Consultation into the delivery of aviation security services

Submission from NZ Airports Association
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1 NZ Airports is the industry association for airports and related infrastructure and aviation services businesses. Our member airports include Ardmore Airport, Alexandra Airport, Ashburton Airport, Auckland Airport, Chatham Islands Airport, Christchurch Airport, Dunedin Airport, Gisborne Airport, Hamilton Airport, Hawke's Bay Airport, Hokitika Airport, Invercargill Airport, Kapiti Coast Airport, Kaikohe Airport, Katikati Airport, Kerikeri Airport, Marlborough Airport, Masterton Airport, Matamata Airport, Motueka Airport, Nelson Airport, New Plymouth Airport, Oamaru Airport, Pauanui Airfield, Palmerston North Airport, Queenstown Airport, Rangiora Airport, Rotorua Airport, Takaka Airport, Taupo Airport, Tauranga Airport, Te Kowhai Aerodrome, Thames Aerodrome, Timaru Airport, Wairoa Airport, Wanaka Airport, Whanganui Airport, Wellington Airport, West Auckland Airport, Westport Airport, Whakatane Airport, and Whangarei Airport.

2 This is a milestone consultation on an issue NZ Airports has been raising for many years. We appreciate the work of the Minister to open up the discussion, and of Ministry of Transport, Civil Aviation Authority and Aviation Security Service officials in facilitating it in good faith and with a good flow of information.

3 To contribute to this consultation, NZ Airports has engaged airports in a series of workshops. Airports may submit individual submissions with more specific or additional inputs. If airports do not submit individual submissions, this should not be considered an indication of a lack of interest or enthusiasm. Rather, their views should be considered captured by this NZ Airports submission.

4 We would like to state from the outset that the prospect of transitioning aviation security services to airports and/or airlines is not something we take lightly. We acknowledge that this consultation will have raised questions and concerns from current AvSec staff. We do believe that change needs to be seriously considered. There will be no one size fits all model, and the focus should be setting up a policy and regulatory framework that will allow airports to opt in to delivery of security services in a way that suits their particular size and scale.

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

5 Yes – on the basis that third-party contracting is accepted. While we have high regard for CAA and AvSec officials, airports consider the current aviation security model to be inefficient and inflexible in meeting the needs of New Zealand's air transport system. The current model is unable to scale effectively for future growth and the cost to service is too high. We believe this problem will increase over time, particularly if regional screening is required.[1] We see clear efficiencies to be achieved through greater government-industry collaboration. This collaboration should include the transfer of functions to industry where we are able to deliver secure, lower cost and more flexible services.

6 Airports consider this from a number of different perspectives:

[1] Screening is currently required on all persons and carry on baggage on aircraft with a maximum certificated passenger seating capacity of more than ninety seats being operated as an air transport operation within New Zealand: https://gazette.govt.nz/notice/id/2011-au4807. 'Regional screening' refers to the possibility of extending screening requirements to passengers travelling on smaller aircraft.

- Airports with existing security screening and high frequency flights that see opportunities to improve efficiency and customer service by taking over aviation security functions.
- Airports with existing security screening and low frequency flights that see opportunities to better utilise screening resources across other airport functions.
- Airports contemplating security screening in the future (due to new routes/aircraft or the introduction of regional screening) that see contestability as a way to make screening more viable in regional centres. Under the current AvSec model, regional screening would require so many AvSec staff at regional airports that it would be unfeasible to consider unless those staff could be utilised by the airport for other activities, or contracted by a third party.

7 Maintaining a safe and secure aviation system remains airports' top priority. Industry is already charged with maintaining safe and secure functions across most of the aviation ecosystem. It is logical to consider extending this responsibility to aviation security functions.

8 New Zealand is rare in providing aviation security through a government agency. Most countries have adopted models that allow screening operations to be outsourced to qualified private security companies. We receive flights from around the world which have been screened by these private operators.

9 By exploring alternative models for the delivery of aviation security services, we believe there will be opportunities to address both cost issues and customer service issues.

Current security costs are too high, and will continue to increase

10 Right now, AvSec operations at some of our airports cost at least the same amount as, and sometimes more than, running the airport itself. If screening requirements are extended to more regional airports over time, this discrepancy will be even more stark. Without some kind of intervention, the cost of screening will escalate beyond the reasonable ability of users to pay for it.

11 AvSec has helpfully provided an outline of its costs by airport:

Revenue and Cost per passenger for Six months to December 2023

	Cost per International Passenger	Loss per International Passenger	Cost per Domestic Passenger	Loss per Domestic Passenger	**Total $ Loss per airport**
Auckland	$13.67	$0.55	$7.15	$0.58	**-$2,178,584**
Wellington	$16.17	$3.05	$12.68	$6.11	**-$5,726,006**
Christchurch	$29.81	$16.69	$9.21	$2.64	**-$7,476,116**
Dunedin	N/A	N/A	$23.55	$16.98	**-$2,900,672**
Queenstown	$18.11	$4.99	$16.59	$10.02	**-$4,909,341**
Invercargill	N/A	N/A	$48.95	$42.38	**-$784,277**
Network	**$15.99**	**$2.87**	**$10.65**	**$4.08**	**-$23,974,996**
Total Passengers	**3,127,051**		**3,678,732**		

*Figures are before GST. Uses simplified cost allocation assumptions.**
** Total costs less third party revenue = costs to be allocated*
Costs allocated on basis of staff hours scheduled as International or Domestic duties

12 This information highlights the variation of costs between airports, which will be influenced by staffing numbers, flight frequency and scheduling, and passenger volumes, among other factors. It also raises concerns as to just how expensive per passenger it could be to deliver regional screening via AvSec. The prospect of regional screening and the costs this would entail for the entire network compels us to

pursue contestable options – or at the very least, major changes to the way the AvSec workforce is deployed.

13 There are challenges comparing airports to each other, both domestically and internationally. However, we can see that costs are generally lower in Australia, where screening is the responsibility of individual airports (A$3-9 domestic, $4-10 international per passenger, based on a review of publicly available material). This may be due to a range of factors, including efficiencies from third party tendering and the ability to contract multi-role staff. These are issues that we would like to explore in the next phase of this work with government.

14 As part of the CAA funding review, we recommended an international external benchmarking process to better understand how AvSec resourcing compares to other jurisdictions and to evaluate the drivers that lead to AvSec requiring more or fewer staff by function.[2] This will be a particularly useful exercise to support the next phase of this process, and should include all Five Eyes partners as comparators. New Zealand is currently the outlier among those partners in mandating the government provision of aviation security services.

15 The rigidity of the current AvSec model, including challenges to flexing resourcing to flight schedule requirements, are key concerns for airports. This was highlighted in the CAA funding review by the requirement to recruit 48 additional AvSec staff to service a 1.20am flight departure. Airports must be able to deliver 24/7 operations and would like to find ways to more flexibly staff screening requirements in line with this.

16 There are other cost issues that could be addressed by a different delivery model. If airports were able to take greater control over aviation security requirements, those requirements could be better integrated into master planning. It would allow airports to better plan and invest in more parts of the customer journey, in a more efficient manner.

Airports want to have greater influence on customer service

17 We also believe the transition of functions to airports would support clearer public accountability. Airports' number one complaint from customers is queues, and airports want to find ways to more actively influence screening performance for this reason. Members of the public tend to associate their experience at an airport with the airport operator, and in the case of security they are not always aware of the separation of functions and control that actually exists. In contracting these services directly, airports can drive a greater focus on customer experience and better integrate data and communications with airline partners to ensure screening can better adapt to day-to-day requirements and volume pressures.

The regulator must be open to flexible delivery

18 Any alternative delivery model will not work if the CAA is not able to be flexible with the way services are delivered to meet rule requirements. If the CAA requires the same delivery process as AvSec in terms of staff allocation and technology use, it will be much harder for alternative providers to deliver a better performance in areas that could be open to innovation.

This process should be used to work towards a clear future vision

19 There will be a number of phases to work through to figure out an approach that is right for New Zealand. We would like to partner with the Ministry and CAA through this process. New Zealand presents challenges of scale, geography, and service drivers that are likely to be nuanced and require unique solutions, however those solutions can benefit from the learnings from overseas practices.

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[2] https://nzairports.co.nz/submissions/nz-airports-submission-on-caa-funding-review/

20 We support AvSec's Horizon 2030 strategy, which covers many of the fundamental principles and drivers of a future-focused aviation security service. By enabling greater industry participation in the delivery of aviation security services, we believe we can push harder to achieve the investment and innovation that is required for the future, including:

a) Harmonised screening: common screening standards and services for domestic and international passengers, allowing for more efficient use of airport infrastructure and screening resources
b) Centralised image processing
c) More advanced stand-off AIT screening technology
d) Multi-role and multi-mandate staff
e) Open Architecture to support interoperability across technology and jurisdictions and reduce screening requirements.
f) Fast-track screening opportunities
g) Airport master planning fully integrating opportunities for screening innovation and efficiencies, including extending screening to regional travellers where this makes sense for the better utilisation of airport infrastructure
h) An ultimate goal of 'frictionless travel' through one stop screening and facial recognition technology.

21 We are enthusiastic about progressing reforms that will set our system up for a step change in the passenger experience.

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.

22 The airport delivery model in Australia has some important positive aspects.

a) Airports are able to deliver security services via third party providers. This creates a competitive market, with a number of experienced providers offering services across multiple airports. Competitive tension supports lower costs, while meeting standards set and monitored by the government. As noted above, security screening costs are generally lower in Australian airports when compared to New Zealand airports. Most New Zealand airports have confirmed that the ability to deliver through a third party would be a key requirement for service transition.
b) Because the third party providers are engaged by airports, they are required to have strong customer service metrics that are able to be monitored in an integrated way by airport operations staff.
c) Airports are able to achieve efficiencies by utilising their resources across multiple functions. For example, Hobart Airport typically staffs a checkpoint with between five and seven frontline screening staff, with airport ambassadors taking other roles to support the smooth throughput of customers. At Melbourne Airport, screening staff have supported airlines by weighing cabin baggage.
d) The system aligns incentives in a positive way. When establishing new routes, the benefits and costs of additional screening requirements centre on the airport. The airport can manage how this manifests in the commercial relationship with airline, passengers and other stakeholders, including evaluating and controlling its level of investment in those requirements.
e) Australian airports have a stronger presence from federal and state police which supports the fact that aviation security staff (AvSec or private providers) do not have law enforcement or equivalent intervention powers. We agree with Air New Zealand that this consultation process is an important opportunity to clarify roles and responsibilities on security at airports and improve Police engagement in civil aviation.

23 It is important to note that the Australian system has broader screening requirements than New Zealand, covering aircraft with a seating capacity of 40 or more passengers. More information will be needed to understand the potential challenges for New Zealand's smaller airports in providing screening services, discussed later in this submission.

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

24 Airports would like to see as many operational functions as possible open to contestability. Airports see the real opportunity for innovation and efficiency in passenger screening. However, airports see benefits in being able to consider all frontline, operational functions.

25 There are a range of views from airports on preferred scope at this early stage. Some airports can already indicate a preference for taking over all or the vast majority of services, in order to create the scale needed to make real efficiency gains. Others would want to focus initially on transitioning the ownership of capital assets to the airport, as this naturally aligns with the core business of airport companies. All agree that they would want to engage third party providers for frontline screening.

26 We will need to bring these views together to test the viability of different scenarios across the network, and whether it is viable in an 'opt in' process for different airports to take on different functions, or if a uniform approach would be needed to manage costs and scale in relation to remaining AvSec functions. Any model created by the Ministry should remain flexible for different delivery scenarios.

27 Rather than starting with the question posed above, we recommend government and industry jointly define the functions that CAA should always retain under any contestability scenario (such as standards and audit, and intelligence), and then consider any remaining functions open to contestability. Our initial view on this split is shown below.

Functions that should definitely be considered for airports/airlines	Functions that could go either way or would need to be shared	Functions that should definitely remain with CAA/AvSec
Passenger and cabin baggage screening	International engagement	Regulatory and audit
Cargo screening	Public engagement	National security engagement
Checked-in baggage screening		Security intelligence
Behavioural detection	Specialised equipment supply and/or ownership in both operational and contingency backup scenarios	
Bulk screening	Security signage	
Escort		
Airside patrols		
Landside patrols		
Non-passenger screening		
Airport Identity Cards		
Staff training		

28 As part of future work, we would need to learn more about how overseas jurisdictions manage the flow of intelligence to support airports and third-party providers with appropriate behavioural detection and risk-based screening functions. This work should also test whether the return on investment from

behavioural detection and risk-based screening is actually sufficient. We are concerned that resource is added for these functions but there is no corresponding reduction in traditional screening.[3]

29 We are also mindful that there may be other functions not listed above that AvSec may perform informally, for example when Police are not present/available, and for contingency screening in emergency situations. These roles also need to be accounted for.

30 A phased approach could be considered for airports taking on AvSec functions. However, we note that major third party providers operating in Australia and the UK are experienced in providing all security-related services on the airport precinct, and are likely to want to engage in opportunities with a large scope. As our screening requirements are very similar to Australia, we do not believe it would be difficult for Australian providers to participate in the New Zealand system. There may also be New Zealand security companies interested in providing services, including those that already provide cargo screening, checkpoint and aircraft security services at airports, as well as passenger security screening for the maritime sector.

31 We have identified Airport Identity Cards as an area for specific consideration. There could be options for airports to take on most of this function, at least in terms of the front-end administration. We note in the US this function is managed by the American Association of Airport Executives (AAAE) which consolidates and submits application data to relevant authorities for background checks. In Australia, Aviation Security Identification Cards (ASICs) are being transitioned to AusCheck which handles background checking services for all security-sensitive critical infrastructure sectors. We would be keen to evaluate the best model for New Zealand against these comparators. An airport-centric approach would be beneficial to integrate Airport Identity Cards with the government's Crowded Places Strategy.

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

32 Yes. The ability to contract third parties is an essential prerequisite for any alternative delivery model. This is standard overseas, including in Australia and the UK, and should not be considered a barrier in New Zealand. On the contrary, it should be considered the best way to ensure professional, experienced providers are able to be leveraged for New Zealand's needs. Third party providers should hold a Part 140 certificate. Part 140 should be evaluated and tested with industry to ensure it is fit for purpose for a contestable model.

33 While we strongly advocate for third party providers to be allowed, the system should still protect the ability for airports to provide services directly. As we work through more details, some regional airports may find that direct employment of aviation security staff becomes a viable and attractive path for them, similar to their direct management of rescue fire teams.

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

34 There are a number of ways funding could be managed in an alternative delivery model. We do not believe it is the right time to form a view on this question, as further work and information exchange between government and industry is needed.

35 If the government does confirm the ability for airports to take on aviation security functions, there would need to be further organised discussions among airports about individual and collaborative procurement approaches. While an airport-by-airport procurement approach to security services would support greater competition, and is likely to be the option that larger airports such as Auckland Airport wish to take, we may also want to consider a cross-airport approach with a large third party provider to deliver

[3] This could also be addressed through the CAA funding review.

efficiencies across the network. Government regulatory support may be needed to ensure collaborative procurement and cooperation between airports does not offend commerce law. We cannot yet confirm a position on what form of outsourcing should be pursued.

36 In a scenario where airports opt in to taking responsibility for aviation security individually, the costs for screening would become integrated into airport charges. We would expect AvSec to adjust its pricing each time a change in delivery is confirmed. The Airways charging model provides an example of the process airports and airlines would expect to see. As Airways has gradually transitioned responsibility for power and lighting services at individual airports, it has revised its pricing down. We acknowledge that in the case of aviation security, service transition may not always lead to reduced prices (for example if AvSec must spread a baseline level of back office costs across fewer passengers).

37 This model would involve a shift from the current national standardised pricing model, which smooths costs and benefits airports with lower screening volumes where otherwise the cost-per-passenger would be higher (as reflected in the earlier AvSec table in paragraph 11). More information is needed to understand the potential impact on smaller security-designated airports and regional passengers if some or all airports were to take on their own security functions and at what point this could make conventional service delivery from AvSec less viable.

38 This is another issue that would be exacerbated by regional screening. The challenge of small volume screening in regional and remote locations has been highlighted in Australia. The Australian Government has provided direct financial support to regional airports undertaking screening, with A$49 million provided to regional airports in 2018 for capital costs when new screening technology requirements were announced.

39 Many other jurisdictions already provide funding for airport infrastructure, route underwriting or other airline subsidies[4] which make it easier for airlines to absorb variable airport costs in the regions. The New Zealand aviation system does not have this foundation of government support, which makes regional and remote airports more vulnerable when trying to manage outsized costs.

40 We do not believe these challenges are insurmountable. In the next stage of this work, we would like to refine our views of the potential efficiencies possible in aviation security through alternative delivery models in order to determine whether costs can be reduced sufficiently to mitigate the low volume airport cost concern outlined here. Based on Australia's costs, we believe this may be the case. If it is not the case, some airports may want to consider options for collective procurement to support a standardised pricing approach.

41 There are also different models that could be investigated with regards to the funding and ownership of equipment. A holistic and connected approach to technology where all security equipment is standardised and deployed across all airports offers advantages for procurement and a consistent customer experience. One scenario involves a streamlined AvSec retaining audit and oversight functions and continuing to procure and maintain equipment via master purchaser agreements with transport security equipment providers. In another scenario, airports could manage the same process through a collaborative activity. In either scenario, airports would want to have greater engagement in these decisions to ensure innovation is fostered. For example, we are advised that AIT machines from Rohde and Schwarz may provide a 40% increase in throughput compared with the Smiths Detection AIT machines deployed in New Zealand. Greater airport involvement and investment in the screening process might allow for gains like this to be leveraged sooner if the technology is deemed suitable for our needs.

[4] See: Public Service Obligation in the UK, EU-wide regional route support policy, Essential Air Service scheme in the US and route and infrastructure support in Australia

Question 6: Which is your preferred approach? Why?

42 Our preferred approach is for the government to agree to:

a) remove the Gazette notice that mandates AvSec as the sole aviation security service provider in New Zealand
b) amend the Civil Aviation Act 2023, if required, to allow for third party providers to be engaged by AvSec, airports and airlines for aviation security services as well as AvSec, airports and airlines undertaking services directly if desired
c) progress a further workstream between government and industry on alternative delivery models, with a focus on:
    i. work we can do together under the existing AvSec model to create a safe, secure, efficient aviation security system that delivers a better customer experience, including joint performance standards, measurement and enhanced information flow between AvSec and airports. As part of this, we would like to have the mandate to propose changes to AvSec's governance and operations that could achieve some of the efficiency and productivity outcomes that we would hope to achieve through alternative delivery models. Airports would be open to discussing models for joint governance and customer service metrics between the government and airports as an interim step while future delivery models are considered.
    ii. sharing information to inform more detailed proposals from airports on individual and collective alternative delivery models for aviation security functions, including cost information and scenario modelling; current and future technology requirements and expectations; and feedback from service providers on potential efficiencies and innovations.
    iii. based on the insights collected above, creating a regulatory and policy framework that would allow airports to deliver security services in a way that suits their operations.

43 At this stage, NZ Airports' view from discussions with members is that the preferred approach to (c)(ii) will involve:

a) provision of services by third party providers engaged by individual airports on an opt-in basis; and/or
b) options for airports to undertake collective tenders with one or more third party providers every few years for additional scale.

44 Officials should ensure the legislative and regulatory model does not prescribe one approach and allows for a combination of approaches. All scenarios would involve auditing and oversight by a refined AvSec and CAA.

45 We could also explore options where third party providers are engaged by AvSec, or agreed to jointly by an airport and AvSec, similar to the model used by the TSA. This could be a potential solution for smaller airports.

46 With any transition of services it is critical to ensure that expertise on those services is retained within government agencies. Airways' withdrawal from power and lighting at airports provides a case study of a monopoly provider pulling out of a critical infrastructure function and the challenges that can result from this. While Airways no longer wants responsibility for this function, it remains the case that all expertise on power and lighting has been concentrated in the state-owned enterprise for decades, which has led to a significant gap in capability in both the regulator and in the industry while the function is being handed over. It is therefore important in any future delivery scenario for aviation security services for the CAA to maintain regulatory and operational expertise in order to provide appropriate oversight and advice.

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

47 Yes, as above. The current approach is an outlier internationally and will involve increasing costs over time. A change to the AvSec model will give us a stronger foundation for delivering more efficient and customer-centric services.

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

48 Change to the delivery of aviation security services poses a significant opportunity for the airport network as outlined in this submission.

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

49 Further work needs to be done on the concept and approach to the delivery of services by airports and/or airlines before contemplating operational pilots. Individual pilots may not be particularly helpful and this process requires a larger scale, system change approach.

50 However, there are airports that could be well placed as examples for innovation, including:

a) Wellington - a highly mobilised airport with more than one domestic screening area, creating opportunities to test third party passenger screening.
b) Hamilton – a location where screening needs to be newly established for international flights.

51 We look forward to collaborating further with the Minister, agencies and industry colleagues on this important process.