



Australian Government
**Department of Infrastructure
and Regional Development**

2016-2017 Regulator Performance Framework: OTS self-assessment report

November 2017





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Executive summary

This is the second annual self-assessment by the Office of Transport Security (OTS) of its performance against the Regulator Performance Framework (RPF).

This self-assessment covers the 2016-17 financial year and was informed by:

- the OTS 2016-2017 Annual Business Plan
- outcomes of industry forums
- evidence of good regulatory behaviour, and
- direct industry feedback received at consultative forums.

An external survey was conducted in October 2017 and 46 industry stakeholders voluntarily participated.

Answers to the external survey questions confirmed OTS' self-assessment that it is performing well against its performance measures.

The six outcomes-based performance measures are:

1. Changes to transport security regulations are focussed on the highest risk.
2. Regulated industry participants' understanding of security risk to their operations and their obligations under the transport security regulatory regime.
3. Compliance by regulated industry participants with their transport security obligations,
4. The extent to which international standards are influenced and the transport security capability of our regional partners improved.
5. Degree to which transport security regulations meet international standards for the secure movement of people and freight.
6. Changes to transport security regulations are proportionate to the risk being managed.

Two areas for continued focus were highlighted in the 2015-16 report:

- improving the understanding within industry of the risk based approach OTS takes when monitoring compliance, and
- ensuring continual improvement in the forums and mechanisms we use to collaborate with industry.

OTS has addressed the desire of industry to see a stronger, more visible link between OTS compliance activities and risk by publishing information for industry on the 2016-17 National Compliance Plan, including areas of activity with the strongest risk.

OTS has sought to further leverage broader collaboration efforts through a range of consultative forums and this will be an ongoing focus for OTS.

To assist industry with their transport security regulatory requirements, the OTS Guidance Centre was established in March 2017. Overall the feedback about the OTS Guidance Centre has been positive.

Background

Purpose

On 29 October 2014, the Government introduced the Regulator Performance Framework (the Framework) to assess regulators' performance while carrying out their regulatory functions and in their interactions with industry and the community.

The Framework aims to improve the way regulators operate, increase accountability and transparency while reducing the costs incurred by business from the administration of regulations.

The Framework does not prescribe an approach for how self-assessments should be conducted, outside of the specific requirements that they be conducted annually, externally validated through an approved stakeholder consultation mechanism and made publicly available.

The first reporting period against the Framework was the 2015-16 financial year and OTS published its annual self-assessment in November 2016.

In the lead up to the second report, approval was given by the Minister for Infrastructure and Transport, the Hon Darren Chester MP, for OTS to use its performance measures outlined in the 2017-18 portfolio budget statement (PBS) for the purpose of reporting against the Framework.

This has meant a shift from five general regulatory Key Performance Indicators (KPIs) to six specific OTS performance measures.

This reporting period is 1 July 2016 to 30 June 2017 and the six performance measures are:

1. Changes to transport security regulations are focussed on the highest risk.
2. Regulated industry participants' understanding of security risk to their operations and their obligations under the transport security regulatory regime.
3. Compliance by regulated industry participants with their transport security obligations,
4. The extent to which international standards are influenced and the transport security capability of our regional partners improved.
5. Degree to which transport security regulations meet international standards for the secure movement of people and freight.
6. Changes to transport security regulations are proportionate to the risk being managed.

These measures are specific to OTS' purpose and align with OTS' strategic priority activities. They reflect good regulatory practice and have guided the Division in assessing its achievements and evaluating performance this year.

It should be noted that on 18 July 2017 the Prime Minister announced the establishment of a new Department of Home Affairs and that OTS would form part of this new department. The change is expected to occur during 2017-18 and therefore the report for the period 1 July 2017 to 30 June 2018 may form part of a broader Department of Home Affairs Regulator Performance Framework Report.

Method

Evidence

To inform OTS' self-assessment for the period 1 July 2016 to 30 June 2017 evidence was collected through the OTS executive team. The executive drew on feedback received at stakeholder forums as well as data gathered through the implementation of the National Compliance Program (NCP) process.

Specific evidence sources included:

- the Department of Infrastructure and Regional Development Annual Report 2016-17
- the Office of Transport Security National Compliance Plan 2016-17;
- additional evidence of good regulatory behaviour – provided at Appendix A to this report
- feedback and outcomes from consultative forums including: Aviation Security Advisory Forum (ASAF), Maritime Industry Security Consultative Forum (MISCF), Oil and Gas Security Forum (OGSF), and Regional Industry Consultative Meeting (RICM)
- feedback from attendance by OTS staff at international conferences including the International Civil Aviation Organisation (ICAO) Aviation Security Panel.

External validation

As with the 2015-16 report, to validate OTS' self-assessment the Division invited industry participants, via ASAF, MISCF, RICM and OGSF Secretariats, to complete an online survey that was published on the department's website during October 2017.

Industry was invited to comment on how OTS performed against the relevant measures and advised that the self-assessment will be made available on the department's website following Ministerial approval of the Regulatory Performance Framework Report 2016-17.

Questions to elicit the following information were included in the online survey:

- type of organisation and location
- average frequency of interaction with OTS
- extent of agreement with each statement below (based on the 2016 17 financial year):
 - transport security regulations are focused on the highest risks
 - the department took appropriate action to mitigate against new or emerging risks
 - transport security regulations are proportionate to the risk being managed
 - international standards improve aviation and maritime security in Australia and the region
- rating of their level of understanding of their organisation's security risks and security obligations
- rating of their level of confidence that their organisation meets its security regulatory obligations and delivers them consistently
- their satisfaction with the level of engagement by OTS
- assessment of OTS' guidance material and the OTS Guidance Centre.

Results

OTS validation

On the basis of the evidence gathered (see Evidence section and Appendix A) OTS considers it is performing well against the measures.

As can be seen, OTS has worked collaboratively with industry to identify and mitigate against new or emerging risks. The department consulted with industry as part of the development of the National Compliance Plan (NCP) Information for Industry document that was released to all industry participants in July 2016. The purpose of the document is to provide regulated industry participants with an overview of the NCP, the identified compliance priorities and what industry participants can expect from the department through its compliance activities. Through the identification of compliance priorities for 2016–17, OTS aimed to encourage industry to proactively review their operations and to promote improved voluntary compliance.

In 2016-2017, OTS completed 100% of the NCP activities, including 787 compliance activities across all industry sectors. Compliance activities undertaken in 2016 17 and consultation with industry informed development of the 2017 18 National Compliance Plan.

OTS has collaborated and engaged with industry through regular forums, working groups, discussion papers and guidance material. Effective coordination and participation with international partners on security issues at multilateral meetings and bilaterally is also evidenced, and includes development and delivery of the annual Last Ports of Call (LPOC) Program and Capacity Building Program.

In March 2017, OTS established a dedicated Guidance Centre to respond to enquiries from industry on their transport security regulatory requirements. The Centre's purpose is to help industry improve the quality of their transport security regulatory submissions and to assist industry to better meet their regulatory requirements.

The Centre provides nationally consistent information over the phone or email and through improved guidance materials published on the department's website. The Centre actively engages with industry when there are regulatory changes that affect their security operations, to ensure they have the most up-to-date advice on regulatory requirements.

The department engaged and communicated regularly with industry on a wide range of initiatives for this reporting period. An example of this is the introduction of both the Enhanced Air Cargo Examination (EACE) notice and the Known Consignor scheme which positioned Australian industry for the more stringent screening requirements for US-bound air cargo that came into effect on 1 July 2017.

The EACE notice provides for approved examination methods, techniques and equipment requirements for examination of US-bound air cargo at piece-level by both on and off-airport Regulated Air Cargo Agents.

The Known Consignor scheme, which came into effect on 1 November 2016, provides an alternative to piece-level examination for businesses that can demonstrate they maintain a robust security process throughout their supply chain, from product source to aircraft. The scheme is an important option for businesses that cannot otherwise have their cargo screened at piece-level because it is either too big or not able to be screened by approved technology such as x-ray. Many

perishable foods and pharmaceuticals cannot be deconsolidated because it will break US Food and Drug Administration temperature controls, or x-rayed because water content is too high.

There was a significant effort to engage with a broad range of businesses and stakeholders to ensure they are aware of the US requirements and that they comply from 1 July 2017. This engagement included sending 8,000 letters to key industry participants, as well as thousands of emails and phone calls.

Survey outcomes

The survey was completed by forty-six industry respondents. Responses were received from all jurisdictions (with the exception of Tasmania), and New South Wales provided the largest number of responses (33%).

Respondents were from large business (63%), medium business (24%), small business (4%) and industry associations (9%). The majority of respondents confirmed they interacted with OTS at least monthly or more frequently (either weekly or daily).

In relation to validation of the self-assessment against the performance measures, the responses to the survey confirmed that OTS is performing well against all measures of success. The following table summarises the responses from industry.

Table 1.1 Table of survey results against Key Performance Indicators

Key Performance Indicator	Survey results
Changes to transport security regulations are focused on the highest risk	81% of respondents agreed with the statement "Transport Security regulations are focussed on the highest risks" and 78% of respondents agreed with the statement "The department took appropriate action to mitigate against new or emerging risks".
Regulated industry participants' understanding of security risk to their operations and their obligations under the transport security regulatory regime	92% of respondents rated their understanding of their organisation's security risks as good or excellent. 87% of respondents rated their understanding of their organisation's security obligations as good or excellent.
Compliance by regulated industry participants with their transport security obligations	87% of respondents rated their confidence that their organisation meets and delivers their security obligations as confident or very confident, with only 8% saying they were not confident.
The extent to which international standards are influenced and the transport security capability of our regional partners improved	75% of respondents agreed with the statement "International standards improve aviation and maritime security in Australia and the region".
Degree to which transport security regulations meet international standards for the secure movement of people and freight	
Changes to transport security regulations are proportionate to the risk being managed	73% of respondents agreed with the statement "Transport security regulations are proportionate to the risk being managed".



The overall level of satisfaction with engagement by OTS was 70% (satisfied or very satisfied), with the operational areas receiving the highest level of satisfaction (77%) and policy branches the lowest (64%). OTS assesses that it is likely that the lower level of satisfaction received by the policy branches is related to the pace with which regulatory change requested by industry is able to be progressed.

Progress from 2015-16 report

The 2015 16 OTS Regulator Performance Framework Report concluded that, overall, OTS was performing well. However, two areas for were highlighted for continued focus. These were:

- improving the understanding within industry of the risk based approach OTS takes when monitoring compliance, and
- ensuring continual improvement in the forums and mechanisms we use to collaborate with industry.

As previously noted, we have sought to address the desire of industry to see a stronger, more visible link between OTS compliance activities and risk by publishing information for industry on the 2016-17 National Compliance Plan, including areas of activity with the strongest risk.

OTS has sought to further leverage broader collaboration efforts through a range of consultative forums and this will be an ongoing focus for OTS. Below are two comments made in response to the survey that show this progress is being noted by industry:

The work being done in the Screening Innovation, Systems Test Working Group and Airside Security Working Groups is great and encourages open discussion to shape regulatory reform and the teams should be commended.

Far more engaging with industry; seem to understand things from an industry perspective; enjoy good working relationships with OTS.

To assist industry with their transport security regulatory requirements, the OTS Guidance Centre was established in March 2017. In general, the feedback about the OTS Guidance Centre was positive. The professionalism of the staff in the Guidance Centre was rated highly, however, one specific area for improvement that can be identified is 'timeliness of responses to enquiries' (31% of survey respondents rated this as poor). This will be an area of focus for the Guidance Centre as it consolidates and refines its functions.

Appendix A

Table 1.2 Evidence against agreed performance measures for 2016-17

Performance Measure	PBS Target	What we achieved in 2016-2017
1. Degree to which transport security regulations are focussed on the highest risk.	Where there is a change in the security environment, all regulatory changes are focused on addressing the highest risk.	<ul style="list-style-type: none"> • Consultation undertaken with Commonwealth agencies and industry to establish high-priority attack paths for each regulated sector. • Attack paths informed the Division's Annual Risk Statement which underpins policy and compliance planning and Security Planning Information Packs (for industry). • Revised the Transport Security Outlook to 2025. • Eight security updates were disseminated to industry to advise of new and updated transport security risks. • We continued to monitor inbound air cargo prohibitions, including conducting revised threat assessments to ensure that prohibition measures remain fit for purpose. • Implemented targetted additional security measures for inbound flights to Australia from locations of higher risk. • Implemented streamlined security arrangements to facilitate low-risk flights on selected routes. • In response to terror attacks at Brussels and Istanbul airports, conducted a review of the security of public areas at airports (landside). The review ensured security arrangements were effective and has led to the development of new industry guidance on protecting crowded places in landside areas. • Improved aviation and maritime security identification card (ASIC and MSIC) issuing practices and the verification of the applicant's identity, including the introduction of role-specific ASICs and MSICs and national security assessments for under 18s. • Enhanced the security of the visitor identification and temporary aircrew card schemes for airport operators and approved national passenger airlines.
2. Regulated industry participants' understanding of security risk to their operations and their obligations under the transport security regulatory regime.	Baseline to be established to monitor progress and inform targets.	<ul style="list-style-type: none"> • National Compliance Plan industry companion document developed and released. • Consultation undertaken with industry to establish high-priority attack paths for each regulated sector. • Consultation with industry continued to build a shared view of risks and complements the previous work done on heightened threat contingency planning.



Performance Measure	PBS Target	What we achieved in 2016-2017
		<ul style="list-style-type: none"> <li data-bbox="863 434 1431 539">• A guidance centre was introduced in March 2017 to provide industry with nationally consistent information on their regulatory requirements. <li data-bbox="863 546 1431 741">• A system test strategy was agreed in February 2017. The strategy outlines a pathway to develop a more flexible, robust and responsive system test program that further aligns with the prevailing judgements about threat and risk at Australian screened airports and better informs industry of their effectiveness. <li data-bbox="863 748 1431 887">• Multi-channel engagement with businesses and other industry stakeholders to support implementation of more stringent piece level examination requirements for US bound air cargo. <li data-bbox="863 893 1431 1167">• Undertook awareness raising activities to ensure industry participants remain aware of current security threats and understand relevant reforms to regulatory operations, including meetings of the Aviation Security Advisory Forum, the Regional Industry Consultative Forum, the Maritime Industry Security Consultative Forum and the Oil and Gas Security Forum to consult with industry participants. <li data-bbox="863 1173 1431 1312">• Developed and delivered a security awareness training package to 158 regional and remote airports. This package supports industry by providing a practical resource to build and maintain security awareness among workers. <li data-bbox="863 1319 1431 1435">• Established the Screener Accreditation Working Group to ensure a government and industry partnership in the design and development of the screener training and accreditation scheme. <li data-bbox="863 1442 1431 1581">• In response to terror attacks at crowded places in Europe, developed guidance for the owners and operators of cruise ship terminals to help them implement measures to mitigate against terror attacks. <li data-bbox="863 1588 1431 1704">• Developed guidance for the trucking industry to help them prevent trucks from being used by terrorists to attack people in crowded places, such as was seen in Europe in 2016. <li data-bbox="863 1711 1431 1861">• Commenced standardised security awareness training for the aviation, air cargo and maritime sectors to ensure all employees in those environments are aware of the current threats to their work environment and how to respond to them.



Performance Measure	PBS Target	What we achieved in 2016-2017
<p>3. Compliance by regulated industry participants with their transport security obligations.</p>	<p>100 percent of the compliance activities set out in the National Compliance Plan completed; and baseline to be established to monitor progress and inform future targets.</p>	<ul style="list-style-type: none"> • 100 percent of the National Compliance Plan (NCP) scheduled activities for 2016-17 were completed. A total of 787 compliance activities were carried out across all industry sectors. • Four national compliance campaigns were conducted based on key risks. These focussed on: visitor pass use at airports; corrective action plans of industry participants; a review of the preparedness of industry participants to meet screening requirements for United States bound air cargo; and matters relating to the issue of ASICs and MSICs, with focus on operational need. • The NCP activities resulted in 381 findings during 2016-17 (214 non-compliance and 167 observations). The majority of findings were related to aviation industry participants (160 non-compliance and 94 observations). The findings were primarily resultant from audit and inspection activities. • The number of finding of non-compliance and observations issued in 2016-17 is lower than those recorded during 2015-16, where 518 findings were issued. It should also be noted, that in 2016-17, 167 more compliance activities were conducted than in 2015-16. The reduction in the number of findings issued for 2016-17 may be attributed to the increased standard of the procedural fairness process for findings, which was introduced in July 2016.
<p>4. The extent to which international standards are influenced and the transport security capability of our regional partners improved.</p>	<p>Observed improvements.</p>	<ul style="list-style-type: none"> • OTS conducted 23 capacity building activities across four countries (Indonesia, Thailand, the Philippines and Papua New Guinea). These activities focussed on improving quality control processes and auditing standards. • The department hosted and actively participated in the ICAO's Aviation Security (AVSEC) Panel's Working Group on Guidance Material, which developed international aviation security guidance that is used to set global benchmarks. During this meeting, the Department influenced international policy on vehicle screening at airports and shaped guidance material on responding to chemical, biological and radiological incidents in the aviation sector. • At the AVSEC panel, the Department advocated its policy position on international agreements for the mutual recognition of aviation security measures. This was agreed and will be turned into international guidance material. • The Department worked closely with other ICAO member states to draft the Global Aviation Security Plan, and joined the taskforce advocating for the plan during key ICAO meetings.

Performance Measure	PBS Target	What we achieved in 2016-2017
		<ul style="list-style-type: none"> The Department worked with international partners to ensure that amendments to strengthen explosive detection capabilities and landside security at airports were crafted in a way that delivers the desired security outcome without imposing unnecessary levels of regulation on industry. Thirteen Last Port of Call (LPOC) aviation security assessments were conducted at airports in seven countries including Thailand, China, East Timor, New Zealand, Malaysia, Indonesia and the Philippines. These assessments provided host countries with reports of performance against international aviation standards as well as Australia-specific requirements.
5. Degree to which transport security regulations meet international standards for the secure movement of people and freight.	Meet requirements.	<ul style="list-style-type: none"> A full ICAO audit of Australia's aviation security system occurred, demonstrating high levels of compliance with international standards. There were no non-compliance findings for any of the industry participants audited and Australia was found to have a world-leading National Compliance Plan. Australia's National Air Cargo Security Program with the US was extended for a year, securing certainty for air cargo exports to the US. New regulatory arrangements for regulated air cargo agents and accredited air cargo agents and established a known consignor scheme. Together, these arrangements support more stringent piece-level screening security requirements for air cargo exports to the US, which came into effect on 1 July 2017. The department has approved a range of businesses as known consignors as they were able to demonstrate they can secure cargo along their supply chain to the aircraft.
6. Changes to transport security regulations are proportionate to the risk being managed.	Regulatory impact on industry is reduced.	<ul style="list-style-type: none"> In 2016–17, regulatory amendments were made to: <ul style="list-style-type: none"> strengthen airside security arrangements through the introduction of stronger access controls and random screening of people accessing the security restricted areas of airports. reduced the regulatory burden on industry by streamlining transport security programs, improve signage requirements (allowing for consolidation of signage) and simplifying the application of special event zones which are used to manage security during specific events at airports.



Performance Measure	PBS Target	What we achieved in 2016-2017
		<ul style="list-style-type: none">○ regulation change to ensure ships <i>used solely on domestic voyages</i> between Australian states and territories are no longer being required to hold an approved ship security plan or an international ship security certificate (ISSC).○ introduced a model security program for accredited air cargo agents so that businesses who do not clear air cargo do not need to maintain a detailed individual security program.