

The Chair,
Senate Standing Committee on Rural & Regional Affairs & Transport
SG.62 | Department of the Senate
Parliament House
PO Box 6100
Canberra ACT 2600

Dear Chair,

Aviation Transport Security Amendment (Security Controlled Airports) Regulations 2019

Our company welcomes the opportunity to make a submission concerning the Government's proposed regulatory changes under the *Aviation Transport Security Act 2004* to introduce both a new airport categorisation model and new security screening threshold for larger capacity Australian airports.

By way of background, our company operates regional regular passenger transport (RPT) air services in eastern Australia as well as closed charter operations. Prior to COVID-19 travel restrictions Fly Corporate was operating over 170 services per week connecting nine regional ports in Queensland and NSW with Brisbane, Melbourne and Sydney. We operate Saab 340B+ and Metroliner aircraft with seating capacities of 34 and 19 passengers, respectively. Last year we carried over 100,000 passengers.

Fly Corporate is concerned the changes proposed under the amendment will have significant impact on the sustainability of continued provision of regional airline services throughout Australia.

Our company fully supports the need, where indicated, for adequate security screening of passengers and their baggage. Such measures afford passengers and aircrew an added degree of safety when travelling. These screening measures, however, come at a cost. Individual security requirements at different airports need therefore be commensurate with the security risk profile attached to each.

We note the proposed regulatory amendments arise from findings of the Office of the Inspector of Transport Security which has recommended the additional strengthening, and or targeting, of current security measures in place at major airports. We do not believe it is our place to question the risk assessment rationale underlying both the change in the categorization of certain airports requiring screening and the change in the threshold metric from maximum take-off weight to one based on aircraft seating capacity (more than 40 passengers).

Rather, the real point we wish to highlight (and which will remain irrespective of whether the proposed amendments are allowed), are the difficulties, we believe, face many regional airport owners required to implement passenger security screening. Although the Federal government has already funded or intends to fund the capital cost of screening equipment for impacted airports, the issue of how these airports pay for the ongoing operational costs once the screening equipment is in place remains. Currently, this cost is intended by Government to be borne by the airport operator. If the operator is a Council, it must decide whether to use rate-payer funds or transfer the cost onto the airline. Usually, it is the latter and, because of small profits margins, the airlines are left with little option but to pass the cost onto the passenger by increasing the ticket prices.

The charge levied by the airport owner will also depend upon whether it is willing to subsidize the costs of operating an airport (as a vital community service such as a library or public swimming pool) or simply seeks to recover its costs (or make a profit). These considerations in turn impact ticket pricing, potentially making air travel an unviable option for some passengers and ultimately risks an airline ceasing to service that destination should there be insufficient demand.

The ongoing operational costs of screening are obviously dependent upon the throughput of departing passengers at an airport, higher passenger numbers - lower the cost per head. This is evidenced by the widely differing costs that airport operators currently charge. At smaller regional airports where screening is conducted, our airline is charged between \$7 and \$14.20 per head dollars whilst at capital city airports the charge ranges from less than a \$0.96 through to \$2.72 per head. This disparity is hardly equitable for passengers living in regional areas. Quite simply, there are insufficient passenger numbers at many regional ports to enable the cost of passenger screening to be amortized to an affordable level.

There is also the problem that some regional airports, in apparent attempt to spread costs between competing airlines with different sized aircraft, require all departing passengers to undergo security screening even when they are travelling on an aircraft under the 40-passenger threshold. Understandably, airlines operating such aircraft are reluctant to incur a fee for a service not legally required. Clearly, this is an unintended consequence of the regulations which needs to be examined.

We note from the Explanatory Statement that the Office of Best Practice Regulation (OBPR) was consulted in relation to the proposed regulatory amendments. The OBPR considered the amendments did not impose any additional regulatory burden on industry and that the impact on individuals is minor. Based on our experience, we reject that view and believe a Regulatory Impact Statement should be undertaken before implementation of the changes.

We consider a more equitable approach is for the cost of security screening at designated airports within Australia to be shared equally. This can be achieved by levying a slightly higher charge for passengers departing major airports with additional funds collected used to offset the higher

operating costs associated with security requirements at smaller designated regional airports. It would be a matter for government to decide whether to directly engage staff undertaking the screening or to leave this to the airport owner with appropriate reimbursement of costs. We are aware similar models are in use in New Zealand and the United States.

Finally, we note the COVID-19 pandemic has impacted many aspects of Australian life, including the introduction of travel restrictions which have severely impacted airline operations. Perhaps further consideration of issues relating to revised security screening measures should be delayed until such time as a clearer picture on the future demand for air travel emerges.

Yours sincerely,

Andrew Major

Chief Executive Officer

11 May 2020