TTF Australia Ltd | ABN 54 050 036 041
8th Floor | 8-10 Loftus Street | Sydney NSW 2000
PO Box R1804 | Royal Exchange | Sydney NSW 1225
T +61 2 9240 2000 | **F** +61 2 9240 2020
E contact@ttf.org.au | **W** www.ttf.org.au

TTF AUSTRALIA
Tourism & Transport Forum

8 December 2005

Regulation Taskforce
PO Box 282
BELCONNEN ACT 2616

Dear Mr Banks

Reducing the Regulatory Burden on Business

Thank you for the opportunity to provide input to the Regulation Taskforce's examination of the regulatory burden on business in Australia.

TTF Australia is a national, member-funded CEO forum, advocating the public policy interests of the 200 most prestigious corporations and institutions in the Australian transport, property, tourism & infrastructure sectors.

TTF understands the main purpose of this review is to identify practical options for alleviating the compliance burden on business from government regulation.

As you are aware, the purpose of the Australian Government's Regulation Impact Statement (RIS) process is to ensure that proposed new regulations that impact on business are warranted and efficient.

The very nature of this review therefore suggests that there is a need to improve compliance with the RIS process.

The Office of Regulation Review's (ORR) 2004-05 report found that RISs were prepared for only 84 per cent of all regulatory proposals that required them, and of those prepared, only 80 per cent were satisfactory.

A case in point is aviation security. The Aviation Transport Security Bill's 2003 RIS for example indicates that 'the proposed regulative reform to aviation security legislation has not been subject to detailed quantitative or scientific analysis due to the Government urgency for change'. [1] The costs of aviation security regulations imposed on business are significant and this is discussed in greater detail later in this submission.

TTF Australia therefore strongly supports the ORR initiative of raising the minimum adequacy standards for RISs, and improving the standard of analysis of costs and benefits, and of compliance costs for business.

However, more needs to be done to ensure compliance with RIS standards.

[1] Aviation Transport Security Bill 2003 Revised Explanatory Memorandum and RIS (overview) p.12.

TTF Australia proposes that the Australian Government enhance the powers of the ORR, including powers that prohibit regulations from taking effect until the ORR is satisfied. In practical terms, the ORR would undertake a gate-keeping role where proposals cannot be submitted to Cabinet, or other decision making bodies, unless the Office is satisfied a RIS has been completed in a rigorous manner.

The remainder of this submission identifies the compliance burden from government regulations across several areas.

Aviation Security

The compliance costs associated with aviation security regulations are significant. For example, since the Australian Government introduced Additional Security Measures (ASMs) on 13 September 2001 'Qantas has issued 80 ASM amendments, estimated to be over one million pages of documentation, to comply to those requirements.' [2]

More broadly aviation security costs for Qantas amounted to $260 million in 2004/05, an increase of over 220 per cent on Qantas' 2001 costs. The airline currently employs over 1500 positions to deliver Qantas' security task at Australia's airports alone. This commitment represents more than the budgets of several Commonwealth and State security and law enforcement agencies combined.[3]

Security related insurance costs have also increased by more than $50 million since September 2001 despite the Aviation Transport Security Bill's 2003 RIS anticipating the cost of insurance to decrease. In addition, Qantas estimates that the capital cost of aviation security equipment over the next 3 years will be $80.4 million.

SACL has estimated the costs of Checked Baggage Screening at $80 million, and plans to invest an additional $30 million on enhanced security measures (not including $2.8 million to improve its CCTV network). SACL estimates that the Australian Government's 7 June 2005 announcement, which introduced additional security measures, will cost a further $50 million, with recurrent operational costs of $20 million per annum.[4]

However, compliance burdens are not the only source of regulatory cost associated with aviation security. There are also costs associated with passengers having to arrive earlier for departing flights, the waiting incurred by passengers as a result of increased security processing and increased frequency of delays resulting from security breaches.[5]

These regulatory costs have been identified by Margaret Jackson, Chairman of Qantas, who states that 'every time you add in an extra process – whether it's extra screening of bags, showing passports as well as boarding passes, you add to the length of queues, size of airport crowds, time to the process of arrival or departure, and you put pressure on airport infrastructure and airline resources.'[6]

---

[2] Joint Committee of Public Accounts and Audit, Qantas p.30.
[3] For example, Australian Security Intelligence Organisation (ASIO) and Australian Secret Intelligence Service (ASIS) combined and Tasmania and ACT Policing combined.
[4] Joint Committee of Public Accounts and Audit, SACL p.5.
[5] Coughlin, Cohen and Khan (2002) pp.9-24.
[6] Address by Margaret Jackson, Chairman of Qantas, TTF Leaders Summit, 6 September 2005.

Attachment A

The costs of delays in processing international passengers through border controls at Australia's major airports

As noted, delays in processing passengers by border control agencies frustrate the legitimate movement of people into and out of Australia. This has economic consequences for tourism given that the delays impact on the 'first impression' that tourists gain when entering Australian ports. This reputation can adversely affect Australia as an attractive tourist destination, eventually leading to leakages from the economy.

Congestion at border controls can also distort travel patterns by affecting a tourist's decision making process about their preferred choice of port. In other words, a traveller's destination choice may be influenced by their desire to avoid long queues in customs processing. Skytrax, an independent research company based in the UK, annually investigates air passenger satisfaction regarding airports. The research is conducted over 10 months and involves 4.8 million respondents from 86 nationalities. In commenting on the 2004 results Skytrax found that 'customers do not take kindly to arriving into airports where immigration processing is clearly inadequate'. Skytrax also collects qualitative comments through their airport forum. The anecdotal evidence suggests that CIQ delays at major Australian airports are a stand-out source of dissatisfaction for international visitors. The results may ultimately impact on the international standing of our tourism industry.

Each international passenger who currently departs Australia pays $38 through the Passenger Movement Charge (PMC). The PMC is a tax levied on travellers by the Australian Government to deliver border passenger control and processing functions at Australian airports and seaports. This departure tax gives a tourist the impression of a 'fee for service'. Experiencing bottlenecks at border control points does not meet travellers' expectations of adequate service delivery and further engenders a negative impression on tourists.

In addition to the $38 PMC, Customs and Quarantine also charge approximately $5000 (per flight) to staff seasonal flights such as the Air Pacific Canberra-Nadi (Fiji) service that operated in winter 2004. This additional levy acts as a potential barrier to entry reducing the incentive for other international flights to operate into and out of Canberra International Airport. Other international airlines have also confirmed the additional levy as a major hindrance to the consideration of Canberra as an international gateway airport.

Delays in processing passengers by border agencies also mean less time spent by travellers on airside and landside spending, leading to further economic loss for airports and retailers.

There are also negative flow-on effects from congestion at border controls. Delayed passengers lead to delayed flights. Consequently, airline outbound on-time performance, interlining arrangements and airline performance within the domestic network are also adversely affected.