

# Interim Regulatory Impact Statement: Options for the Delivery of Aviation Security Services

## Coversheet

Purpose of Document	
Decision sought:	Analysis is produced for the purpose of informing the release of a discussion document.
Advising agencies:	Ministry of Transport
Proposing Ministers:	Minister of Transport, Hon Simeon Brown
Date finalised:	31 July 2024
Problem Definition	
<p>The Aviation Security Service (AvSec) is currently the sole provider of aviation security services at New Zealand's security designated aerodromes, with its primary aim being to achieve improved security outcomes. The Civil Aviation Act 2023 (clause 134) enables these services to also be provided by the operator of an aerodrome and/or airline under certain contexts. However, successive governments have maintained a statutory monopoly for AvSec since 1997. While security outcomes are being achieved, this model may be generating inefficiencies and additional costs in the system through the lack of competition, the inability to tailor the delivery of services to specific situations, and a limited focus on passenger facilitation.</p> <p>The Minister of Transport has directed officials to explore the feasibility of the private provision of aviation security services "outsourcing"; to test the industry's appetite to carry out these functions, in part or in full; and to assess the impact of any possible change. The reason for this is to explore if aviation security services could be provided more efficiently and with less impact on passenger experience, airport infrastructure, and those paying for the services, while maintaining security outcomes.</p>	
Executive Summary	
<p>New Zealand is a member of ICAO and a contracting State to Annex 17 - Aviation Security - Safeguarding Civil Aviation Against Acts of Unlawful Interference ('Annex 17') of the Chicago Convention 1944. New Zealand is obligated to make arrangements for aviation security measures consistent with the international standards. This ensures our ability to participate in the international aviation system.</p> <p>New Zealand established the Aviation Security Service (AvSec) to provide these aviation security services. The Civil Aviation Act 1990 allows for the operator of the security designated aerodrome or navigation installation aerodromes to also provide these services. However, since 1997, successive governments have provided AvSec with the statutory monopoly to deliver aviation security services.</p> <p>The new Civil Aviation Act 2023 expands on the list of allowable providers to also include an airline at a security designated aerodrome at which it is operating.</p>	

The mandate of AvSec means that its primary focus is on security outcomes. While passenger facilitation and value for money are considered, this monopoly model may be generating inefficiencies and additional costs in the system through the lack of competition, the inability to tailor the delivery of services to specific situations and sites, and a limited focus on passenger facilitation

The Minister of Transport has directed officials to consult on three options, allowed for by the 2023 Act: for outsourcing the provision of any or all the functions and duties of AvSec to

- The operator of that aerodrome
- An airline, at a security designated aerodrome at which it is operating
- A mixed model of airlines and airports.

These three options, as well as the status quo have been assessed. There are likely to be other feasible options for the provision of aviation security services, including an enhanced status quo and structural changes to allow third-party sub-contracting of services. However, these have not been assessed.

The intent of the discussion document, that this assessment supports, is to test the appetite of industry to be involved in the provision of aviation security services. Given the multiple variations of how this could occur across the network, including which of the current services would be provided by industry, the options have been assessed at a high level with further, more detailed, assessment to follow once we have an indication of the industries' preferences.

If feedback indicates an appetite of industry to be more involved in the provision of aviation security services, further analysis will be undertaken to develop more detailed options, their impacts and costs. This will require further, more targeted consultation with the sector.

### Limitations and Constraints on Analysis

1. Aviation security services are currently delivered by AvSec and analysis of other jurisdictions shows that these functions can be delivered in a variety of ways. The Minister of Transport has directed officials to consider alternate models for the private provision of aviation security services and to:
  - test the feasibility of industry provision of aviation security services;
  - test the industry's appetite to carry out these functions, in part or in full; and
  - assess the impact of any possible change.
2. This will be done through a high-level discussion document that may lead to further detailed analysis and targeted consultation. Given the commissioning scope we have not included a preferred option.
3. Due to time constraints and limitations on consultation, limited analysis has been undertaken to assess options. However, given the purpose of the discussion document is to test industry preference, detailed analysis should logically follow the consultation process.

### Consultation

4. In the development and analysis of options for the discussion document the Ministry has not consulted with the Civil Aviation Authority, AvSec, operators of aerodromes, or airlines.

5. During select committee hearings for the Civil Aviation Bill 2023, submissions were received from aerodromes, airlines, and their representative bodies regarding the provision of aviation security services in New Zealand. The Board of Airline Representatives New Zealand and the Airports Association of New Zealand also released a joint election manifesto in 2023 which referred to the provision of aviation security services in New Zealand. These documents have been used to inform the development and analysis of options presented in the discussion document.

*Limitations and assumptions of analysis*

6. The development and analysis of the options presented in the discussion document and regulatory impact assessment are limited by:
  - **Narrow scope:** the Minister of Transport has limited the options that will be consulted on, therefore not all possible options, including improvements to the current delivery model, have been considered. Ideally the Ministry would have been able to develop and evaluate all feasible options. The Ministry has included the status quo in this analysis but is not including it in the consultation given the scope of the consultation approach.
  - **Constrained timeframe:** the Ministry was unable to apply its usual rigour to the development and assessment of options.
  - **Limited information:** due to consultation constraints there is limited information regarding the potential impact of options on security outcomes, passenger experience, or cost. Therefore, options have been developed at a high-level and do not include an assessment of cost impacts. Further work would be required, as noted above.
  - **Limited consideration of implementation:** the analysis of options primarily considered their legality under current legislative settings. Further work would be required, as noted above.
7. It is assumed that industry would financially support the provision of aviation security services under these options.

<b>Responsible Manager(s) (completed by relevant manager)</b>	
<p><i>Natasha Rave</i>  <i>Manager</i>  <i>Resilience and Security</i>  <i>Policy Group</i>  <i>Ministry of Transport</i>  <small>s 9(2)(a)</small></p>	
31/07/2024	
<b>Quality Assurance (completed by QA panel)</b>	
Reviewing Agency:	Ministry of Transport

Panel Assessment & Comment:

*This interim Regulatory Impact Statement (RIS) has been reviewed by a panel of representatives from the Ministry of Transport Te Manatū Waka. It has been given a 'partially meets' rating against the quality assurance criteria for the purpose of informing Cabinet decisions.*

*The panel considers that this interim RIS provides a sufficient basis for informed decisions on the current proposal. However, there is a lack of quantified information provided about the current problem and the impacts of the options. Public consultation will be an opportunity to gain more evidence to support the final RIS.*

*The RIS also does not consider all feasible options for addressing the problem identified. The scope is limited to the options directed by the Minister.*

PROACTIVELY RELEASED BY  
MINISTRY OF TRANSPORT TE MANATŪ WAKA

## Section 1: Diagnosing the policy problem

### What is the context behind the policy problem and how is the status quo expected to develop?

#### International obligations & our legislative framework

8. New Zealand is a contracting State of the International Civil Aviation Organization (ICAO) and a signatory to Annex 17- Aviation Security - Safeguarding Civil Aviation Against Acts of Unlawful Interference ('Annex 17') of the Chicago Convention 1944.
9. As a contracting State to the Convention, New Zealand is obliged to make arrangements for aviation security measures consistent with the international standards detailed in Annex 17. These standards are predominantly outcome-focussed, so that States can choose how to achieve the desired security outcome. Internationally, States apply different arrangements that deliver their Annex 17 obligations. Contracting States are regularly audited by ICAO to ensure their arrangements are compliant with their Annex 17 obligations.
10. The international threat environment has a significant impact on international aviation security standards. Aviation security standards, including screening, changed dramatically after the terrorist attacks in the United States on 11 September 2001. In 2007, the screening standards changed again, with the introduction of the Liquids, Aerosols, and Gels (LAGs) regime. This followed the 9 August 2006 United Kingdom security services interruption of a terrorist operation involving planned attacks against international aviation targets.

#### *New Zealand determines the standards it wishes to apply to domestic operations*

11. ICAO recommends that States also adopt Annex 17 security standards and recommended practices (SARPs) domestically, to the extent practicable. In New Zealand, Annex 17 SARPs that are applied domestically are determined by the Minister of Transport and/or Director of Civil Aviation, usually in the context of New Zealand's domestic threat environment.
12. An example of where an international standard has been applied domestically by the Director, based on risk, is the requirement to screen domestic flights of 90 or more passenger seats (Refer to Gazette Notice: [2016-au6778](#)). Another example was the temporary reduction in this threshold, requiring the screening of all domestic flights of 30 or more passenger seats at Christchurch airport, immediately following the 15 March terrorist attacks (refer to Gazette Notice: [2019-au1375](#)).

#### **The delivery of aviation security services has traditionally been a function of the New Zealand government**

13. In 1977, AvSec was established as a function of the Ministry of Transport to deliver New Zealand's obligations under Annex 17. In 1993, the Civil Aviation Authority (CAA), including AvSec, were established as a crown entity and continued to support the delivery of New Zealand's obligations under Annex 17. CAA regulates AvSec as a provider and monitors its compliance with established standards.
14. In 1997, AvSec was granted a statutory monopoly for the provision of aviation security services in New Zealand under section 79A(1) of the Civil Aviation Act 1990 (1990 Act). This statutory monopoly has been maintained by successive governments.

However civil aviation legislation allows for others to provide aviation security services

15. Barring the establishment of a statutory monopoly, the 1990 Act allows for aviation security services at any security designated aerodrome or navigation installation to also be provided by:

- The operator of the security designated aerodrome or navigation installation.

16. The recently passed Civil Aviation Act 2023<sup>1</sup> (2023 Act) expands on this list and allows for aviation security services at any security designated aerodrome or navigation installation to be provided by:

- The operator of the security designated aerodrome or navigation installation.
- An airline, at a security designated aerodrome or navigation installation at which it is operating.

### **The broad functions and duties of aviation security service providers are established in legislation and Civil Aviation Rules**

17. The 2023 Act ([Section 138](#)) outlines functions and duties of AvSec. [Section 136](#) clarifies that any authorised provider of aviation security services may undertake any or all these functions and duties, in accordance with their aviation document. Some of the functions and duties relating specifically to the provision of aviation security services are further described in [CAA Rule Part 140 - Aviation Security Service Organisations Certification](#).

18. The 2023 Act establishes that aviation security services must be carried out by an authorised aviation security officer, and the authorised aviation security officer must be a direct employee of the provider of that aviation security service.

19. The specific details of what, where, and how aviation security services are to be provided are contained in directions from the Director, as made under [section 154](#) of the 2023 Act. An authorised aviation security service provider has an obligation to comply with these directions from the Director.

20. Broadly speaking, the functions and duties of aviation security services can be grouped into frontline operational services at airports and back-office support services/functions:

- Frontline operational services include: screening of crew, passengers, and carry on baggage; screening of hold baggage; non-passenger screening; foot patrols; perimeter patrols; explosive detector dogs; bulk goods screening; sterile area and aircraft searching; security control of sterile areas; aircraft security; aerodrome check point security; security escorts; random spot checks; surveillance.
- Support functions and services include: keeping informed on security techniques, systems, devices, practices, and procedures related to the protection of civil aviation and persons employed in or using it (section 138(1)(b) of the Act); undertaking any experimental or research work in respect of any aspect of aviation security that the Director specifies (section 138(1)(c) of the Act); training and testing of Aviation Security Officers; running the Airport Identity Card regime.

21. In passing the 2023 Act, Parliament reconfirmed that the CAA continue to maintain AvSec as the default provider of aviation security services ([section 23\(d\)](#)).

---

<sup>1</sup> The Civil Aviation Act 2023 comes into force on 5 April 2025.

22. As such the provision of aviation security services by the operators of a security designated aerodrome or navigation installations, or by an airline operating at a security designated aerodrome, are optional and intended to be provided in conjunction with AvSec.

### **How aviation security services are funded**

23. Funding for aviation security services is based on a user pays, cost recovery model. AvSec is funded almost entirely by passenger security levies paid by airlines, on a per-departing passenger basis. International and domestic flights are cost-recovered separately –through the Domestic and International Passenger Security Levies. These levies are provided for under regulations 20 and 20A of Civil Aviation Charges Regulations (No2) 1991.
24. The charge is the same across the network, no matter where passengers fly from, with costs being recovered centrally for all AvSec services across the country – including capital and operational expenditure. However, the actual cost of providing aviation security services varies significantly between airports. If levies were applied on the actual cost per person at each airport, this would lead to significant variations in levy rates across the system in comparison to the number of passengers paying levies at each airport.
25. The CAA triennially reviews the funding for its regulatory and security service delivery activity to ensure its cost recovery remains effective and efficient.
26. Every second triennium, the CAA conducts a comprehensive funding review, which considers the policy and underlying principles of the funding framework as well as the prices. The remaining reviews are pricing reviews only. The service delivery model discussion document that this assessment supports is happening in parallel with the CAA's current pricing review consultation. Feedback on the service delivery model consultation will not have a direct impact on that pricing review. It is likely that any changes resulting from the service delivery model consultation will be incorporated into the next comprehensive funding review scheduled for 2027.
27. The current funding model operates under the assumption that AvSec is the only provider of aviation security services. Should the provision of aviation security services be divested from AvSec and shared across eligible operators, then there would need to be a review of the current funding model, and a change to how levies are set, collected, and disbursed to providers of aviation security services. This analysis will occur at the next stage of the process following targeted industry consultation on the level of interest in the provision of the services.

## What is the policy problem or opportunity?

28. AvSec is currently the sole provider of aviation security services at New Zealand's security designated aerodromes, with its primary aim being to achieve improved security outcomes. The Civil Aviation Act 2023 (clause 134) enables these services to also be provided by the operator of an aerodrome and/or airline under certain contexts. However, successive governments have maintained a statutory monopoly for AvSec since 1997. While security outcomes are being achieved, this model may be generating inefficiencies and additional costs in the system through the lack of competition, the inability to tailor the delivery of services to specific situations, and a limited focus on passenger facilitation.
29. The options within the discussion document do not propose a change to our current aviation security settings or a move away from fulfilling New Zealand's obligations as a contracting state of ICAO.
30. As stated, AvSec is the sole provider of aviation security services and security designated airports. This has been enabled by the issuing of a Gazette notice under section 79A(1) of the Civil Aviation Act 1990 by previous Ministers. The 2023 Act allows for these services to be provided by airports and/or airlines. The 2023 Act does also allow the Minister to specify that only AvSec may provide aviation security services at all or any security designated aerodromes. This flexibility in the Act is intended to enable a mixed model approach to the delivery of aviation security services where a one-size-fits-all approach may not be the most effective or efficient model.
31. These provisions in the 2023 Act are designed to allow industry to opt-in to the provision of specific services at specific sites. The 2023 Act envisages that AvSec will remain, at least in part, a provider of aviation security services at security designated aerodromes.
32. There are no provisions in the 2023 Act that would allow for or enable the provision of aviation security services by any third-party provider; either directly engaged by the CAA or by an operator of a security designated aerodrome or an airline. The Act requires that only people directly employed by an authorised aviation security service can carry out aviation security functions.
33. Key stakeholders have previously expressed interest in providing 'screening' services at airports. In submissions made to select committee hearing on the Civil Aviation Bill 2023, several aerodromes, airlines, and representative bodies provided feedback regarding the provision of aviation security services. Themes from the submissions from these aerodromes, airlines, and representative bodies were:
- Review of the statutory monopoly: Submitters were generally supportive of a routine review of the statutory monopoly settings, to ensure that aviation security services are being provided through the most efficient model possible, and as efficiently as possible.
  - Defining aviation security services: Submitters sought greater clarity regarding the scope of the aviation security service activities that could or would need to be undertaken by prospective providers. Submitters did not provide a clear indication of the specific aviation security services that they might consider providing, should the AvSec statutory monopoly be removed.
34. While passenger facilitation and value for money are considerations for AvSec in its service design, its legislative mandate makes the achievement of security outcomes its primary focus. The incentives for the delivery of an efficient aviation security service, centered around passenger experience, may be different for AvSec versus a private provider, such as an aerodrome or airline. While maintaining security outcomes, the



Minister of Transport is eager to explore options that improve the passenger experience and value for money.

35. The statutory monopoly requires an AvSec presence at all security designated aerodromes, regardless of the passenger volume, flight frequency, or cost. It precludes AvSec from working with and engaging other eligible providers to deliver bespoke aviation security services, even if it would be more efficient. For example, a regional aerodrome with a low passenger frequency and volume, may be more efficiently serviced if AvSec worked in conjunction with the relevant operator of the aerodrome or airline.
36. The Minister of Transport considers that the current 2024/25 CAA pricing review presents an opportunity to seek initial feedback from the operators of aerodromes and airlines regarding the current delivery model of aviation security services.
37. The Minister of Transport has directed officials to explore the feasibility of the private provision of aviation security services “outsourcing”; to test the industry’s appetite to carry out these functions, in part or in full; and to assess the impact of any possible change. In this consultation, the Minister of Transport is seeking feedback from industry as to their interest in providing aviation security services, as well as the scope and scale of this potential interest.
38. Due to consultation constraints and timing, there is limited information regarding the potential impact of options on security outcomes, passenger experience, or cost. Therefore, options have been developed at a high-level and do not include an assessment of cost impacts.
39. Subject to feedback received from stakeholders, further, and more targeted consultation may be undertaken on more detailed and focused implementation options.

## What objectives are sought in relation to the policy problem?

40. The policy objective of this project is that aviation security services are delivered in the most efficient way possible while maintaining at least minimum aviation security standards set by ICAO.
41. To achieve this any proposed change would need to:
  - be able to be implemented in a manageable way,
  - provide a consistent level of service and passenger experience across the country, and
  - operate in a cost-effective way for those operating the services and for those potentially paying for the service either directly or through a third party.

## Section 2: Deciding upon an option to address the policy problem

### What criteria will be used to compare options to the status quo?

42. The following criteria have been developed to assess the potential options against.

Criteria	Description
Security outcome	As a contracting State to Annex 17 minimum standards must be met to participate in the international aviation system. These outcomes will need to be achieved, no matter who is providing the service
Implementation	How hard would it be to operationalise the model
Consistency	Ensure the national consistency of service levels across New Zealand
Efficiency	What are the cost implications on the operational delivery of aviation security services, to the provider?

### What scope will options be considered within?

#### Scope of the discussion document which this assessment supports

43. The options were defined by the Minister of Transport in the commissioning of the discussion document. We have also included the status quo in this analysis in order to assess the options against it.
44. The focus of the discussion document is on high-level options allowed for within the current legislative framework. Given the commissioning and the wish to receive feedback on industry preferences we have not included a preferred option.
45. The Minister has also indicated that he is interested in understanding how the Australian approach to the delivery of aviation security services could be applied in New Zealand. More information on this and comparisons with other international jurisdictions are in Appendix 1.

## What options are being considered?

46. While the 2023 Act sets out who can provide aviation security services, it doesn't provide any detail on how this could happen and under what circumstances. The discussion document will test different approaches for outsourcing the provision of aviation security services to understand the appetite from industry to be involved and seek feedback on how this could be applied.
47. The Minister of Transport has directed officials to consult only on the alternative provision of aviation security services by those entities provided for in the 2023 Act. Therefore, this assessment only looks at option for airports and/or airlines to provide these services. We have included the status quo in this assessment as it is a requirement to assess alternative options against the current environment.
48. The Minister wishes to test the appetite of industry to enter the market. Given the multiple variations of how this could occur across the network, including which of the current services would be provided by industry, the following options have been assessed at a high level with further, more detailed, assessment to follow once we have an indication of the industries preference.

### Option 1 Status Quo AvSec as the sole provider of aviation security services

49. New Zealand's current funding and delivery model for the provision of aviation security services is influenced by the number of security designated airports, passenger volumes and distributions, population, and geography.
50. At present AvSec is the sole provider of aviation security services in New Zealand. While there is flexibility in the 1990 and 2023 Civil Aviation Act's about who else can provide aviation security services, since 1997, successive governments have specified AvSec by notice in the Gazette.
51. AvSec is responsible for:
  - The delivery of specific ICAO Annex 17 requirements.
  - Implementing security directives issued by the Minister of Transport and/or Director of Civil Aviation.
  - Facilitating security requirements from other jurisdictions, such as the United States' Transportation Security Administration, to ensure our national carrier can land there.
  - Operating the Airport Identity Card (AIC) system.
52. AvSec has a range of powers, functions, and duties currently set out under section 80 of the Civil Aviation Act 1990. In the absence of a statutory monopoly, other providers can opt to apply to the Director to carry out any or all these powers, functions, and duties. However, it should be noted that some of the associated activities can only be carried out by an authorised aviation security officer, directly employed by the provider. Some aviation security activities include:
  - Screening and searching passengers, baggage, aircraft, and cargo.
  - Undertaking security patrols and escorts.
  - Screening of airport workers and airline crew, also referred to as non-passenger screening.
  - Operating the explosive detector dog unit.
  - Supporting Police operations at the aerodrome.

- Collaborating with other domestic and international security and border agencies.

### **Benefits of this approach**

53. Having one provider delivering aviation security services ensures consistency of service across New Zealand. Passengers know what to expect, and the approach is the same no matter which security designated airport people are flying from. There is an argument that given the small number of security designated aerodromes and the significant variation in passenger volumes, centralised delivery can be more cost effective in delivering a consistent high-threshold security outcome for New Zealand.
54. The current network funding model, which charges airlines on a per passenger basis, enables all security designated aerodromes to receive aviation security services at an equal cost, regardless of their location and/or passenger volume. This model benefits existing and new aerodromes that wish to provide aviation operations requiring the presence of aviation security services, despite low and infrequent passenger volumes. The real per-passenger cost of aviation security services in these locations might otherwise impact the feasibility of aviation operations in these locations.

### **Matters to consider with the current model**

*Passenger facilitation and value for money are considerations but not key drivers for AvSec*

55. The mandate of AvSec means that its primary focus is on security outcomes; passenger facilitation and value for money are considered but are not key drivers.
56. Aviation security screening processes, and resulting queues, continue to be raised as a concern by the industry and the public. CAA has been working to address this and has established a *queues taskforce*. The taskforce has focused on managing 'unacceptable' queues through taking a more risk-based approach to screening operations to allow for more flexibility in responding to peak time queues. This has resulted in a reduction in long and slow-moving queues and an improvement in the way queues are managed by AvSec, e.g. through smart rostering.
57. It is worth noting that queues are caused by multiple factors in the airport system (infrastructure, airline on-time-performance, passenger and non-passenger presentation) and not just AvSec screening processes.

59. Other data suggests that while passenger numbers have returned to near-pre-Covid, they are not expected to increase beyond those numbers over same period.

*Suggestion from industry that a lack of contestability hinders efficiencies.*

60. During select committee hearings for the Civil Aviation Bill 2023, submissions were received from aerodromes, airlines, and their representative bodies regarding the provision of aviation security services in New Zealand. Submissions suggested that the process of establishing a statutory monopoly for the provision of aviation security services by AvSec is too subjective, and that greater analysis and stakeholder consultation should be required to support such a decision. Submitters also suggested that a statutory monopoly should undergo routine reviews, to ensure that it remains fit for purpose.

61. Submissions supported a review of the current statutory monopoly settings for the provision of aviation security services. Submitters suggested that there may be opportunities for greater cost efficiency and improved customer experience if the provision of aviation security services were to become contestable.

## **Option 2 Airports to deliver aviation security services**

62. Aviation security services could become the responsibility of a security designated aerodrome. For example, Auckland Airport could provide aviation security services for passengers, either domestic or international, or both.

63. As is the case in Australia, airports could become the dedicated provider of aviation security services. It would be the responsibility of airports to develop and deliver the most efficient service they can while maintaining security standards as set by ICAO and the Director of Civil Aviation.

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

- Allowing adequate space for necessary security requirements and efficient management of queues.

- Airports may be in a stronger position to hold airlines to account for on time performance to reduce unexpected peaks.
- More influence over slot allocation to help smooth out demand for security services.

65. Airports already provide airport security. If airports were to take on aviation security services, these could be tied into the broader security functions of the airport, particularly if those function extended beyond just passenger screening.

### **Benefits of this approach**

66. Airports are already involved in the aviation system and are holders of Aviation Documents<sup>2</sup> under the Act. They understand aviation security and security culture, have an awareness of ICAO requirements, and are already regulated parties by the CAA.

67. Airports may be more incentivised to provide an efficient service as they control the space required, and the intersection with the commercial operations in the terminal.

### **Matters that would need to be considered**

68. The aviation security system needs to be one that is efficient in terms of the passenger experience but also ensures people feel safe and secure when they fly. Ideally passengers will have the same experience of aviation security services, no matter where they are travelling from. There are only six security designated airports in New Zealand. A move away from a centralised delivery model could lead to a different provider at each security designated airport. A risk with this model is ensuring consistency of service.

69. AvSec, border agencies, and airports all have ongoing issues with attracting and retaining suitable staff. This would likely be the case for other providers, who would need to manage the challenges of recruitment and retention of suitably trained and qualified staff.

70. Aviation security services should operate efficiently and be able to cope with peaks in demand. Some issues with responsiveness to demand, such as airline on-time performance and schedule changes, and terminal space constraints, are outside of the control of AvSec but may be more easily managed by other types of providers.

71. Granting search, seizure, and detention powers to a private entity would be a significant step change, how this is managed and monitored would be critical to its success.

72. The current network funding model benefits existing and new aerodromes that wish to provide aviation operations requiring the presence of aviation security services, despite low and infrequent passenger volumes. The real per-passenger cost of aviation security services in these locations might otherwise impact the feasibility of aviation operations in these locations. This funding model would have to change if AvSec was no longer the sole provider of aviation security services, and the new model would have to consider how to treat the costs of providing these services at regional and remote aerodromes.

## **Option 3 Airlines to deliver aviation security services**

73. The provision of aviation security services could become the responsibility of an airline operator. The Act only allows for airlines already operating at a location to become the aviation security service provider at that location.

---

<sup>2</sup> An aviation document is any licence, permit, certificate, or other document issued under the Civil Aviation Act 1990 to, or about, any person, aircraft, aerodrome, aeronautical product, or aviation-related service.

74. This approach is simpler in a location with only one airline operating but becomes more complicated when there are multiple carriers operating at the same airport. In locations where multiple airline operators wanted to become the provider of aviation security services any assessment of applications would need to consider the impact on airport, space, and any additional equipment (cost) required.
75. This option assumes only screening services would be provided by the airline and going beyond that such as the provision of patrols, and non-passenger screening would significantly diminish any efficiency benefits gained (below).

### **Benefits of this approach**

76. Aviation security service requirements can be sporadic and differ at different locations, which makes it hard to be consistently responsive to demand. Airlines may be able to better address this aspect of the service, as staff could hold multiple roles for an airline and provide aviation security services when required. This would be especially beneficial at the smaller security designated airports, who only need to screen a limited number of flights at specific times on specific days. The airline would also then be responsible for more of the passenger experience, eg: checking-in, screening and boarding.

### **Matters that would need to be considered**

77. The aviation security system needs to be one that is efficient in terms of the passenger experience but also ensures people feel safe and secure when they fly. Ideally passengers will have the same experience of aviation security services, no matter where they are travelling from. There are only six security designated airports in New Zealand. A move away from a centralised delivery model could lead to a different provider at each security designated airport. A risk with this model is ensuring consistency of service pricing and delivery.
78. AvSec, border agencies, and airports all have ongoing issues with attracting and retaining suitable staff. This would likely be the case for other providers, who would need to manage the challenges of recruitment and retention of suitably trained and qualified staff.
79. Aviation security services should operate efficiently and be able to cope with peaks in demand. Some issues with responsiveness to demand, such as airline on-time performance and schedule changes, and terminal space constraints, are outside of the control of AvSec but may be more easily managed depending on who the provider is.
80. Granting search, seizure, and detention powers to a private entity would be a significant step change, how this is managed and monitored would be critical to its success.
81. Airlines would need to negotiate space requirements for screening and other functions with airports where they operate the aviation security service.
82. The current network funding model benefits existing and new aerodromes that wish to provide aviation operations requiring the presence of aviation security services, despite low and infrequent passenger volumes. The real per-passenger cost of aviation security services in these locations might otherwise impact the feasibility of aviation operations in these locations. This funding model would have to change if AvSec was no longer the sole provider of aviation security services, and the new model would have to consider how to treat the costs of providing these services at regional and remote aerodromes. Because airlines could operate across the network, they may be able to spread these costs across the locations that they operate.

## Option 4 Mixed model where both airlines and airports deliver aviation security services

83. As the Act allows for both airlines and airports to provide aviation security services, a fully contestable model could be developed where both airlines and airports could bid to take on this responsibility.
84. This approach is likely to be more complex than the current approach, risking potential efficiency gains. How all sites link into the wider network would need consideration to ensure a seamless system for passengers.

### Benefits of this approach

85. Rolling out a hybrid approach may help to address some of the issues identified under model one. This model is the most flexible.
86. AvSec could retain specific parts of the system allowing it to focus on a reduced number of sites or specific functions where more specialisation or powers are required.

### Matters that would need to be considered

87. All of the matters that need to be considered for options two and three, as listed in those options, would also need to be considered in this option.
88. There is a risk of potential inefficiencies due to duplication of services and additional infrastructure and staffing requirements.
89. How sites link into the wider network would need consideration to ensure a seamless system for passengers. This model would also require significant oversight and monitoring by the CAA to ensure security outcomes were maintained.
90. The current network funding model benefits existing and new aerodromes that wish to provide aviation operations requiring the presence of aviation security services, despite low and infrequent passenger volumes. The real per-passenger cost of aviation security services in these locations might otherwise impact the feasibility of aviation operations in these locations. This funding model would have to change if AvSec was no longer the sole provider of aviation security services, and the new model would have to consider the complexity of having multiple types of providers within the system.

### Options not considered

91. As previously stated, the commissioning of the discussion document, and this assessment, has limited the scope of the options considered to those available in the 2023 Act.

### Enhanced status quo

92. Any options to improve the status quo through either service efficiencies or structural change have not been included.

### Third-party subcontracting

93. There are no provisions in the 2023 Act that would allow for or enable the provision of aviation security services by any third-party provider; either directly engaged by the CAA or by an operator of a security designated aerodrome or an airline. The Act requires that only people directly employed by an authorised aviation security service can carry out aviation security functions.



94. A significant change to the 2023 Act would be required to allow this to happen.

## Things to consider within the different approaches

95. Within each approach, there are a range of factors that need further consideration.

### Should some functions remain with the government?

96. As set out above, AvSec currently carry out a range of functions and duties, some prescribed by legislation, other in support of their legislative and regulatory obligations. These functions are much broader than passenger and cabin baggage screening.

97. The Minister of Transport is wanting to test if in a system where aviation security services are outsourced, whether all functions should become the responsibility of the authorised aviation security provider or whether some should remain with AvSec or the Crown more broadly.

98. For example, the frontline aviation security service functions, such as passenger and cabin baggage screening, could be outsourced, and AvSec could retain all other functions such as non-passenger screening, operating the explosive detector dog unit, patrols, and supporting the Police.

99. The CAA 2023 legislation still envisages the need for AvSec to exist in the aviation security system. A fully outsourced model would require significant legislative change.

### Network funding model

100. The current network funding model relies on full cost recovery. If aviation security services were outsourced, we would need to reconsider how costs are set, managed and recovered.

101. The domestic and international security levies are set at a fixed rate for departing passengers, no matter where they fly from. This is possible as costs are collected on a network basis and used to fund a central agency to provide and maintain services.

102. If security services were delivered by multiple providers, how costs are set, collected, and distributed would have to change. A new sustainable funding model would need to be developed.

103. If the levies were based on actual cost of the service on a per passenger basis, this could increase costs to some passengers, especially departing smaller airports with lower passenger volumes and a smaller revenue base. If only some services were provided by airports, such as passenger and carry-on baggage screening, any funding model would need to fund the airport for these services while still funding AvSec for the remainder of services provided at the airport.

104. In Australia, airlines pay airports a security service charge. This charge is negotiated and set independently, without input or standardisation from the government. This charge differs between screening authorities. In Australia, other non-screening services are provided by other government agencies located at the airports such as Airport Police and the Border Force.

105. Under current legislative settings, aviation security infrastructure is funded by the Crown. If the service was to move away from a Crown operator, how equipment is funded, including both the procurement, set up costs, and the associated cost of running the service, would need to be decided. There are a range of possible options from maintaining Crown ownership, leasing arrangements, through to private provision funded through airline charges.

## Oversight role for the CAA

106. If security services were delivered by multiple providers along side AvSec, or if aviation security services are no longer delivered by the Crown, the government would need to ensure that its security requirements are achieved through regulatory oversight.
107. A move away from a centralised delivery model could lead to a provider at each security designated airport. A risk with this approach is ensuring consistency of service. There would be a role for the government to ensure we are still meeting our international obligations, and delivery of aviation security services meet legislative requirements.
108. Roles and responsibilities for the CAA, if outsourcing was implemented, 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 requirement.
  - c. Maintaining relationship with ICAO and other international partners.

## Level of support for options:

109. In submissions made to select committee hearings on the Civil Aviation Bill 2023, some aerodromes, Air NZ, and representative bodies provided feedback regarding the provision of aviation security services. However, this feedback was in the context of the new Act being considered and stakeholders did not go into detail as to whether and how they would want to provide services other than expressing an interest and seeking clarification. Below is a summary of relevant submissions:
  - Submissions were generally supportive of section 134 of the 2023 Act which enables operators of a security designated aerodrome (within that security designated aerodrome), and airlines (at security designated aerodromes at which they are operating) to provide aviation security services.
  - Submitters also suggested that the current AvSec statutory monopoly should undergo routine reviews, to ensure that it remains fit for purpose and to ensure that aviation security services are provided in the most efficient way possible. Submitters suggested that there may be opportunities for cost efficiencies and improved customer experience if the provision of aviation security services were contestable.
  - Submissions sought greater clarity regarding the scope of the aviation security activities currently carried out by AvSec that could be undertaken by prospective providers.
110. The Board of Airline Representatives New Zealand and the Airports Association of New Zealand also released a joint election manifesto in 2023 *Six Actions to Accelerate Aotearoa's Aviation-enabled Future*<sup>3</sup> which referred to the provision of aviation security services in New Zealand. The document brings together six key action areas for the aviation sector. One action under the theme *Elevating customer service through better coordination of agencies in the aviation system* is to:

*“Explore options for other parts of the aviation system to pick up aviation security functions where these can be managed more efficiently.”*

---

<sup>3</sup> <https://nzairports.co.nz/resources/six-actions-to-accelerate-aotearoas-aviation-enabled-future/>

## Indicative comparison table of options against the status quo

	Option 1: Status Quo AvSec as the sole provider of aviation security services	Option 2: Airports to deliver aviation security services	Option 3: Airlines to deliver aviation security services	Option 4: Mixed model where both airlines and airports deliver aviation security services
<b>Security outcome</b>	Note that AvSec provide services beyond the minimum standards that would be required of a commercial provider.	Assuming all providers will meet minimum security standards, with oversight from CAA. Scale of CAA oversight role will increase.	Assuming all providers will meet minimum security standards, with oversight from CAA. Scale of CAA oversight role will increase.	Assuming all providers will meet minimum security standards, with oversight from CAA. Scale and complexity of CAA oversight role will increase.
<b>Implementation</b>	No change process is required to operationalise the status quo.	Airports are engaged in the facilitation of aviation security services, given their role in the design of airport infrastructure. They hold aviation documents and are familiar with the process of obtaining these. Scale of CAA oversight role will increase.	Airlines are engaged in the facilitation of aviation security services, given their role in passenger management. They hold aviation documents and are familiar with the process of obtaining these. Scale of CAA oversight role will increase.	Airports and airlines are engaged in the facilitation of aviation security services. They hold aviation documents and are familiar with the process of obtaining these. Scale and complexity of CAA oversight role will increase.
<b>Consistency</b>	Able to deliver national consistency, as one provider is responsible for aviation security services at all security designated aerodromes.	Different providers at each airport makes for a small risk to national consistency in service delivery.	Different providers at each airport makes for a small risk to national consistency in service delivery.	Different types of providers at each airport would make for a medium risk to national consistency in service delivery.

Option 1: Status Quo AvSec as the sole provider of aviation security services	Option 2: Airports to deliver aviation security services	Option 3: Airlines to deliver aviation security services	Option 4: Mixed model where both airlines and airports deliver aviation security services
<p><b>Efficiency</b></p> <p>The current network funding model enables all security designated aerodromes to receive aviation security services at an equal cost, regardless of their location and passenger volume. It allows for the efficient collection of funding to deliver aviation security services.</p> <p>This model may be generating inefficiencies and additional costs in the system through the lack of competition.</p>	<p>A new funding model would be required to account for multiple providers and varying passenger volumes at airports. Will be a more complex funding arrangement than the current setting. A change to the funding model may impact the feasibility of jet services at existing and future regional aerodromes.</p> <p>Larger aerodromes could benefit from a change in the funding model, as they may have a lower per-passenger cost. Smaller aerodromes could be disadvantaged by a change in the funding model, as they may face higher per-passenger costs.</p> <p>Opportunity for the airport to operate more efficiently, as they own the infrastructure, schedule flights, and would have the incentive to improve customer experience.</p>	<p>A new funding model would be required to account for multiple providers and varying passenger volumes at airports. Will be a more complex funding arrangement than the current setting.</p> <p>Represents value for airlines, as they currently pay aviation security levies on a per passenger basis. Their levies can be reduced proportionately to the level of service provision they adopt. However, depending on the location of their operations, they may face variable per passenger costs.</p> <p>Opportunity for the airline to operate more efficiently as they have more control over the passenger experience from check in to boarding and have incentive because it is their customer. Will have to negotiate space with airports, in the same way that AvSec must.</p>	<p>A new funding model would be required to account for multiple providers and varying passenger volumes at airports. Will be a more complex funding arrangement than the current setting, as there will be several different types of providers and types of funding arrangements.</p> <p>Opportunity for the airline to operate more efficiently as they have more control over the passenger experience from check in to boarding and have incentive because it is their customer. Will have to negotiate space with airports, in the same way that AvSec must.</p>

**Caveat and assumptions for interim options analysis table**

111. In these options, we do not know the likely scope of aviation security services that industry would like to provide, or the scale of industry provision we could expect. As the proposed options are broad and have limited supporting information, this interim analysis is indicative only. Following this consultation, it is likely that one or more of these options will be further refined and be subject to more detailed RIA and CBA analysis and further targeted consultation.

PROACTIVELY RELEASED BY  
MINISTRY OF TRANSPORT ET MANATU WAKA

## What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

112. As stated, the Minister of Transport is seeking feedback from industry as to their interest in providing aviation security services, as well as the scope and scale of this potential interest. As such, the proposed options are broad and have limited supporting information, this interim analysis is indicative only and specifically without a preferred approach.
113. It is likely that one or more of these options will be further refined and be subject to more detailed RIA and CBA analysis and further targeted consultation.

## What are the marginal costs and benefits of the option?

114. The intent of this document is to gauge the appetite of industry to be involved in the provision of aviation security services. Options have been developed and discussed at a high level to support this intent; however, none have been sufficiently developed to have established a clear preference. Based on advice from the Ministry for Regulation, we cannot provide information regarding the marginal costs and benefits of the options.
115. If feedback indicates an appetite of industry to be more involved in the provision of aviation security services, further work will be undertaken to develop and analyse more detailed options and their implications. This would include further targeted consultation with CAA, AvSec, and industry.

PROACTIVELY RELEASED BY THE  
MINISTRY OF TRANSPORT THROUGH CANADA

## Section 3: Delivering an option

### How will the new arrangements be implemented?

#### **Context**

116. The options that have been developed consider the models that would be allowable under the Civil Aviation Act 2023. In these options, we do not know the likely scope of aviation security services that industry would like to provide, or the scale of industry provision we could expect. As the proposed options are broad and have limited supporting information, at this stage our consideration of implementation is focused on the regulatory changes that may be required to enable implementation.
117. Following this consultation, it is likely that one or more of these options will be further refined and subject to more detailed analysis and further targeted consultation. This later stage would also consider the implications of implementation more broadly.
118. Within current legislative settings, Parliament's intent is clear that the CAA must establish and maintain a service to be called the Aviation Security Service (AvSec), regardless of whether there are other providers of aviation security services. It is also clear that the services that must be provided by an authorised Aviation Security Officer, must be provided by a direct employee of the authorised provider of aviation security services – i.e., aviation security officers must be the direct employees of AvSec, operators of aerodromes and air navigation installations, and airlines.

#### **Status quo – provision of aviation security services by AvSec**

119. Under the status quo, regulatory change would not be required. The Minister of Transport would uphold the gazette notice that provides AvSec with a statutory monopoly. The existing rules for the provision of aviation security services would remain applicable. The Director of Civil Aviation would uphold the current AvSec monitoring and oversight regime.

#### **Provision of aviation security services by aerodromes, airlines, or both, in alignment with the civil aviation act.**

120. Under any option that would allow for the provision of aviation security services by AvSec and other providers, regulatory change would be required. The Minister of Transport would have to revoke the existing statutory monopoly for AvSec. The existing rules for the provision of aviation security services would remain applicable but may have to be reviewed to account for new providers. New rules and processes would likely need to be established to enable the effective implementation of these options. The Director of Civil Aviation would uphold the current AvSec monitoring and oversight regime. The Director of Civil Aviation would have to extend its monitoring and oversight regime to additional providers.

## How will the new arrangements be monitored, evaluated, and reviewed?

121. The intent of this document is to gauge the appetite of industry to be involved in the provision of aviation security services. Options have been developed and discussed at a high level to support this intent; however, none have been sufficiently developed to have established a clear preference.
122. If feedback indicates an appetite of industry to be more involved in the provision of aviation security services, further work will be undertaken to develop and analyse more detailed options and their implications. This would include further targeted consultation with CAA, AvSec, and industry.

PROACTIVELY RELEASED BY  
MINISTRY OF TRANSPORT TE MANATŪ WAKA



## Appendix 1: International comparisons

1. States have flexibility in terms of how they choose to meet ICAO security outcomes. There are a range of models used worldwide, all with a range of benefits and challenges.
2. There are a number of factors that influence different jurisdictions approaches including cost, departing passenger numbers, vetting and training processes, competition, and risks. Though jurisdictions security screening models range between centralisation and privatisation, each aims to meet security standards aligned to their threat environment<sup>4</sup>.

Jurisdiction	Type of approach	Funding model	Number of security designated airports	Population
New Zealand	Government Oversight/audit. Government delivery.	User pays. Aviation Security Levy – per passenger.	6	5 million
Australia	Government oversight/audit. Industry delivery.	Industry negotiated.	111	26 million
United States	Government Oversight/audit. Mixed delivery by Government and industry.	User pays. Aviation Security Fee – per passenger.	440	333 million
Canada	Government oversight/audit. Government commissioning, industry delivery.	User pays. Air Traveller Security Charge – per passenger.	89	38 million

<sup>4</sup> Size and scale of aviation facilities and aerodromes is often a driver for decentralisation of aviation security services.

3. Australia has a fully devolved model where the Department of Home Affairs regulates the delivery of aviation security screening services and screening authorities deliver the service. The Minister of Transport is interested in understanding how the Australian approach to the delivery of aviation security services could be implemented in New Zealand.

**Case study: Australia's approach to aviation security services**

Australia has a fully devolved model where the Department of Home Affairs regulates the delivery of aviation security screening services and screening authorities deliver the service.

Australia has operated a devolved aviation security model since 2004. Within a few years of operating, all 62 screening authorities were airports. Airlines withdrew from the market due to costs of having to own and manage the screening equipment and the related issue with multiple airlines providing security screening in one site. Airports operating as screening authorities provides for greater efficiency through control of airport infrastructure and operations, and assurance through being a key part of the regulated aviation security system.

Screening authorities must develop a transport security program (TSP) that covers any aviation security related activity at the airport. The requirements for a TSP are set out in regulation. Screening authorities are then monitored and audited against these to ensure compliance.

The government is completely removed from the day-to-day operation of the screening service, including the setting and collecting of charges. The onus is on the screening authority to deliver an efficient service, and ensure they have the people and equipment to do so. All airports have to meet the same security standards. Smaller airports can be disadvantaged due to lower passenger volumes, applicable flights and scheduling, and higher costs to provide a comparable service.

4. Canada has a semi-devolved model where Transport Canada is the regulator, and the Canadian Air Transport Security Authority (CATSA) is a Crown Corporation responsible for the delivery of aviation security services. CATSA contracts out the delivery of aviation security screening services to approved security firms that employ suitably trained, qualified, and authorised screening officers.

**Case study: Canada's approach to aviation security services**

Canada has a semi-devolved model where Transport Canada is the regulator, and the Canadian Air Transport Security Authority (CATSA) is a Crown corporation responsible for the delivery aviation screening services. CATSA, was established after 9/11 to ensure national consistency of aviation security services.

CATSA delivers the mandate of security screening at 89 designated airports across the country through a third-party screening contractor model. They are responsible for pre-board passenger and random non-passenger screening, and contract out to third-party service providers to train, manage and employ the screening officers. Screening requirements are the same for domestic and international passengers, however a separate screening process is in place for travellers between Canada and the United States.

Transport Canada set the regulations, provide governance, monitoring, and oversight, and also have operational officers to inspect and test system.

CATSA currently contract with two service providers, who deliver screening service at the security designated airports. CATSA primary mandate is aviation security, with a secondary focus on efficiency.

All travellers are charged a security tax on airline tickets. This tax then funds an annual appropriation to CATSA, as well as other aviation security services such as air marshals.