



1 Sound and effective security arrangements



BARA supports aviation security that is risk-based and intelligence driven, and which can adapt to changing circumstances.

BARA has lodged its submission to the Senate's Rural and Regional Affairs and Transport References Committee review of Australia's airport and aviation security. BARA considers it is important the Australian Government continues to support the Office of Transport Security (OTS), so that OTS has the flexibility to review and amend security requirements consistent with changes to assessed security threats.

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2 BARA's ongoing authorisation



The Australian and Competition and Consumer Commission's (ACCC) draft determination proposes a ten-year authorisation.

To collectively negotiate on behalf of member airlines, BARA requires 'authorisation' from the ACCC under the *Competition and Consumer Act 2010*. The ACCC's draft decision accepts BARA's proposed authorisation scope and conditions. The Commission has also proposed a ten-year authorisation term, compared with the seven years BARA sought.

3 Jet fuel supply disruptions at Melbourne Airport



The recent supply disruptions at Melbourne Airport are yet another example of why it needs to reform its jet fuel supply infrastructure.

In this instance, Melbourne Airport in about one day went from a 'green' to 'black' traffic light (meaning a 'problem identified and unable to be avoided from a supply perspective'). BARA understands some airlines incurred additional costs due to supply disruptions at the airport.

BARA has developed an industry plan that, if implemented, would deliver not only lower priced but also a more reliable supply of jet fuel to Melbourne Airport.

4 Confronting the costs of investment decisions



Businesses make more rational investment decisions when suppliers and users cannot 'outsource' costs to unrelated parties.

BARA remains concerned over Airservices Australia's ability to overcharge international airlines so as to subsidise expansive, and expensive, projects and buildings at regional airports.

BARA's submission to the Parliamentary Standing Committee on Public Works argues the current 'uniform' or 'network' pricing of aviation rescue and firefighting services provide Airservices with little incentive to rein in costs, particularly with respect to capital investment.

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Sound and effective security arrangements

The safety and security of Australia's international aviation remains the industry's highest priority and it continues to invest considerable resources in aviation security at Australia's major international airports. But we need to remember no security system is infallible. Which is why BARA promotes rigorous, risk-based and intelligence driven approaches to security that can adapt to changing circumstances.

BARA welcomed the opportunity to provide a submission to the Rural and Regional Affairs and Transport References Committee's review of airport and aviation security.

The safety and security of Australia's international aviation remains the industry's highest priority. The industry's long-term growth and prosperity will hinge on its ability to apply sound and effective security requirements and procedures. Yet it's important to recognise that no security system is infallible and so what we need to promote are rigorous, risk-based and intelligence driven approaches to aviation security that can adapt to changing circumstances.

As a general principle, BARA supports Australia's security requirements agreeing with International Civil Aviation Organization (ICAO) recommendations and guidelines. But in some instances Australia's individual circumstances may require modifying how the recommendations or guidelines are applied.

BARA has an internal working group with representatives from the majority of its member airlines that contributes responses and information to help continue developing and implementing Australia's security requirements.

BARA also has an Aviation Security Adviser, who helps member airlines implement security requirements while also supporting BARA's contributions to the development of security legislation and regulations.

The Office of Transport Security (OTS) has developed effective consultative processes that allow issues to be carefully assessed and provide opportunities for industry to contribute. The Aviation Security Advisory Forum (ASAF) provides a structured and consultative approach to reviewing and implementing aviation security requirements in Australia. Its approach to consultation gives the industry confidence that security requirements and resources are being directed towards assessed security threats

Aviation security at Australia's major international airports

The industry invests considerable resources in aviation security at Australia's major international airports. The annual operating expenses for airport security at Sydney, Melbourne, Brisbane and Perth Airports between 2002–03 and 2012–13 have increased almost three-fold to over \$160 million in 2012–13. These costs are 'passed through' by the airport operators to airlines through negotiated 'safety and security' charges.

These operating expenses only represent part of the total investment in security made by both the airport operators and international airlines. For example, the capital programs negotiated with the major international airports cover significant expenditure on security, including perimeter fencing, screening equipment and surveillance systems. These investments form part of the airport operator's capital base, the costs of which the operator usually recoups through general airfield and terminal charges.

When the airport operators spend money on security, they consult the international airlines about the investments made and services provided. This provides further opportunities for consultation between the industry stakeholders in



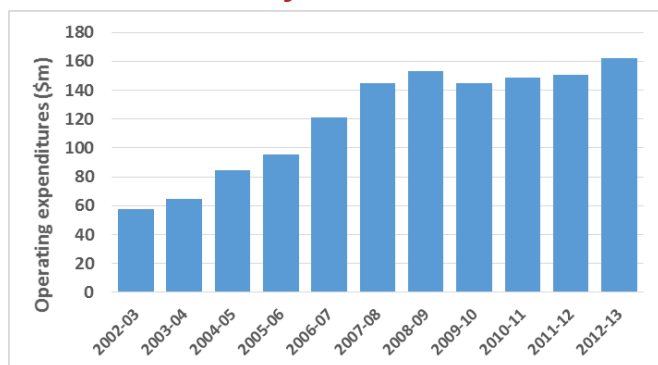
planning security services at Australia's international airports.

OTS has done a good job and needs continued support from government

The Office of Transport Security (OTS) has done a good job of consulting the industry while developing risk-based and intelligence driven aviation security requirements. BARA will continue to support the current arrangements by contributing considered responses and information from its internal working group and experienced Aviation Security Advisor.

It is important the Australian Government continues to support OTS, and makes sure it has the flexibility to review and recommend changes to existing security requirements that are consistent with changes to assessed security threats. In assessing likely and emerging threats, intelligence is obviously vital for informing the development and implementation of aviation security requirements. BARA also supports OTS' current review of Transport Security Programs, which presents an opportunity to remove unnecessary duplication of information and, where possible, clarify and simplify regulatory obligations for international airlines.

Australia invests substantially in its aviation security



Annual operating expenditures on airport security: Sydney, Melbourne, Brisbane and Perth Airports

Confronting the costs of investment decisions

The opportunity to provide a submission to the Parliamentary Standing Committee on Public Works meant BARA could ask if the current investment in aviation rescue and firefighting (ARFF) stations at regional airports represents the best use of the industry's resources in aviation safety and efficiency? Especially when international airlines are heavily subsidising the growing cost of providing such services.

Existing pricing arrangements can encourage 'gold plating'

The industry's long-term growth and prosperity depends on its ability to cater for increasing aviation growth while maintaining the highest safety standards. So it pays to keep a sharp eye on efficiently allocating available resources towards projects and outcomes that best promote a safe and efficient aviation industry.

Effective planning and delivery would be best promoted if Airservices had the right incentives to deliver quality outcomes, supported by effective consultation with airlines. Yet existing pricing arrangements, where often about 90% of regional ARFF costs are recovered from airlines operating from the major international airports, do little to encourage Airservices to rein in costs, especially with capital investment. If anything, they encourage 'gold-plated' ARFF stations at regional airports that unnecessarily increase the industry's cost base, especially for the international airlines that are expected to heavily subsidise the cost of these services.

The existing criterion for establishing an ARFF service at an airport is when more than 350,000



passengers passed through on flights the previous financial year. This fixed criterion, plus an ongoing growth in passenger numbers, requires Airservices to establish a number of new ARFF services at regional airports in Western Australia and New South Wales.

BARA is unaware of evidence that shows the requirement for ARFF services at these airports represents either net benefit to the industry or the highest value investment in aviation safety. It's just not in the industry's interest to make a series of investments that aren't the best option to promote aviation safety at regional airports.

BARA highlighted to the independent review of aviation safety regulation that the industry's investments in aviation safety need to produce as much value as possible. The Review Panel replied it 'would expect' the Department of Infrastructure and Regional Development (DIRD) 'to take the lead in providing policy guidance to the regulator and service provider'. But, as far as BARA knows, DIRD has no plans to review the merits of the arrangements for establishing ARFF services at regional airports.

Commercial incentives for efficient service delivery reduced

Airservices recovers the cost of ARFF services by applying uniform prices across airports by aircraft category based on the average cost of providing ARFF services across all airports. But the cost of providing such services varies widely across airports and is usually far higher at regional airports than international airports because of less aircraft traffic. As such, many regional airports recover only about 10% of costs from the airlines that operate to them, with the shortfall obtained through overpricing ARFF services at the major international airports, especially Sydney Airport.

If the users of ARFF services at regional airports had to cover the full cost of those services, it's more likely they'd scrutinise the costs and seek more cost-effective solutions.

The existing network pricing of ARFF services across airports does not require Airservices to confront the costs of providing them. Instead the costs are largely borne by other parties, especially the international airlines, which BARA estimates are being overcharged by about \$60 million annually for ARFF services at the major international airports.

BARA expects if the size and cost of regional ARFF stations were examined, it would reveal too much money is being spent because there are no incentives to hold down costs. This encourages excessive expenditure and ultimately reduces the efficiency and productivity of Australia's aviation industry.

Indeed in 1992, the former Industry Commission's (now the Productivity Commission) *Intrastate Aviation* inquiry found Airservices' pricing structure was likely to lead to investments at airports that would not occur otherwise, and possibly at the expense of other airports with better investment opportunities. So it specifically recommended setting location-specific prices for ARFF services, which Airservices began to do in the late 1990s. Unfortunately this progressive economic reform is now being unwound in favour of subsidising services provided at regional airports.

As a start, BARA would like the Productivity Commission to be given the task of developing a set of principles for pricing Airservices core services, including ARFF. This would then become a prescribed pricing structure for Airservices when it lodges its draft prices notification with the Australian Competition and Consumer Commission (ACCC). Airservices would then apply pricing structures that were consistent with promoting the efficient development of Australia's aviation industry.