

Title: Reforms to the Aviation Security Regulatory Framework (Better regulation for aviation security) Lead department or agency: Department for Transport (DfT) Other departments or agencies:	Impact Assessment (IA)
	IA No: DFT00047
	Date: 29/6/2011
	Stage: Development/Options
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries:

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

DfT, and many of our major industry partners, believe that the current regulatory regime for aviation security is too prescriptive, hinders innovation and efficiency, and does not incentivise continuous improvement in security outcomes. The regulatory regime is set out in Regulation (EC) No 300/2008 and associated implementing and supplementing acts whilst the Single Consolidated Direction (Aviation) 2010 sets out the More Stringent Measures that apply in the UK. Government intervention is necessary to amend the latter to give industry more responsibility and flexibility in complying with the aviation security regime. This is part of a regulatory reform package which includes the transfer of certain day-to-day security regulatory functions to the Civil Aviation Authority (CAA). The costs and benefits of this transfer will be subject to a separate IA.

What are the policy objectives and the intended effects?

1. To maintain and improve security standards by incentivising continuous improvement.
2. Apply the principles of better regulation and best practice from elsewhere e.g. aviation safety.
3. To enable optimisation of security in combination with the passenger experience.
4. To clarify the roles and responsibilities of the Regulator and industry (which have become blurred).
5. Consistency with 'better not bigger' approach to airport development by freeing operators to improve the operating efficiencies of their airports.
6. Provide scope for industry to make savings in how they deliver security outcomes.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Policy Option 1 - Do nothing: The regulatory regime would remain very prescriptive, thus hindering continuous improvement, and in direct contrast to regulatory best practice with DfT playing a very active role in deciding what security processes should be implemented.

Policy Option 2 – To modernise the way we regulate aviation security with a greater focus on outcomes and risk.

Will the policy be reviewed? No. **If applicable, set review date:** N/A

What is the basis for this review? **If applicable, set sunset clause date:** N/A

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

Yes

SELECT SIGNATORY Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

Summary: Analysis and Evidence

Policy Option 2

Description:

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 184.2	High: 480	Best Estimate: 184.2

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		3		
High				
Best Estimate	3.05		2.97	24.4

Description and scale of key monetised costs by 'main affected groups'

The majority of these costs, £18.8m in PV, fall to airports and airlines from the extra activities that they would have to undertake from the introduction of an OFRB approach i.e. regular performance reporting to the Regulator, internal quality assurance processes, and some on-going training.

The Regulator will face costs, £4.3m in PV, from training and from on-going data collection and analysis, which will be passed to industry in the event of a transfer to the CAA.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		0	29.4	208.7
High			67.7	504.5
Best Estimate			29.4	208.7

Description and scale of key monetised benefits by 'main affected groups'

Industry may benefit from efficiency savings brought about by being able to innovate.

Were industry able to find a 1% saving across the board industry could benefit from a net cost saving of £208.7m in PV terms from being able to operate more efficiently under an OFRB regulatory framework. This will be tested at consultation and subsequent trials.

Other key non-monetised benefits by 'main affected groups'

Numerous industry operators indicated via our Call for Evidence that a more robust security culture and the delivery of a better security 'product' would be the main benefits of moving to a new approach. Greater clarity of accountability and responsibility for aviation security will further increase security standards. Passengers may also benefit from innovative approaches adopted by airports e.g. progressing through security more quickly, allowing industry to optimise the customer experience with improvements in security. A greater volume of performance data will allow the Regulator to allocate its resources more efficiently

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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It is possible that those sectors of industry fully embracing the new regulatory approach may be able to find efficiency savings in excess of the 1 % as indicated above.

These estimates are our initial forecasts and will be tested at consultation and subsequent trials.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 2.9	Benefits: 25.1	Net: 22.2	Yes	OUT

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	01/04/2014				
Which organisation(s) will enforce the policy?	DfT/CAA				
What is the annual change in enforcement cost (£m)?	0				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	Yes				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: Nil		Non-traded: Nil		
Does the proposal have an impact on competition?	Yes				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: 0		Benefits: 0		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)		< 20	Small 5	Medium 12	Large 83
Are any of these organisations exempt?	Yes	Yes	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	15
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes	15
Small firms Small Firms Impact Test guidance	Yes	16
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	16
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	16
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	16
Human rights Human Rights Impact Test guidance	No	16
Justice system Justice Impact Test guidance	No	16
Rural proofing Rural Proofing Impact Test guidance	No	17
Sustainable development Sustainable Development Impact Test guidance	No	17

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation or publication
1	<u>Regulation (EC) No 300/2008</u>
2	<u>Part II Aviation Security Act 1982</u>
3	<u>The Aviation Security Regulations 2010 (SI 2010/902)</u>
4	

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs		0.5	1.29	1.26						
Annual recurring cost		2.15	3.07	3.07	3.07	3.07	3.07	3.07	3.07	3.07
Total annual costs		2.65	4.36	4.33	3.07	3.07	3.07	3.07	3.07	3.07
Transition benefits										
Annual recurring benefits			7.70	15.32	22.87	30.34	37.74	45.06	52.31	59.49
Total annual benefits			7.70	15.32	22.87	30.34	37.74	45.06	52.31	59.49

* For non-monetised benefits please see summary pages and main evidence base section



Microsoft Office
Excel Worksheet

Evidence Base (for summary sheets)

Main Evidence Base

Background

The UK is obliged as a contracting state of the International Civil Aviation Organisation, and a member state of the EU, to ensure that security measures are in place to protect civil aviation against acts of unlawful interference that jeopardise the security of civil aviation. Unlike some EU countries and the US, aviation security in the UK is delivered by the aviation industry, not the state. In the US for example, aviation security is delivered by a Government Agency – the Transport Security Administration. In the UK the DfT is responsible for regulating the industry's delivery of aviation security.

The UK aviation security regulatory system is currently based on directly applicable EU civil aviation regulations establishing common basic standards¹ established across the EU and on Directions made under the Aviation Security Act 1982, issued by the Secretary of State to ensure that any More Stringent Measures required to mitigate the risk from the higher threat level that exists in the UK are put in place to protect the travelling public.

The DfT's transport security mission statement is as follows:

To protect the travelling public, transport facilities and those employed in the transport industries primarily against acts of terrorism, to retain public confidence in transport security whilst not imposing requirements that impact disproportionately on the travelling public or on the effectiveness and efficiency of industry operations.

A thriving aviation industry is an integral part of the UK. The aviation industry carries millions of business and leisure passengers each year, directly employing tens of thousands of people, and carries over two million tonnes of freight, including fresh food, medical supplies, business mail and consumer goods. The consequences of an incident occurring, both in terms of potential loss of life and the economic cost, have been deemed by successive governments as sufficiently serious to warrant security (and safety) regulation.

Aviation in the UK is relatively secure and we are internationally recognised as running one of the most effective aviation security regimes in the world. However the current regulatory regime does little to incentivise operators to go beyond following the specified security processes and does not encourage innovation. This risks stagnation in security performance. It hinders industry from being able to find more efficient ways of delivering security (i.e. through technology) and offering the passenger a better travelling experience. Regulatory reform could allow airport operators to run their business more efficiently and help them make better use of their airport's capacity in line with 'better not bigger' airports.

Review and monitoring

The policy will be reviewed by trialling the new regulatory approach at one or more operations once the consultation has concluded. In addition, the regular and robust reporting feature of the new approach would allow the Department (and the CAA) to monitor the impact and performance of the new regime.

¹ "EU common basic standards" is used throughout to mean Regulation (EC) No 300/2008 on common rules in the field of civil aviation security and the accompanying implementing and supporting legislation.

Problem under consideration

We estimate that the current regime costs UK airports and airlines £770m a year. This is a significant regulatory burden on business. DfT and our major industry partners believe that the current regulatory regime for aviation security is too prescriptive, which hinders innovation and efficiency and thus places an unnecessary cost on industry.

Introduction

The UK is recognised internationally as having one of the most effective aviation security regimes in the world. However, we believe that the current security regulatory system is too prescriptive, adding unnecessarily to the industry's costs. Furthermore, it does not sufficiently incentivise the industry to innovate or improve security. It is vital that we make best use of our airports and improve the passenger experience.

The UK aviation security regulatory system is currently based on directly applicable EU civil aviation security regulations establishing common basic standards across Member States and on Directions made under the Aviation Security Act 1982 (ASA) laying down UK More Stringent Measures (MSMs), as permitted by the EU regulations, which the Department believes are appropriate, given the level of terrorist threat faced by the UK.

This legislative framework prescribes in great detail the security processes that must be followed by the aviation industry. The industry's legal responsibility is to implement the relevant procedures. The extent to which this is achieved is assessed through a programme of inspections, testing and audit, carried out by the Department. This involves investing time and energy in advising and working with the industry to improve compliance.

The current approach does not, in practice, greatly emphasise internal quality control by the regulated industry; and has no consideration of security outcomes; no required reporting processes by which the industry or the Regulator can gain a comprehensive picture of the quality of the security work; and almost no discretion for the industry to deliver security outcomes in other ways that may be better integrated with the way it runs the rest of its business.

We want to see aviation security regulated through an outcome focused, risk-based (OFRB) approach that is committed to continuous improvement, that understands the impact on the consumer of both risks and precautions, and that builds a strong partnership culture where best practices, concerns and failures are discussed openly in order to seek improvement.

This IA supports the consultation paper seeking views on a proposed move to an OFRB approach to aviation security.

In addition to these regulatory reform proposals, it is proposed to transfer aviation security regulation and compliance functions, powers, and roles to the CAA (this is discussed in a separate IA). A consequence of the proposed transfer is that the CAA will be able to recoup the costs of aviation security compliance and regulation activity from the industry in accordance with the 'user pays' principle. As such, operators will, for the first time, have an interest in getting value for money from the Regulator, working as an incentive for both parties to be effective and efficient in their respective roles.

1. To maintain and improve security standards by incentivising continuous improvement.

An OFRB approach to security will focus on the delivery of security outcomes rather than the delivery of specified processes. For example rather than requiring a percentage of passengers to be screened by a particular method, the OFRB approach could involve ensuring that a certain

percentage of passengers are screened for a specific threat, without specifying the method of screening. In many instances the EU regime allows for discretion in the method of compliance.

These outcomes could then be tested covertly, and measured against a set of Key Performance Indicators (KPIs). Both the outcomes and the KPIs used would be established after engagement with industry. If the Regulator was not assured that the process being applied was meeting the security outcomes the operator would be required to follow specified processes under a review period. Introducing a performance regime and mandatory occurrence reporting will provide the regulator with a far higher volume of information relating to performance, enabling a far more comprehensive assessment of overall performance to be made, enabling regulatory resources to be deployed more efficiently and effectively.

OFRB regulation will promote continuous improvement within aviation security, something which the current system does not do. It will achieve this by not simply targeting inspections at 'high risk organisations', but by making industry consider the impact of the security outcomes on its own operation and then identify how relevant the risks are in its own case. Risks will regularly be reconsidered on the basis of constantly updating information and prioritised accordingly.

2. Apply the principles of better regulation and best practice from elsewhere e.g. aviation safety.

Evidence, most notably in the Hampton recommendations, suggests that regulators achieve the best outcomes by adopting an approach which focuses industry effort on achieving outcomes based on identifying, prioritising and addressing risks, rather than on complying with detailed instructions from government which presume to be complete, comprehensive, responsive and the best possible solution to all instances of risk. There is an inherent logic in the proposition that the most agile and effective response to a newly perceived risk is for the Regulator to translate the risk into a problem for the various bodies to solve, individually or jointly, rather than for the Regulator to try and determine a course of action, turn it into law, and then issue directions to an industry that has no ownership of the solution.

3. To enable optimisation of security in combination with the passenger experience.

Although Government will continue to set overall requirements based on threat information, businesses will be able to design their processes in order to deliver the specified security outcomes in accordance with regulatory requirements, such as EU common basic standards. This will provide opportunities for individual operators to design systems that fit better with their day-to-day activities and deliver a better passenger experience.

4. To clarify roles of industry & the regulator

This reform should help to clarify lines of responsibility between the regulator and regulated parties. The regulator will be able to hold the operator to account making industry more heavily 'invested' in the design, implementation and delivery of aviation security rather than in merely complying with a set of prescribed processes. In addition the industry will gain greater ownership of security considerations and more freedom to integrate security within day-to-day business activities.

5. Consistency with 'better not bigger' approach to airport development by freeing operators to improve the operating efficiencies of their airports.

By creating a more innovative approach to regulation the Government can enable industry to take innovative approaches to delivering their security responsibilities, by managing and integrating security with day-to-day business thereby improving operational efficiency.

6. Provide scope for industry to make savings in how they deliver security outcomes.

The introduction of an OFRB approach aims to provide industry with the opportunity to realise savings by taking advantage of the new, more flexible, approach to aviation security regulation. It is expected that those within the industry embracing the new approach fully will have the potential to make savings that exceed the new costs arising from the transfer of Regulatory functions to the CAA.

Two examples of how the proposed approach could work are attached at Annex 4.

Consultation – next steps

Post-consultation, the new regulatory model will also be trialled at one or more operations. The trial outcomes will be independently assessed. Only if the independent evaluation concludes that the proposed approach works effectively in relation to security, the passenger experience, scope for innovation and cost will a phased implementation of the new regulatory regime proceed. A final IA will be submitted for clearance.

Options under consideration

Option 1: Do-nothing

The regulatory regime would remain overly prescriptive, thus hindering continuous development, and in direct contrast to regulatory best practice. The lines of accountability and responsibility for security would remain blurred. Effectiveness would not necessarily increase significantly.

Option 2: The introduction of a new OFRB regime of regulation.

This option would reform the regulatory framework to an OFRB model. Aviation safety in the UK (which is the responsibility of the CAA) is already regulated in a similar way. The Government would continue to have overall policy control, establish the threat picture and set the security outcomes. The industry would be fully responsible for mitigating the risks and each party would be required to have in place a Security Management System (SeMS) – a structured system through which an operator plans and delivers its security processes.

A SeMS includes a number of components:

- the identification, assessment and mitigation of security risk;
- a comprehensive log of how risks are sufficiently mitigated by the operator
- the security policy and objectives, including management accountabilities and responsibilities;
- security assurance through regular reporting in terms of occurrences and performance, data analysis and review, internal and external audit, covert testing, and arrangements for continuous improvement; and
- security promotion through training and communications.

Costs and Benefits

In producing this IA it has been assumed that the overall costs of regulating under an OFRB approach are the same whether the day-to-day regulatory activities are carried out by the DfT or the CAA.

In terms of the profile of costs and benefits, year zero is 2011 and it has been assumed that the policy would 'go live' in 2014 when some operators may be able to make efficiency savings. The price base is 2010.

Costs

A transition team has been set up in DfT to manage the transfer of aviation security regulation and compliance functions, powers, and roles to the CAA and the development of a new approach to aviation security regulation. The outcomes focused risk-based element of the transition team is estimated to cost £1.4m in present value (PV).

The change to an OFRB approach will impose some one-off costs to industry in terms of compiling the SeMS, setting up the databases and training of around £0.8m in present value. Whilst this might appear somewhat low, many organisations already operate a SeMS. For example, members of the IATA (including many major airlines operating in the UK) are obliged to operate a security management system.

The models proposed in the SeMS guidance document are similar to those already utilised by many organisations for other parts of their business operations, and is in keeping with airport security planning guidance issued by the DfT. A key part of a SeMS is the assessment and mitigation of security risks. Government will always remain responsible for assessing the threats to aviation. It is proposed that Government will specify a number of key risks that will need to be mitigated which will continually be monitored. Updates will be supplied to industry as necessary. It will then be for industry to do the next stage of the risk assessment - a local analysis of the vulnerabilities and their impact and the design of appropriate mitigating measures. Industry may wish to bring this work within the scope of existing processes and structures, such as the Security Programme required under EU regulations or the Risk Advisory Groups which have been established under Part IIA of the Aviation Security Act 1982 (as amended by the Policing and Crime Act 2009).

The requirement for a SeMS can be integrated with EU requirements. For example where an airport security programme, air carrier security programme and entity security programme meet the requirements of a SeMS, then that programme shall be capable of being the vehicle for delivering the security objectives set by the Regulator. Currently, the EU and the Department set the objectives and the specific means of delivery and industry is required to have a security programme. Under an OFRB regime, initially for UK requirements (MSMs) only, there will be much greater flexibility in the means of delivery and the Security programme (as long as it meets all the requirements of the SeMS) will be the principal delivery mechanism.

On this basis, much of industry would be starting from an advanced position and will be able to implement SeMS with their existing processes. Therefore, the DfT believes that industry should not incur costs beyond the £0.8m proposed. However, this will be tested at consultation and in subsequent trials. The Regulator will also face corresponding estimated costs of £0.6m in PV.

Industry will incur some additional on-going costs (e.g. from the requirement to report on security lapses and performance, training) which amount to approximately £17.8 in PV. The Regulator will also incur additional on-going costs (e.g. cost of collating and analysing data from the proposed reporting requirements) of around £3.6m in PV. Many operators (particularly larger organisations) already collect and analyse data for internal performance monitoring.

Total costs are around £23.7m in PV over 10 years.

The estimates and initial forecasts have been informed by our Call for Evidence exercise, whereby we contacted a representative sample of industry and asked them to provide insight as to the potential costs and benefits that moving to the new approach could bring. Industry responses have indicated that they see no serious cost increase from moving to the new approach as this would largely involve the realignment of existing activities.

Benefits

Allowing industry to focus on security outcomes rather than on prescriptive processes should provide them with the flexibility to develop their own security approaches more suited to their day-to-day business thereby reducing their costs. This would enable operators to optimise security and customer service together. Currently the incentive to marry security and customer service is being hindered by prescriptive regulation. There is also scope for operators to integrate their safety and security systems to deliver operational efficiencies.

The costs for industry in delivering aviation security using the current model is currently so high that if regulatory reform were to lead to efficiencies as low as 1% being delivered, then industry could benefit from an estimated net cost saving of £208.7m in PV terms from being able to operate more efficiently under an OFRB approach. This estimate is based on industry being able to find a 1% efficiency saving per year and will be tested at consultation and subsequent trials. Initial discussions with some industry operators as part of our Call for evidence have highlighted some areas where they believe cost savings could be made as a result of moving to the new approach. DfT will continue to work with industry on identifying and quantifying the possible savings to inform this IA.

There are also other benefits from Option 2 that we have not been able to monetise:

- The move to an OFRB regime should also lead to security benefits through incentivising continuous improvement. The introduction of SeMS is integral to this. A SeMS is not just a document but a dynamic management process, which is continually monitored and reviewed to take account of changes in the threat environment, organisational changes and results of analysis. A key feature would be the creating of a system whereby the industry itself regularly reports on its own security performance, hugely increasing the volume of performance data available to the security Regulator to gain a picture of the state of security compliance.
- The flexibility to innovate will provide an incentive to improve the passenger experience at airports. Encouraging the market to develop whole-life security systems² which not only could deliver better security outcomes at lower cost but provide businesses with the opportunity to improve passenger facilitation at airports (which would be a competitive advantage). The time saved by passengers going through security could have significant economic value.
- Through this reform, the Regulator will be able to hold industry to account making industry more heavily 'invested' in the design, implementation and delivery of aviation security rather than in merely complying with a set of prescribed processes.
- Numerous industry operators have indicated via our Call for Evidence that a more robust security culture and the delivery of a better security 'product' would be the main benefits of moving to the new approach.

² A whole-life security system is a system which integrates technology, information and process in the most efficient and passenger friendly way, consistent with maintaining high security standards.

Competition

These proposals potentially enhance competition by enabling industry to take decisions around how they wish to optimise security outcomes with the passenger experience. It is possible that some airports may take a business decision to invest more in technology to offer passengers a faster security process relative to their competitors.

Hampton principles

These proposals are intended to move to a regulatory framework consistent with the Hampton principles.

Summary

Our preferred option is the introduction of an OFRB approach. **Our best estimate** is that the NPV would be in the order of £185m over 10 years (in 2010 prices). We are testing our assumptions as part of the consultation and will also be trialling the SeMS methodology to validate the assumptions in a real world setting before final clearance is sought.

The significant net monetary benefit is attributable to the efficiency savings that businesses can unlock from moving away from the current prescriptive approach. However, this is not the prime focus of the policy which is to provide better security, improve the passenger experience, provide better regulation and clarify the roles, accountability and responsibilities of industry and the Regulator. We also expect there to be benefits in terms of improved security from incentivising operators to continuously improve their performance.

This IA is a consultation stage IA, and therefore the cost and benefit assumptions are our initial estimates and will be tested at consultation. We propose to undertake trials of the SeMS methodology which will allow us to validate this IA in light of real world experience. The IA will then be resubmitted for final clearance.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: N/A
Review objective: N/A
Review approach and rationale: N/A
Baseline: N/A
Success criteria: N/A
Monitoring information arrangements: N/A
Reasons for not planning a review: We do not propose to have a formal PIR as the introduction of an outcome-based regulatory framework will involve the regular reporting of security performance by industry which will allow the Regulator to assess the effectiveness of the approach on an on-going basis.

Annex 2: Assumptions underpinning the analysis

We will be formally consulting on these proposals in due course and this IA will be updated in light of the consultation responses.

Assumption	Details	Monetary Value
Start-up (one-off) cost of SeMS and setting up databases	Start up costs of (including policy development) SeMS and mandatory reporting for regulator: i.e. costs setting up a database and bedding in costs. These activities mirror what the CAA do regarding safety so we expect the costs to be small but have assumed a cautious £0.5m. We will work with the CAA on refining this estimate. (Component of Spreadsheet Row 30)	Up to £0.5m
One-off training in new approach	Providing inspectors with one week's training each. (Component of Spreadsheet Row 30)	Up to £0.2m
Continuous costs: training costs	For instance due to staff turnover. Assumed 10% of start-up staff costs (above). (Component of Spreadsheet Row 31)	£0.02m
Continuous cost of collating and analysing data	These activities mirror what the CAA do regarding safety so we expect the costs to be small but have assumed £0.5m p.a. We will work with the CAA on refining this estimate. (Component of Spreadsheet Row 31)	£0.5m
Continuous costs to Regulator of £3.6m in PV	These costs are made up of the training costs, reporting costs, updating SeMS costs outlined above. (PV Spreadsheet Cell C31)	£3.6m in PV over 10 years
One-off training of in-house security auditor	An airline reported to us that their team of 10 auditors would require 2 days training to familiarise themselves with the new regulatory regimes, this was estimated at around £10k. This was scaled-up, by their market share, to the airline industry which suggested a figure of £250k. We assumed the same figure for airports. (Component of Spreadsheet Row 32)	£0.5m
One-off costs of introducing quality management systems	Assumed that 60 databases would need to be set up at a cost of £5k, which equates to £300k. Some additional training would be required. We have assumed that 2 analysts per airline and airport would require 0.5 days, which equates to £50k. (Component of Spreadsheet Row 32)	£0.35m
Continuous costs of internal quality assurance process	Based on the costs of a current operator's costs of doing this now scaled-up by their market share. (Component of Spreadsheet Row 33)	£2m
Continuous costs of reporting and updating SeMS	There are around 30 UK registered airlines and 68 directed UK airports. We estimate that 50% already collect and analyse performance data, and also undertake many activities (e.g. risk assessment) required under a SeMS. The average business analyst salary is £35,000 p.a. so assuming this salary at 1/4 per analyst time p.a. for 1 analyst per operator the total cost is unlikely to be more than £0.5m a year. (Component of Spreadsheet Row 33)	£0.5m
Continuous training costs	There maybe the need for continuous training security auditors. We have assumed 10% of start-up staff costs.	£0.05m

	(Component of Spreadsheet Row 33)	
Continuous costs to industry of £17.8 in PV	These costs reflect additional on-going costs from the requirement to report on security lapses and performance, and training (in relation to reporting) outlined above. (PV of Spreadsheet Row 33)	£18.0m in PV over 10 years
Transitional costs of moving to new approach	A transitional team will be set to manage the transfer of function and change in regulatory regime. We have assumed a team of 15-20 people that would be in place for 3 years. This estimate has been provided by Transec based on current staff costs. The cost of the transition team has been split 50:50 between this IA and the IA discussing the transfer and related primary legislative proposals. (Spreadsheet Row 34)	£1.5m (50% of £3m cost)
Distribution of annual cost by organisation size	This is based on current data which is security sensitive.	
Benefits		
Efficiency savings to industry.	<p>The estimated total cost of the current regulatory regime is £770m p.a. (2010 prices) - £185m for airlines (based on an operator's actual costs scaled-up by market share) and £585m for airports (based on security charge data for each airport multiplied by passenger numbers). It has been assumed that the regulations would not change over the 10 years.</p> <p>Our 'best estimate' is that industry will be able to deliver net efficiencies of 1% year-on year from 2013 to 2020. We believe this is achievable based on informal discussions with industry. (Spreadsheet Cell C43)</p>	£208.7m in PV over 10 years

Annex 3: Specific Impact Tests

Statutory equality duties

Race

1. The proposals relate to all passengers, therefore we do not anticipate that these reforms will lead to:
 - Different consequences according to people's racial group;
 - People being affected differently according to their racial group in terms of access to a service, or the ability to take advantage of proposed opportunities;
 - Discrimination unlawfully, directly or indirectly, against people from some racial groups;
 - Different expectations of the policy from some racial groups;
 - Harmed relations between certain racial groups, for example because it is seen as favouring a particular group or denying opportunities to another; or
 - Damaged relations between any particular racial group (or groups) and the DfT.

Situations may arise whereby certain operators decide to apply different processes to some passengers. If this is the case, it will be the operator's responsibility to ensure that adequate equality assessments have been undertaken prior to the implementation of any such procedures.

Disability.

2. The Disability Discrimination Act (DDA) 1995 now gives rights to disabled people in the area of access to goods, facilities and services. The proposals apply equally to all passengers, and so we do not anticipate any disadvantages or discrimination for disabled people, in line with this Act.

Gender

3. The proposals will apply to all passengers. Therefore, we do not anticipate that these reforms will lead to:
 - Different consequences according to people's gender;
 - People being affected differently according to their gender in terms of access to a service, or the ability to take advantage of proposed opportunities;
 - Discrimination unlawfully, directly or indirectly, against genders; or
 - Different expectations of the policy from between genders.

Competition

4. The introduction of an OBRF approach to regulation will allow industry to help develop and implement new whole-life security processes not only to reduce costs but also to improve passenger experience. Outside the regulated airports there is active competition which will be enhanced by the incentive to improve the passenger experience during security process

e.g. screening. These proposals potentially enhance competition by enabling industry to adopt different delivery methods.

Small firms

5. We expect our proposals to provide the aviation industry with opportunities to reduce its costs through the introduction of an OFRB regulatory framework. We propose that all airports and airlines covered by the NASP will be required to implement all the components of a SeMS but the level of detail required will be proportionate to the scale of their operation. For smaller airlines (including those with few flights in and out of the UK) one option we are considering is whether a third party (e.g. ground handling agents) could produce and operate a SeMS on their behalf. The ultimate responsibility would still rest with the airline operator.

Greenhouse gas assessment

6. The aviation sector already has targets and policies in place to ensure it plays its part in helping to reduce greenhouse gas emissions and thus achieve the UK's climate change targets. These proposals do not affect such policies or targets, and more generally are not expected to affect the amount of greenhouse gas producing activity in the industry. We therefore do not anticipate any direct impact of these proposals on greenhouse gas emissions.

Wider environmental issues

7. There are two wider environmental issues relevant to the aviation sector as a whole: noise pollution and air quality. None of the proposals directly influences the overall level of activity in the industry, however, and so we do not anticipate any direct impact in these areas.

Social impacts

Health and well-being

8. None of the proposals are expected to have a direct impact on health. There is no potential for any of the proposals directly to affect wider determinants of health such as income or the environment, nor is there any potential for the proposals to affect relevant lifestyle related factors such as physical activity or diet. There is no anticipated impact on the demand for health and social care services.

Human rights

9. It is not anticipated that our proposals will have any human rights impacts.

Justice system

10. It is not anticipated that our proposals will have any implications for the justice system.

Rural proofing

11. We do not believe that any of the proposals will have a different impact on people in rural areas because of their particular circumstances or needs.

Sustainable development

12. Sustainable development entails the current generation satisfying its basic needs and enjoying an improving quality of life without compromising the position of future generations. The proposals do not affect the resources available to future generations, and are therefore compatible with sustainable development.

Annex 4: Examples of how an outcome focused, risk-based approach could work in practice

In this example – fictional (but realistic) directions are compared to the theoretical equivalents of an outcome focused, risk-based approach.

Example 1

Current (fictional) UK additional requirement reads:

C4.1 Re-screening of departing passengers

1. All alarms from a walk-through metal detector shall be resolved by a hand search.
2. Footwear shall be screened and, where a type 256 walk through metal detector is in use, the footwear of at least 30% of passengers selected at random shall be screened, in addition to the hand search. Where a type 278 walk through metal detector is in use, the footwear of at least 20% of passengers selected at random shall be screened, in addition to the hand search.
3. Footwear shall be screened either by:
 - a) removing and inspecting
 - b) type AS359 explosive trace detection equipment
 - c) type 789-H6 footwear screener
 - d) type HT56 cabin baggage x-ray.

Under an outcome-focussed, risk based approach this would be amended to read:

C4.1 Re-screening of departing passengers

1. Subject to the requirements of the EU regulations, the airport operator shall ensure that all alarms from the primary screening method are resolved. In addition, footwear shall be screened. The frequency and method of all re-screening and footwear screening shall be determined on the basis of a risk assessment. All methods used shall satisfy a detection standard recognised by the DfT.

Commentary

This new rule would allow airport operators to determine, within the requirements of EU common basic standards, the frequency and method for primary screening, re-screening and footwear screening on the basis of a risk assessment. It enables any method to be used, provided that it satisfies a detection standard recognised by the DfT e.g. ECAC, EU standards.

Example 2

Fictional UK More Stringent measure reads:

C8.1 Recruitment checks on staff

All staff working within the security restricted areas, shall be required to provide a criminal record certificate.

Where a person does not provide a valid criminal record certificate that person shall not be permitted to undertake security duties nor be given access to the security restricted area unless that person meets the alternative requirements to a criminal record certificate set out in Part C.

Where a person's criminal record certificate lists a conviction set out in Schedule 1 (*note: this schedule contains a detailed list and disqualifying offences and the disqualifying criteria*), and the Secretary of State has not issued a notice of exemption in respect of that conviction, that person shall not be permitted to undertake security duties nor have access to the security restricted area. The procedure and form to be used in applying for a notice of exemption is set out in Schedule 2.

Employers shall ensure that written confirmation is obtained from employers, educational establishments or other sources capable of verifying the information provided by the member of staff.

Where a person was self employed during any of the period covered by the check, written confirmation of the dates of the periods shall be obtained from independent accountants, solicitors or from the relevant government department or agency.

Where a person was registered unemployed during any of the period covered by the check, verification of such periods of registered unemployment shall be obtained from the relevant government department or agency.

Under an outcome-focussed, risk based approach this would be amended to read:

C8.1 Recruitment checks on staff

1. Subject to the requirements of the EU regulations, all staff undertaking security duties, or working in a security restricted area, shall pass a test which, in the opinion of the airport operator, sufficiently prevents a person with a criminal record from undertaking security duties. Details of the criminal record test, including the criteria used to assess staff, shall be made available to staff at the point that an application for employment is made.
2. Employers shall obtain, verify, record and retain confirmation of the employment or educational history, including any periods of self employment and unemployment, of all staff members undertaking security duties or working in a security restricted area. The information obtained shall be used to prevent a person who, in the opinion of the employer is unsuitable to undertake such work.

Commentary

This new rule will enable the directed parties to determine their own systems and processes for applying a test to the criminal history as part of the recruitment checking of airport staff. It removes several pages of detailed regulation. This rule would also provide employers with more flexibility as to how they verify the employment history of staff deployed on security duty or working in security restricted areas.

Employers will be in a position to make judgments on whether to deploy persons into particular roles on the basis of their assessment of the criminal history and employment history information. There is much published guidance on this, including from the Centre for the Protection of National Infrastructure, the Metropolitan Police Service and other reputable bodies such as the British Standards Institute.