Board of Airline Representatives NZ
6 Leonard Isitt Drive, Auckland Airport
Auckland 2022

22 October 2024

To: Aviation Security Services Submissions Team
Ministry of Transport

By email: aviationsecurity@transport.govt.nz

Re: Investigating alternative delivery arrangements for aviation security services

Thank you for the opportunity to provide feedback on aviation security service delivery in New Zealand.

The Board of Airline Representatives of New Zealand (BARNZ) represents some 25 member airlines who fly to, from and within New Zealand. It also represents businesses reliant on-air connectivity such as ground handlers, catering companies and waste management businesses. We ensure connection of New Zealanders domestically and with the world and facilitate critical import and export trade. This submission presents the consolidated middle ground of views of BARNZ members. Individual member airlines may choose to provide their own submissions to reflect their specific situations and positions.

BARNZ values its relationship with AvSec and the work it does to keep aviation safe for the benefit of all New Zealanders. We also acknowledge how it has effectively responded to various developments and challenges in the aviation security environment.

However, we agree change is needed. We welcome the opportunity the release of the discussion document by the Minister of Transport presents for consideration of alternative models with strong incentives to improve efficiency and reduce costs while maintaining the security of airlines and the travelling public.

Executive Summary

- **AvSec's institutional and ownership arrangements do not provide strong incentives to reduce costs and improve efficiency.** Changes are needed.

- **Airlines and their passengers singularly pay for New Zealand's aviation security system.** We have a direct interest in ensuring it is effective and efficient. Concerns relating to passenger queues and increasing security levies are indicative of the need for change.

- **It is important to recognise the positive characteristics and coherence of New Zealand's current approach to aviation security** with its one national provider and associated network pricing model.

- **We should seek out change that drives for efficiencies. This might not naturally arise from breaking the national model in favour of 'opt-in' providers.**

- **While BARNZ is not opposed to the consideration of 'opt-in' models at individual airport level, this approach may deliver benefits in States with larger aviation systems and more airports where screening is required** – and where the existence of multiple service providers does not adversely impact on 'economy of scale' cost efficiencies.

- **New Zealand has a relatively small number of airports at which screening is required** and has significant variances in the number of passengers screened across these airports – along with large variances in actual per passenger costs for screening at individual airport level.

- **'Opt-in' providers will naturally seek an incentive, or profit.** Any new model needs to avoid the possibility of inappropriate profit taking.

- **The Minister's decision to seek views on alterative options provides an opportunity for co-design by Government and industry of a model that reflects New Zealand's unique situation**. Our collective goal should be to ensure there are strong incentives to improve efficiency and reduce costs while maintaining benefits associated with the current network delivery and pricing model.

- **We do not support a model that would 'break-up' the delivery of security services at an individual airport** level. For example, an 'opt-in' provider delivering **passenger screening only** at an individual airport level. This would not support the levels of coordination and system integration necessary on security matters.

- The design of any new model should not be limited by current legislation.

- **BARNZ welcomes closer examination of specific options as a 'next step'.** This should include both the 'opt-in' model and others, examined in a co-design approach with the sector to provide the Minister with informed advice. Other options worthy of examination include:
    - **An industry owned national service provider operating on a not-for-profit basis.** This would preserve the benefits of the current model while addressing the weaknesses that exist regarding its lack of strong incentives to improve efficiency and reduce costs.

    - **Other private sector owned or third party contracted models** that ensure a coordinated approach to the delivery of services at airport level while maintaining the benefits provided by a national service delivery and network pricing model.

The work AvSec does is critical to aviation safety. Work to investigate options for alternative delivery models has potential to impact staff morale and create engagement issues within AvSec. We highlight the importance of ongoing effective governance oversight of AvSec's performance, including by the Ministry of Transport (MoT) in its Crown Entity monitoring role working with and through the Civil Aviation Authority Board and Chief Executive on behalf of the Minister of Transport.

Principles informing our submission

In considering the question of possible alternative service providers BARNZ is guided by the following principles:

1. Aviation security services must be delivered in an effective manner that ensures all security regulatory requirements and the expectations of the International Civil Aviation Organization (ICAO) and New Zealand's international partners are met – New Zealand fulfills its international aviation security commitments, and full interoperability with its international aviation partners is supported.

2. Services must be delivered in the most cost-effective and efficient manner possible and without unnecessary impact on passenger facilitation.

3. Costs should be formulated and allocated transparently after appropriate consultation processes that allow airlines to meaningfully inform and influence pricing decisions by service providers.

4. In any environment within which private sector security service delivery is enabled, accountabilities for delivery must remain clear. This includes the need for ongoing and accessible financial and operational performance reporting and the associated monitoring of this performance information.

Considerations of passenger facilitation and experience are important, in the context of delivering a safe and secure aviation system. Security processes will always have some level of impact on the travelling public. Ensuring that these impacts strike an appropriate balance is a key consideration.

Ever increasing cost pressures

As referred to by the Minister of Transport in his foreword to the discussion document it is important that New Zealand continues to be an attractive destination to fly to.

BARNZ supports Government's overall economic and fiscal objectives, in particular the desire to increase export growth, of which tourism should be a big contributor. Tourism demand supported by aviation is both key in creating the international aviation connectivity we need, and in supporting our wider economic prosperity. This connectivity is critical to unlocking international air cargo capacity and the transport of high value exports that must reach markets quickly.

However, the current cost environment is very challenging, with airlines and their passengers seeing cost increases coming from many directions. In this regard we note recent decisions by Government

to significantly increase visa fees and the International Visitor Levy. We also note cost pressures on airlines arising from pricing decisions at Auckland Airport.

BARNZ member airlines are concerned New Zealand is becoming an increasingly high-cost destination. Growing costs across multiple agencies and airports puts New Zealand's tourism industry and our resulting economic prosperity and international connectivity at risk.

It is important that service providers fulfil their roles in the aviation system as efficiently as possible and are incentivised to do so. Airlines, and ultimately travellers, pay the costs of these services. Unnecessary costs are a barrier to growth.

International airlines have highly mobile assets and considerable choice to relocate aircraft from routes to and from New Zealand in the event of pricing pressures impacting on the viability of those routes – with the potential for investment 'flight' and market competition distortions and resulting less choice and higher prices for consumers. **Higher costs have the potential to lead to a spiralling cycle of still higher costs for travellers and New Zealand pricing itself out of the international tourism market.**

Within this context we note the currently proposed changes to CAA and AvSec levies which involve significant percentage increases. **In the case of the AvSec proposal there is little evidence of any attempt to factor in the possibility of improved efficiencies and reduced costs – rather we see an ongoing approach of linear staff and associated cost increases over time.**

AvSec's current institutional and ownership arrangements do not provide efficiency incentives – change is needed

BARNZ asks whether AvSec has or could have the same incentives to reduce costs and improve efficiency (without impacting effectiveness) as a commercial service provider. The intended approach of the recently refreshed Civil Aviation Authority Board to such matters, and expectations of the Minister of Transport will be key in answering this question. In addition, the MoT could add value carrying out its monitoring role for CAA (the regulator) and AvSec. The monitoring role of the MoT should seek a deeper understanding of the system settings that drive outcomes for AvSec and its customers.

AvSec, in establishing its costs, is not driven by the same commercial profit-making imperatives that a commercial service provider – though we note the obligation on AvSec to maintain a suitable level of financial reserves and factor this into its levy settings. However, the purpose of these reserves, which involve some level of public and club goods, cannot be viewed in the same manner as private sector profit taking with its focus on shareholder financial returns.

We also understand that work is underway by AvSec to trial remote screening operations – where images of screened baggage at one location can be viewed and assessed centrally, or at another location entirely. **The potential for facilitation benefits, staffing efficiencies and related cost savings to be realised via this initiative will need to be considered in decision-making on the appropriateness or otherwise of an 'opt-in' delivery model or other alternatives.**

BARNZ is aware of these programmes of work from its regular engagement with Avsec; it would have been useful to see more evidence of these efficiency programmes in proposals. We consider that a

move to 'opt-in' providers may reduce benefits arising from such network focused efficiency programmes, and it is important to consider these impacts.

Notwithstanding this, we consider that **current AvSec institutional and ownership arrangements, and the associated lack of strong incentives to improve efficiency and reduce costs, call for change**. This need for change is highlighted by the contents of the proposals for increases in AvSec's levies. These do not show evidence of serious attempts to identify improved efficiencies and reduce costs – rather, as noted above, an ongoing approach of linear staff and associated cost increases over time.

Alternative options

One option that requires consideration, alongside any 'opt-in' model as proposed in the discussion document, is that of an industry owned national service provider operating on a not-for-profit basis. This would preserve the benefits of the current model while addressing the weaknesses that exist regarding its lack of incentives to improve efficiency and reduce costs.

If accompanied by an appropriate governance model this option would provide real opportunities for the creation of an effective, service oriented, and customer focused security provider[1]. It would ensure greater independence between the provider and CAA as the regulator. It would also address the risk of profit taking on the part of airports or any other supplier in any 'opt-in' model.

Further comment on the benefits of such an approach is provided in our responses to specific questions posed in the discussion document. See the responses to questions 3 and 5 in particular.

Alternatively, there may be other private sector owned or third party contracted models that support a coordinated approach to the delivery of services at airport level, while maintaining the benefits of a national service delivery and network pricing model.

Preventing profit taking in any alternative service delivery model

The design of any alternative service delivery model must ensure that airlines and their passengers receive the benefits of any efficiency gains achieved.

Consistent with policies set out in ICAO Doc 9082 (Policies on Charges for Airports and Air Navigation Services), New Zealand, as an ICAO contracting State, needs to ensure that **security charges must not recover more than the costs involved in providing security**[2].

Under any 'opt-in' model in which an airport company may be responsible for providing services, or contracting a private security provider, **there is a risk that the airport retains any efficiency gains as**

[1] The approach of industry owned not for profit entities in the national level delivery of safety critical functions, while not widespread globally, is not without successful precedent. See for example the **NAV Canada model**, the Canadian Air Navigation Service Provider (ANSP), the Canadian equivalent of Airways Corporation. See https://www.navcanada.ca/en/corporate/governance.aspx.

[2] https://www.icao.int/publications/Documents/9082_9ed_en.pdf, pp II-3 – II-4.

profits or treats the provision of security services as a new profit source and an opportunity to extract further profits from airlines and their customers.[3]

The provision of security services by an airport is an airfield activity as defined in section 2 of the Airport Authorities Act 1996, and as carried over into section 218 of the Civil Aviation Act 2023 (the 2023 Act). Some costs associated with the provision of security services by airports could potentially be subject to the pricing provisions of the new 2023 Act, and the obligations of an airport under section 226 of that same Act to operate commercially.

Acknowledging this, **there is a risk, without the necessary economic regulatory controls, that airports will turn any opportunities to provide security services into commercial profit-making ventures via various mechanisms, and argue they are obliged to do so because of commercial imperatives they have – negating any cost efficiencies.**

Any further consideration of alternative service delivery models involving airport company delivery **must ensure the necessary regulatory controls are in place to prevent any such perverse outcomes.**

Any other private sector alternatives considered must also ensure that airlines and their customers, who pay for the services in question, receive the benefits of any efficiency gains achieved.

Legislative considerations

The consideration of alternative delivery models should not be constrained by existing legislation. The opportunity exists for Government and industry to co-design a fully fit for purpose and forward-looking model with strong incentives to improve efficiency and reduce costs.

Even at the level of the 'opt-in' model, as proposed in the discussion document, a review of relevant legislation, in consultation with stakeholders, is necessary. As the discussion paper notes (at paragraphs 50 and 51) there are no provisions in the 2023 Act which allow for the provision of aviation security services by any third-party provider engaged by an airport or airline, and changes to legislation would be required for this.

We note that current section 79 of Civil Aviation Act 1990 (the 1990 Act) already enables the delivery of security services by airports, subject to the provisions of section 79A, under which the Minister of Transport may issue a Gazette Notice stating that only AvSec may be issued an aviation document for the delivery of such services. **The 2023 Act extends this same opportunity to airlines. We welcome this step given the flexible delivery options it allows for.**

Accepting that airports can already provide security services, we understand the question of alternative service delivery is not a new one. In examining the issue today BARNZ asks that officials look at previous work on an informative basis.

[3] While the regulatory regime applied to Auckland Wellington and Christchurch airports does not allow a for a WACC margin to be applied to operating costs, an airport might choose to create a new form of passenger charge for security services and build profit margin inside of such a charge. If this approach was taken, any profit margin would not be transparent.

In deciding on which options deserve more examination, we must ensure powers currently available to AvSec officers are available and appropriate to private sector employees under any alternative model. Under the 2023 Act aviation security officers designated as such by any authorized security provider (not just AvSec employees) have powers to respectively detain or arrest individuals in specific situations, which would include members of the public and airline staff.

The appropriateness or otherwise of private sector employees holding and exercising very intrusive powers of arrest requires detailed consideration in full consultation with airlines, and any subsequent legislative amendments that may or may not be considered appropriate.

The need for ongoing consultation

We note the following comments in the discussion document. "*Your feedback will help determine the direction of any next steps. If a change is progressed this will be subject to more detailed analysis, costing, Cabinet decisions and, if required, further consultation ".*

As indicated in this submission further co-design by Government and industry and consultation is essential before final decisions are made. We welcome the opportunity to contribute to that ongoing consultation. **We also welcome further discussion on our proposals for alternatives to the 'opt-in' model referred to in the discussion document.**

Factors that impact passenger facilitation

The discussion document notes (at paragraph 38) that:

'Unlike the current approach, airports may have more control over factors that impact passenger facilitation, such as:

a. *Allowing adequate space for necessary security requirements, including space for waiting passengers, and efficient management of queues.*

b. *Airports may be in a stronger position to hold airlines to account for on time performance to reduce unexpected peaks.*

c. *Better slot allocation to help smooth out demand for security services".*

On point a. and the matter of "*adequate space…*".

We note that there is nothing in current arrangements to prevent airports from doing this – any reluctance to do so on their part aside and coupled with restrictive built infrastructure environments at some locations because of historical underinvestment on the part of some airports. The basis of this statement is unclear to us, unless it is suggesting that airports having passenger screening responsibilities will result in greater levels of public scrutiny.

We also question how the reference to adequate space for necessary security requirements aligns with the pending introduction in the 2023 Act of requirements for Regulatory Airport Spatial Undertakings (RASU). A RASU will set out how an airport operator will accommodate agencies,

including AvSec, that operate at their airport. RASUs may bring with them better space availability for agencies like Avsec, which may mean they can be more efficient.

On point b. and the assertion that *"Airports may be in a stronger position to hold airlines to account for on time performance..."*.

We disagree with this statement. Airline on time performance is impacted by a range of factors over which airports have no control – regardless of whether they are providing security services or not. This includes events at original departure airports beyond both an airline and arrival airport's control, enroute weather conditions, and air traffic management decision-making. Events at one location, such as fog delays at a hub airport, have a cascading effect to on time performance across the wider New Zealand network.

Airline safety considerations will always be paramount over those relating to on time performance. If an airline decides to delay or cancel a flight to ensure the safety of passengers and crew it would be inappropriate for an airport to then be expected to hold the airline to account and question it on operational technical airline safety decision-making.

To point c. which states: *"Better slot allocation to help smooth out demand for security services"*.

As far as BARNZ is aware, there is no need for slot allocation or management to be '*better*'. BARNZ, New Zealand Airports Association (NZAA) and a selection of airlines and airports together make up Slot Coordination New Zealand Limited (SCNZL) which employs the slot coordinator in New Zealand, currently Airport Coordination Limited (ACL). ACL manages slot allocation for slot-controlled airports in New Zealand. ACL manages slot allocation extremely well – to slot parameters set by airport companies.

No doubt officials are aware that there has been ongoing discussion regarding airport slot parameters with border agencies, airlines and airport companies. For clarity, airport companies set slot parameters and are the only entity that can control these settings.

It is true that issues of peak congestion have been raised by both airlines and border agencies with Auckland Airport in particular, as border agencies including AvSec have struggled to cope with arrival and departure peaks. BARNZ respectfully suggests that 'better slot management' would not solve these concerns – especially given the slot management service New Zealand enjoys is extremely high quality.

The role of CAA

The discussion document (at paragraph 59) notes that roles and responsibilities for the CAA in an outsourced model could include:

a. *Training: this is to ensure national consistency of standards and practices of all aviation security officers, no matter their employer,*

b. *Compliance and monitoring: An audit function would need to be established to ensure providers were meeting domestic and international security requirements.*

c. Maintaining the relationship with ICAO and other international partners.

Training

A CAA training role for security service providers is something that requires careful thought.

In the New Zealand aviation system, and more broadly internationally, ensuring trained and competent staff is the obligation of certificated organisations exercising privileges in the system – not that of the aviation safety and security regulator (CAA in the case of New Zealand). The regulator's role is to monitor the certificated organisations' performance against the training requirements in question. It is via this independent oversight that consistency of standards and practices is supported. Having CAA deliver this training would result in it "regulating itself".

We would also need to consider how costs the CAA would incur in maintaining a training function would be treated. At present such costs are borne by AvSec and are an input into its levies. If any CAA training costs are not passed onto alternative providers, those providers might appear to make 'savings'. An alternative is that CAA bear the cost of any training role - but this might drive increased CAA passenger safety levies. In a worst-case scenario passengers would 'pay twice' – once for the service and again for a separate training function alongside other CAA functions.

For transparency and acknowledging the need for costs to land where they fall, training costs must be accepted by any potential alternative service providers as a cost of doing business and factored into any cost efficiency calculations they may supply in support of 'opt-in' proposals on their part.

This approach is consistent with ICAO policies in Doc 9082 (Policies on Charges for Airports and Air Navigation Services) which identifies training of security personnel as comprising part of the services to be considered when determining costs[4].

Compliance and monitoring

The discussion document refers to a CAA audit function needing to be established. **This should acknowledge the need for CAA's extant security regulatory function, which oversees AvSec, airports, airlines and regulated air cargo agents for operational security regulatory purposes, to have capacity to audit multiple service providers.** Any material additional CAA costs associated with it needing to supplement its existing audit function in an environment of multiple service providers should be considered as part of overall cost calculations.

Maintaining the relationship with ICAO and other international partners

We agree that this is an appropriate role for the State considering the substantive aviation and wider national security and foreign relations policy considerations involved and is one that CAA should maintain. This is consistent with the approach of other States in which operational security services are delivered by the private sector – the security regulator retains the important function of maintaining the relationship with ICAO and other international partners.

[4] https://www.icao.int/publications/Documents/9082_9ed_en.pdf, p. A1-2.

Dangerous Goods

The discussion document is silent on the important safety role of AvSec in screening passengers and their carry on and hold baggage for Dangerous Goods, as provided for in the 1990 Act, and carried over into the 2023 Act.

Airlines acknowledge their important obligations concerning Dangerous Goods carried by passengers and do not resile from these. However, the Dangerous Goods screening function provided by AvSec reflects the need for any effective aviation safety system to involve multiple layers of controls.

Airlines would be concerned if any final alternative service delivery model proposals did not **ensure clarity on the need for alternative providers to continue Dangerous Goods screening**. This would be a retrograde step with negative impact on levels of safety in the New Zealand aviation system.

Responses to specific questions

In some instances, we are unable to provide feedback on questions ahead of more detailed option analysis. We anticipate that as work on this subject progresses, BARNZ will be able to provide more informed input.

Individual BARNZ members who may choose to respond separately may be in a position to provide more detailed responses to specific questions.

Question 1. Is there willingness or interest from the sector to 'opt-in' to provide aviation security services should this be enabled?

BARNZ is not able to provide specific comment on this question. Individual airline members who may choose to respond on their own behalf are best placed to respond to this question.

Question 2. Are there any aspects of the Australian model that would be good to replicate in New Zealand? Please provide detail in your response.

Looking further afield

In considering alternative delivery options New Zealand should look beyond the Australian model and identify other possible alternatives – including those involving the existing delivery of safety critical aviation services other than just security screening[5]. **BARNZ considers an industry owned national security service provider model could deliver efficiency and cost reduction incentives while retaining the benefits of New Zealand's current approach with its one national provider and associated network pricing model.** There may also be other industry owned or third-party contract models that are worthy of analysis.

Consideration should be given to security delivery models in place across New Zealand's five eyes partner States and how these, or individual aspects of them, may or may not address New Zealand specific needs. These States primarily apply a private sector or third-party contract (in the case of Canada) delivery model with the obvious exception being the United States (US) with the

[5] For example, the **NAV Canada** example previously referred to.

Transportation Security Administration (TSA) responsible for delivery. However, even in the US the opportunity exists for other providers to deliver security services under contract to the TSA. San Francisco airport is an example of one such location[6].

Further afield we note that in Germany private sector providers have recently taken over security controls at Berlin Brandenburg Airport[7]. Closer to home, models in place across the Asia-Pacific region, which has and continues to experience burgeoning aviation growth, may be useful for comparative analysis.

The Australian model – pros and cons

In specific response to this question and particular consideration of the Australian model, we note that any decision-making should be informed by **full assessment of the fitness for purpose of that model rather than simply reference to it.** The co-design and implementation any new regime in New Zealand will benefit from an understanding of what, if anything, Australia would do differently if it had the opportunity to completely redesign its model.

Input not only from Australian airports and airlines, but also Australian regulators and policy agencies may inform New Zealand's decision-making and ensure that any longer-term efficiencies available from alternative approaches are realised and that cost savings are passed on to consumers. In other words **what may be good to replicate in New Zealand and, just as importantly, what may New Zealand wish to avoid replicating?**

The following in-depth commentary (in italics) on the Australia system provided by Qantas Group speaks to this need for considered analysis. It reflects those aspects of the Australian system that, unlike New Zealand, lack a nationally standardised approach to screener training and no network pricing model. It points to the benefits of retaining some form of centrally managed network priced model. We have included the input from Qantas in full, acknowledging its role as the largest user of Australian screening services and the informed insight it will add to consideration of the fitness for purpose or otherwise of the Australian model, and various aspects of it, for New Zealand.

> *At the single largest user of screening services in Australia, Qantas, has suggested to the Department of Home Affairs (in a number of recent policy papers and regulatory reviews) that the Australian screening models needs to be reviewed and potentially overhauled.*
>
> *Qantas believes the primary focus of security screening should be to prevent acts of unlawful interference that could ultimately destroy or take control of an aircraft in flight or cause mass casualties in flight or on the ground in sterile areas.*
>
> *Similar to that of New Zealand, in a competitive and tight labour market with major impediments to entry, such as costly and time-consuming [State] licensing and training requirements, aviation security is becoming increasingly unattractive as a career of choice. This is compounded by a lack of career progression, a lack of investment in the individual (e.g. training), a confrontational workplace and a*

[6] https://www.flysfo.com/about/airport-operations/safety-security#:~:text=Covenant%20Aviation%20Security%2C%20a%20private,website%20for%20helpful%20travel%20tips

[7] https://www.aviation24.be/airports/berlin/streamlined-security-operations-launch-at-berlin-airport-with-new-management-and-advanced-screening-technology/

lack of respect from both the public and industry, which leads to dissatisfaction and abnormally high rates of staff turnover. Whilst pay rates are an issue requiring attention, they are not the sole contributing factor.

Contrary to the primary view being considered within New Zealand [an opt-in approach], Qantas sees a centralised model as being a means to more readily facilitate attraction and retention of personnel to this industry sector as well as provide the opportunity for an increased emphasis on staff, including programs for improved recruitment, training and retention. A national screening management agency would have the capacity to take a national approach to its workforce and facilitate operational and employment flexibility.

The recruitment and training processes associated with the employment of aviation security officers is comprehensive and costly. Whilst typically security officers are recruited with the requisite security licence, there are instances where the security industry has recruited 'greenfield' candidates and assisted them in obtaining their security licences, which is costly in terms of time, training, resources and funding.

The deployment time for a new recruit to an operational position is between twelve to fourteen weeks. The timeframe for a candidate with the requisite security licenses is reduced by one to six weeks depending on the level of certificate currently held and the state in which the officer is applying to work.

It should be noted however, that the employment of a licensed security officer as a security screener is no guarantee of success for the employee or employer.

A national approach will improve consistency across the country, remove local airport operator distortions, remove the industry from managing this aspect of aviation security and reduce the administrative burden on industry.

A national approach will also allow transportability of the license; reduce costs and delays associated with mutual recognition, facilitate operational flexibility and provide a consistent minimum eligibility and training standard. Similarly, the creation of Aviation Protection Officers (screening officers) covered by national licensing requirements would also substantially increase flexibility of resources to operate across [State] boundaries, enhance career development opportunities and the attraction of aviation security for those considering employment in the private security industry.

Qantas sees a centralised approach as being a means to more readily facilitate attraction and retention of personnel to this industry sector as well as provide the opportunity for an increased emphasis on staff, including programs for improved recruitment, training and retention. A national screening management agency would have the capacity to take a national approach to its workforce and facilitate operational and employment flexibility.

The current model of airports being responsible for screening management encourages labour as minimum cost which in turn results in low base remuneration.

One method of securing higher remuneration for screening might be the introduction of network pricing. Currently each airport is required to fund its own security requirements. Given the increasing number of airports requiring security screening, invariably with smaller throughput, the cost per passenger is disproportionate to that of capital city counterparts. Qantas suggests that aviation

security costs should be equally apportioned across industry as a fixed fee per passenger cost (network pricing) to encourage growth and preserve vital air services to regional communities. A centrally managed and funded screening model would be best placed to facilitate this approach.

Conversely, the Australian model whereby airports provide all security services **and the space for these** at their airport, has the potential to ensure a more coordinated approach to delivery and management of security services than currently exists in New Zealand. Under such a model airports would own the throughputs and space 'with one voice'.

Currently in the New Zealand model the potential exists for a lack of clarity between the operational roles of AvSec and airports as it applies to security obligations. This can be problematic for airlines when seeking resolutions to identified issues.

The role of Police

On the Australian model we also note that the Australian Federal Police (AFP), which is federal Government funded, conducts some aviation security tasks that in the New Zealand system are delivered by AvSec[8]. While it is acknowledged AFP also delivers a much fuller range of functions at airports more consistent with the role of New Zealand Police at security designated airports, there is some potential level of overlap with AvSec's functions. This means that any comparative assessment of AvSec costs with passenger screening costs in Australian must take care to assess 'like for like'.

More generally, across major airports in Australia, the private sector aviation security delivery model in place relies on the close presence of appropriately resourced and trained AFP officers to respond to specific events. This reliance is similar across many of New Zealand's international partners where private sector providers deliver security services. While such reliance already exists in the New Zealand model, this would be much greater if security services were provided by the private sector.

The degree to which New Zealand Police would have the capacity to support the maintenance of an effective aviation security system involving private sector delivery in a manner that assures New Zealand complies with its international obligations also requires consideration. BARNZ members are aware that Police at Auckland airport, rostered for airport specific duties, are also responding to events at the new Mānawa Bay shopping mall. This is a less than satisfactory situation and one that airlines consider reflects a need for greater emphasis on the delivery of policing functions at our major airports. Consideration of police support should form part of future options analysis.

Question 3. What aviation security services functions and duties should be outsourced to eligible providers, and what functions and duties should remain with AvSec?

One of the strengths of the current New Zealand model is its ability to ensure an integrated, effective, nationally coordinated and consistent approach to the delivery of the overall suite of aviation security controls, not only in the delivery of routine security services but also when responding to security threats.

[8] See https://www.afp.gov.au/our-services/national-policing-services/airport-watch-and-aviation-security and reference to performing regular patrols and explosive detection teams also patrolling airports, detecting dangerous items.

The aviation security environment will continue to evolve. New Zealand needs a model that not only addresses the current security risk environment but is also fit for purpose and resilient so it can respond to new and emerging risks in a manner that ensures airlines can continue to fly to, from, and within New Zealand with confidence.

The operational delivery of the full suite of integrated security controls collectively ensures the security of airline operations and the safety of the travelling public and crew. The discussion document has a primary emphasis on passenger screening experiences. Eventual decision-making must take into account the nature of this full suite of integrated controls and how its effectiveness and efficiency could be impacted by an 'opt-in' provider delivering, for example, passenger screening only at an individual airport level.

We note the need for any decision-making to not only consider savings and efficiencies that may be realised through an 'opt-in' provider delivering one form of security control only at an airport e.g. passenger screening. Any flow on cost and efficiency of scale impacts on any residual AvSec activity at an airport, e.g. non-passenger screening, hold baggage, duty free item and cargo screening, and explosive detector dog patrols, must also be assessed to ensure fully informed decision-making.

Airlines would be significantly concerned with any situation where cost savings delivered by an 'opt-in' provider carrying out one security function only at an airport were lost should AvSec need to increase its costs. **If aviation security is to be outsourced, all aviation security functions should be delivered by the outsource provider.**

Question 4. If you were to take on the provision of aviation security services, would a third-party contracting model be preferable?

We firstly note the comment in the discussion paper (at paragraphs 50 and 51) that there are no provisions in the 2023 Act that would allow for the provision of aviation security services by any third-party provider engaged by an airport or airline, and that changes to the legislation would be required to allow this.

BARNZ is not opposed in principle to third party contracting models, subject to full regulatory accountability for service delivery clearly remaining with the entity that has 'opted-in' and then engaged a third-party contractor. This includes accountabilities for service effectiveness and efficiency, and transparent performance reporting.

A single national level third party contractor model should also not be ruled out under any approach involving an industry owned national service provider operating on a not-for-profit basis, or any other private sector model. This would ensure flexibility of options under any such models and still support a centralised national service delivery and network price model.

In support of these positions, we note that many international airlines contract out the delivery of existing passenger, baggage, and cargo security control obligations they have under Civil Aviation Rule Part 108 (Air Operator Security Programme) to Ground Handling Agents and Cargo Terminal Operators, as allowed under that rule. Airlines retain the obligation to ensure that that any contractor or other agent of theirs complies with the requirements of their security programme. This is not a New Zealand specific situation and is standard practice across the wider international

aviation security environment and accepted as such by ICAO. A third-party contracting model would need to ensure clear accountability requirements.

As part of any third-party tendering or contracting approach by airports under any 'opt-in' approach, airlines should receive clear and timely information on the tender /contract process, the costs involved and the resulting decision(s).

Question 5. How should an outsourced approach to aviation security services be funded?

The discussion paper correctly observes (at paragraph 53) that the breadth of any changes, including what functions are outsourced and to who, will also determine what changes to the funding model might be required.

Given we are yet to examine in detail actual cost and system efficiencies that an 'opt-in' model may deliver, and how these might impact existing pricing models, we cannot provide informed comment in response to this question.

It will be important to consider how existing AvSec capital assets such as screening equipment and patrol vehicles would be treated in any move to alternative security provider models. What form of ownership, lease or transfer arrangements may need to be entered into and how could these impact costs?

We endorse the commentary in the discussion document regarding the need for all potential costs that may be incurred by an alternative service provider to be considered. This includes any additional indemnity and liability insurance needs a provider may incur. We also reiterate that, consistent with ICAO policies, **security charges must not recover more than the costs involved in providing security**.

Additionally, we note the contents of the additional information supplied by MoT during the consultation process on AvSec processing costs per passenger at individual airport level. This information is replicated below for ease of reference.

Quarter to June 2019				Six months to Dec 2023		
	Cost per international passenger	Cost per domestic passenger			Cost per international passenger	Cost per domestic passenger
Auckland	$7.84	$4.52		Auckland	$13.67	$7.15
Wellington	$14.71	$6.06		Wellington	$16.17	$12.68
Christchurch	$12.41	$5.40		Christchurch	$29.81	$9.21
Dunedin	$51.57	$8.31		Dunedin	N/A	$23.55
Queenstown	$15.74	$5.92		Queenstown	$18.11	$16.59
Invercargill	N/A	N/A		Invercargill	N/A	$48.95

Processing costs per passenger at smaller airports are, and will remain, significantly higher than at major airports due to economy of scale and staffing flexibility factors. For example, $51.57 per international passenger at Dunedin in 2019 compared to $7.84 at Auckland during the same time; and $7.15 per domestic passenger at Auckland in 2023 compared to $48.95 at Invercargill.

The current centralised national delivery approach and its associated network pricing model smooths these variations in a manner that does not impact the financial sustainability of international and domestic screened services to and from airports other than major metropolitan ones.

Any alternative provider approach that resulted in larger airports choosing to 'opt-in', with AvSec providing service delivery at other airports may significantly impact AvSec costs as it loses the efficiencies of scale that its current national coverage and associated network pricing model represents. **If a nationalised levy model does not carry over to any alternative approach, we could expect to see significant increases in passenger processing costs at smaller airports. This could negatively impact the financial sustainability of international and domestic screened services to and from those locations.**

This risks negative impact on social connectivity and economic opportunity for members of regional communities – in effect subjecting them to an unfair "post-code" lottery.

Question 6: Which is your preferred approach? Why?

BARNZ cannot identify a preferred approach at this stage but supports detailed examination of a small set of options. As discussed, we consider that options exist other than a "opt-in" model which could address the underlying issues that exist regarding AvSec's current institutional and ownership arrangements. This includes an **industry owned national service provider** operating on a not-for-profit basis, or other **private sector owned or third party contracted models.**

Question 7: Do you support a change to the current approach? and if yes, or no, why?

BARNZ supports the initiative taken by the Minister in investigating if alternative approaches are appropriate and would participate in the ongoing design and further consultation which would be required in any change process.

Question 8: What would the impact of any change be on your business?

Ahead of clearly understanding what cost and other efficiencies may be available it is not possible to assess and advise on the impact of any change on BARNZ members generally. Any change must ensure the delivery of the outcomes listed on page 3 of this submission – and that cost efficiencies realised are passed onto airlines and consumers.

Question 9: Would a pilot programme at a specific site be useful, which location would work best for a pilot programme?

Significant uncertainties exist regarding what cost and other efficiencies may be available via an 'opt-in' model. Until further information is available, we cannot provide a formal position in response to this question.

We do have questions on the potential costs associated with any pilot programme, accepting that any such programme is 'a pilot' only and so assumably would not be assured of continuing after its completion – with the related possibility remaining of services reverting to AvSec? Clarification on this point would be useful.

In any such cases the costs involved in establishing and running a pilot programme would be sunk. It would be useful to understand:

- What costs may be incurred by AvSec through associated redundancies of its staff at any pilot location as services are transferred to an 'opt-in' provider for pilot purposes?
- What costs may be incurred by any 'opt-in' provider associated with CAA certification, staff recruitment and training and any costs for necessary capital asset purchases, e.g. screening equipment.

Any pilot still needs to operate inside the existing regulatory environment – that is, any 'test' service provider or process cannot be allowed to operate outside of, or contravene, regulatory settings. Aviation security settings are globally committed to, and critically important.

BARNZ thanks the Minister and officials for their time in considering our feedback. We are very happy to respond to questions and look forward to participating in the next stage of consultation.

Yours sincerely

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