any consistent repetition of an individual being provided with a visitor identification card.

Mr Scanlon—We could only provide that in Brisbane because that is the only place where the contractors provide visitors cards from the airport authorities.

CHAIR—If it was one of your subcontractors, Aerocare, which is who it is levelled against by the TWU—

Mr Scanlon—In Sydney.

CHAIR—In Sydney. We would ask you to liaise with Aerocare and ask for an analysis of how many people over a period of 12 months are repeatedly issued visitor identification cards. I know that the validity on these is up to 30 days.

Mr Scanlon—It depends; it is one to 30 days.

CHAIR—If you could provide to the committee an analysis of that, it would be very much appreciated.

Mr Scanlon—I will communicate with Aerocare and ask them to provide that information.

Senator MOORE—Can we also have the HR information about what questions HR ask on that point? I think the issue when someone is employed is what processes are gone through to ensure that does not—

Mr Scanlon—As in our employees?

Senator MOORE—Yes, human resources information that you have about how these things are checked out—what instructions HR have on this kind of security issue.

Mr Scanlon—When we provide them with a contract we also provide them with an application for ASIC.

Senator MOORE—That is the kind of thing I am referring to.

CHAIR—Thank you very much for taking the time today to provide valuable information to this committee. The committee is adjourned until we convene again tomorrow in Cairns. At the end of the proceedings for the week I will move to have all of the transcripts and information received made available for publication.

Mr O’Callaghan—If we can ever help you or any of your colleagues and show you how we operate we would be happy to do that.

CHAIR—If you were perhaps to fly from Newcastle to Canberra with one of your jets, I think there would be a couple of members who would be very appreciative!

Mr O’Callaghan—We are always willing to look seriously at things. I will be in Newcastle shortly and I will do exactly that.

Committee adjourned at 11.32 am