

16.3: ALBANY REGIONAL AIRPORT-FEE FOR PROVISION OF SECURITY SERVICES

Land Description	: Albany Regional Aerodrome, Western Australia
Proponent	: City of Albany
Owner	: City of Albany
Attachments	: Confidential Attachment Attachment 1
Responsible Officer(s)	: Executive Director Community Services (L Hill)

Maps and Diagrams:

IN BRIEF

- As a result of Federal legislation, effective 1 July 2012, the City of Albany is required to implement security screening at Albany Airport.
- The implementation of that security screening will result in considerable costs to the City of Albany, and as is the case for other airports, those costs will need to be recovered from airport users.
- A fee, added to the cost of a Skywest ticket from 1 July 2012, is proposed to recover costs associated with security screening.
- The fee, once approved by Council, is submitted to the Department of Transport for its approval.

ITEM 16.3: DRAFT MOTION

VOTING REQUIREMENT: ABSOLUTE MAJORITY

THAT Item 16.3 is ACCEPTED as an urgent item to be dealt with at this meeting.

CEO:	RESPONSIBLE OFFICER:
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RECOMMENDATION**ITEM 16.3: RESPONSIBLE OFFICER RECOMMENDATION
VOTING REQUIREMENT: ABSOLUTE MAJORITY****THAT Council:**

1. **APPROVE** the fee of \$____ per ticket from 1 July 2012 (determined on information in Confidential Attachment One) for provision of security screening services at the Albany Airport.
2. **DIRECT** the Chief Executive Officer to make submissions to the Department of Transport regarding Council's deliberation and determination of the ticketing fee, and seek the Department's approval of the Council approved fee.

BACKGROUND

1. In order to comply with recently introduced Federal legislation, Albany Airport must be upgraded to implement Office of Transport Security (OTS) regulations relating to passenger and baggage security screening.
2. The airport plays a critical role in the economic development and well-being of the City. Risk mitigation and the development of strategies that can facilitate and accommodate security screening are essential to ensure the ongoing operation of the Airport.
3. The City, as owner of the Airport, must ensure the enterprise is operated in a cost effective and operationally efficient manner. This includes consideration of all current and new costs, and recovery of those costs.
4. Albany Airport has no choice but to implement security screening by 1 July 2012, to comply with federal legislation and therefore ensure that regular public transport flights operated by Skywest (and any other future service providers) can continue to depart from Albany Airport. The alternative is to close the Airport, which is not socially or economically feasible.

DISCUSSION

5. Despite the requirement to comply with federally introduced legislation, no operational funding or subsidy is provided by any government body to operate and manage security screening operations.
6. In Airports where screening is currently undertaken (i.e. at larger airports) the costs of screening is borne by the user (air travel passenger), not the airport or airline on which the passenger is travelling.
7. In order to recover the operational costs of screening at Albany Airport, it will be necessary for the City of Albany to charge a fee that Skywest will add to the current ticket price.
8. If the charge was not passed on to the passenger, it would need to be absorbed by the City of Albany, and ultimately would be a cost that would be borne by the City of Albany ratepayers.
9. Given the calculated total amount of the charge, this is not financially feasible within the City's current financial resources.

10. In order to comply with OTS regulations and operate screening equipment from 1 July 2012, the City of Albany must:
 1. Install security screening equipment consisting of metal detectors, explosive trace detection equipment and ultimately x ray screening. This requires physical changes to the Albany Airport infrastructure.
 2. Update and develop security documentation and procedures (for example, the Transport Screening Program)
 3. Appoint a Screening Authority (entity with legal responsibility for ensuring that screening occurs in accordance with legislation)
 4. Appoint a Screening Provider, that is, an entity who undertakes the provision of screening on behalf of the screening authority. The provider employs and trains security staff, undertakes all screening procedures and reports to the Screening Authority.
11. The request for tender for provision of the Screening Authority and the Screening Provision were advertised 24 December 2011 and closed 30 January 2012. These tender documents provide the first indication of costs for provision of screening services at Albany Airport.
12. Additional consultation with other regional airports, especially those with a similar number of departing passengers, has been undertaken to further inform the proposed fee.
13. Based on these indicative costs, City staff have proposed a total cost that includes:
 - Provision of security services;
 - Maintenance of machinery;
 - Consumables required to operate the machinery; and
 - Allowances for amortisation in order to replace machinery in future (see Confidential Attachment One)
14. Once Council has approved a fee, the Department of Transport is required to approve the addition of the fee to the current Skywest ticket. Once approved by the Department, the fee is added to the global reservation system utilised by Skywest (International Air Transport Association, IATA). Once loaded on the IATA system, all future tickets sold for travel post 1 July 2012 will have the additional fee included.
15. The time frame for Departmental approval and loading on IATA could be up to four weeks. Given Skywest is already selling tickets for travel post 1 July, it is essential that determination of the fee occur now, and passengers be advised as soon as possible of that cost.

GOVERNMENT CONSULTATION

16. Ongoing liaison with State and Federal Departments continues consistently to ensure that the City is compliant with process and infrastructure requirements for the security upgrade.

PUBLIC CONSULTATION / ENGAGEMENT

17. Consultation regarding the determination of costs for security provision were initiated with Skywest in October 2011. Recent consultation has focussed on the process for adding costs to the current fare.
18. Consultation with other regional airports who are similarly introducing security screen continues.
19. Community communication regarding the increase in fares, given the addition of the proposed fee as well as the requirement for screening provision at the Airport, is proposed as soon as the Department's approval is obtained.

STATUTORY IMPLICATIONS

20. The City of Albany is to comply with *Aviation Security Regulations 2005* by introducing security screening for all departing passengers and baggage on 1 July 2012.

STRATEGIC IMPLICATIONS

21. This item directly relates to the following elements of the 2011 City of Albany Strategic Plan:

Key Focus Area

Albany's Role as a Regional Hub

Community Priority

Albany Regional Airport

POLICY IMPLICATIONS

22. All fees and charges are required to be approved by Council.

RISK IDENTIFICATION & MITIGATION

23. The risk identification and categorisation relies on the City's Risk Management Framework.

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
Passenger backlash re the requirement to charge passenger fee.	Likely	Moderate	High	Communication to passenger and community regarding reason for additional fee.
Delay to adding fee to cover costs for security screening will increase unrecoverable costs .	Unlikely	Moderate	High	Council consider and endorse proposed fee at February Ordinary Council Meeting.
Reduction in passengers utilising air travel due to cost.	Possible	Moderate	Medium	Work with tourism stakeholders to encourage more leisure travel.

FINANCIAL IMPLICATIONS

24. The City of Albany has been successful in securing \$1.25 million in Regional Airports Development Scheme (RADS) funding (noting a requirement of this grant is that it will be matched funding by the City). This grant is to be used for funding development of the Albany Airport Masterplan and to enable introduction of security screening.

25. RADS funding is to be spent over the financial years of 2011-12 and 2012-13.

26. City of Albany can source up to \$350,000 from the Federal Government to purchase security equipment in order for Albany Airport to operate initially on Band 5 at 1 July 2012, then at Band 4 as soon as possible after 1 July 2012.

27. There is no funding or subsidy available to cover operational costs to provide ongoing security screening services. In order to recover the costs associated with ongoing provision of screening services, it is necessary to charge an additional passenger fee.

28. The proposed fee, to be added to a passengers ticket, represents full cost recovery.

LEGAL IMPLICATIONS

29. There are no legal implications associated with this item.

ALTERNATE OPTIONS

30. An option to the recommendation is that Council can absorb the costs of security provision at the Airport. This is not recommended given the current financial resources of the City.

SUMMARY CONCLUSION

31. In order to recover operational costs of required security screening services at Albany Airport, it is necessary to introduce a fee additional to the current passenger fare.

Consulted References	:	<i>Aviation Transport Security Regulations</i>
File Number (Name of Ward)	:	C11006
Previous Reference	:	OCM 17 May 2011 Item 3.2 SCM 8 September 2011 Item 6.2