



28 July 2009

Mr Les Andrews  
Assistant Commissioner  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Dear Mr Andrews

**Re: Annual review of regulatory burdens on business – social and economic infrastructure services draft report**

Qantas welcomes the Commission's draft report and its recognition of the significant regulatory burdens on the aviation sector. Our comments in relation to individual aspects of Section 6.4 Air Transport of the draft report are set out below.

Aviation security

Qantas supports the proposed recommendations relating to aviation security (6.2 and 6.3), and believe that these will generate more efficient and effective outcomes.

For completeness, Qantas suggests that the following minor amendments be made to the draft report:

- "Transport Security Plan" be amended to read "Transport Security Program" (pages 215 and 216)
- The paragraph on page 216 that reads "Similarly, although regulation requires Qantas to ensure that checked baggage is not accessible to unauthorised persons from the time it is checked in until it is available for collection, baggage at international terminals and some domestic airports is the responsibility of the airport operator's baggage system and outside the control of Qantas (sub. 46)" be amended to read "Similarly, although regulation requires Qantas to ensure that checked baggage is not accessible to unauthorised persons from the time it is checked in until it is available for collection, baggage at international terminals and some domestic airports is, *for varying periods of time*, the responsibility of the airport operator's baggage system and outside the control of Qantas (sub. 46)".

Advanced Passenger Processing

Qantas agrees with the draft Report's assessment that the reporting of all passengers and crew entering Australia through the APP is appropriate in meeting the policy objective (p227). However, Qantas maintains that the penalties for failing

to reach the threshold compliance level require airlines to adopt complex and inefficient practices that are not commensurate with the level of risk associated with falling below the threshold from a border security perspective.

As highlighted in our submission to the Review, we would expect the cost to the Group of infringements alone to be approximately \$4 million per annum under the new regime.

This is in addition to the modification to our operations required at the embarkation point in foreign countries for Qantas flights to Australia in order to intercept passengers travelling from airports of origin that cannot undertake the collection and transmission of a passenger's passport details. These practices are labour-intensive, costly and can compromise the scheduled departure time of the aircraft causing inconvenience to passengers and further costs for airlines.

Against the background of the lack of material risk mitigation and the substantial burden on airlines to which the enhanced regulation gives rise, Qantas maintains that the APP regime warrants review.

#### Aviation safety

The draft report's reference to the inappropriate costing of regulatory burdens on business by the Civil Aviation Safety Authority (CASA) on page 220 incorrectly attributes the introduction of fatigue risk management systems involving two days of training to be estimated by CASA to cost business \$175,000. This figure, which was cited on page 14 of Qantas' submission actually refers to the implementation of a Safety Management System (SMS) and the requirement for two days of human factors as part of that system.

Qantas suggests that the relevant paragraph be amended to read:

“Qantas (sub. 46) refers to the Safety Management System (SMS) in place for aviation safety, under which AOC holders are responsible for effectively managing their own risks. Although supportive of the SMS, Qantas notes that it is costly and complex to develop and introduce systems to comply with new regulation for an airline operating a variety of aircraft type in a number of locations. For example, the introduction of *the SMS* involved two days of *human factors* training which was estimated by CASA to cost business around \$175,000, but for a large organisation such as Qantas these estimated costs were only around 10 per cent of the actual costs involved.”

We would be pleased to provide any further information if it would be of assistance.

Yours sincerely

**DAVID EPSTEIN**  
Group Executive  
Government and Corporate Affairs