



Issuing body reform for the aviation and maritime security identification card (ASIC and MSIC) schemes

**Regulation Impact Statement for
Second Pass Final Assessment
(OBPR ID: 24186)**

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1. Purpose

The Department of Home Affairs (the Department) has prepared this regulation impact statement (RIS) to analyse the impacts of proposed options for issuing body (IB) reform for the aviation and maritime security identification card (ASIC and MSIC) schemes.

Aviation and maritime transport infrastructure remain high-profile, high-impact targets for terrorists and serious crime. It is critical that the Australian Government (the Government) continues to address vulnerabilities in the ASIC and MSIC schemes to ensure Australia’s transport sectors remain secure. The IB reform aims to address a number of known vulnerabilities in the current IB model and strengthen the security outcomes for the ASIC and MSIC schemes.

In accordance with Government’s RIS requirements, this RIS proposes three options for the IB reform. Option one is to keep the status quo. Option two proposes a model based on no more than two private sector IBs, and Option three proposes the establishment of a single government IB. The below table outlines the timeline in the development of policy options and this RIS.

Table 1: Development of policy options and RIS—timeline

Time	Development of policy options and RIS	Key decision points
From January 2018	<ul style="list-style-type: none"> Reviewed administration of the ASIC and MSIC schemes Commenced development of potential policy options to strengthen the schemes Consulted OBPR on RIS requirements 	<ul style="list-style-type: none"> Not applicable
From December 2020	<ul style="list-style-type: none"> Undertook stakeholder consultation in light of the December 2020 report “Integrity of Australia’s border arrangements” released by the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity Developed draft RIS for early assessment and regularly engaged OBPR on RIS requirements 	<ul style="list-style-type: none"> Not applicable
From July 2021	<ul style="list-style-type: none"> Refined RIS to incorporate stakeholders’ feedback, including OBPR 	<ul style="list-style-type: none"> Submitted, to OBPR, RIS for early assessment. It is noted that following this process, a refined RIS will be submitted to OBPR for final assessment. Once the RIS process has been completed, the Department will seek the Minister’s agreement on proposed way forward to strengthen the schemes.

2. Introduction

2.1. The ASIC and MSIC schemes

The Government first introduced the ASIC scheme in 1998.¹ The scheme was then significantly enhanced following the September 11, 2001 terrorist attacks in the United States, with the introduction of the *Aviation Transport Security Regulations 2005* (ATSR).² The MSIC scheme was also established following the September 11 attacks, with the introduction of the *Maritime Transport and Offshore Facilities Security Regulations 2003* (MTOFSR).

The ASIC and MSIC schemes help protect the aviation and maritime transport system against acts of terrorism, unlawful interference and serious criminal influence and activities.³ The schemes help ensure that people who have authorised access to security regulated transport infrastructure are not a significant risk to the transport system. The schemes support transport security by requiring people who have an operational need for unescorted access to secure areas of security controlled airports, security regulated ports and other regulated facilities to have passed mandatory background checks. People who perform certain security related roles are also required to have passed mandatory background checks.

Under the schemes, applicants undergo:

- (i) a national security assessment conducted by the Australian Security Intelligence Organisation (ASIO),
- (ii) a criminal history check conducted by the Australian Criminal Intelligence Commission (ACIC),⁴ and
- (iii) an immigration check conducted by the Department, if required.

As at 30 June 2021, there are approximately 226,560 ASICs and MSICs on issue.⁵

To obtain an ASIC or MSIC, an application must be lodged with an IB authorised under the ATSR or the MTOFSR. IBs are responsible for performing certain administrative functions for the schemes, including identity verification, and the production, distribution and collection of cards.

Under the current ATSR and MTOFSR, an aviation or maritime industry participant may apply to the Secretary of the Department for authorisation as an IB.⁶ The application must be accompanied by an ASIC program or MSIC plan, which outlines the procedures that the IB will follow when performing its functions under the regulations. This ensures that IBs administer the schemes in a way that protects Australia's transport infrastructure and supports national security objectives. The ASIC program or MSIC plan must include details relating to: accepting applications; collecting, storing and destroying information; applying for background checks; and conducting ongoing quality assurance processes. In determining whether to

¹ The ASIC scheme was first established by the *Air Navigation Amendment Regulations 1998*, which amended the *Air Navigation Regulations 1947* (no longer in force) with effect from 1 December 1998. The scheme was incorporated into the ATSR in 2005.

² The incorporation of the scheme into the ATSR saw the introduction of certain key elements such as the requirement for a security assessment in addition to a criminal history check on the applicant, and record keeping requirements for the IBs.

³ On 16 June 2021, the Transport Security Amendment (Serious Crime) Bill 2020 (the Bill) was passed by Parliament and received Royal Assent on 27 June 2021.

⁴ With the passage of the *Transport Security Amendment (Serious Crime) Act 2021*, a criminal intelligence assessment will also be conducted in the future by the ACIC.

⁵ Previously, the total number of ASICs and MSICs on issue was around 250,000. However, the impact of COVID-19 has seen a reduction in aviation staff including those supporting ASIC processes, resulting in the reduction of the number of ASICs on issue.

⁶ Section 9 of the *Aviation Transport Security Act 2004* and section 10 of the *Maritime Transport and Offshore Facilities Security Act 2003* provide that contractors who provide services to port operators, port facility operators or ship operators are aviation or maritime industry participants under the Acts. This allows third party card providers, as aviation or maritime industry participants, to apply to the Secretary of the Department for authorisation as an IB.

authorise an IB application, the Secretary considers a number of factors, including if the authorisation would pose a threat to aviation or maritime security.

There are two mechanisms by which an authorisation as an IB may be revoked. The Secretary must revoke an IB's status if, in the Secretary's opinion, the IB's ASIC program or MSIC plan is inadequate, the IB is a threat to aviation or maritime security, or the IB does not comply with a direction of the Secretary, under regulation 6.19 of the ATSR or regulation 6.07W of the MTOFSR. To date, the Secretary has not revoked an IB under these provisions.

An IB's authorisation can also be revoked at the Secretary's discretion under regulation 6.19A of the ATSR and regulation 6.07X of the MTOFSR. The Secretary can make a decision under these regulations independently or on request of an IB. To date, the Secretary has only revoked an IB's status under these provisions where requested by the IB. Before making a decision under these provisions, the Secretary must consider a number of matters, including the number of cards the IB has on issue, and whether the IB has expressed a desire to remain as an IB. The Secretary may provide a decision within 30 days and must also consider the factors stated in regulation 6.19A of the ATSR or regulation 6.07X of the MTOFSR. If no decision is made within 30 days of the application, the Secretary will be taken to have refused the application to revoke.

2.2. The Issuing Body market

In September 2005, there were 188 IBs operating nationally. This included 147 security controlled airports with regular public transport (RPT) services that were required to become IBs by 31 December 2005.⁷ By 2010, there were 191 ASIC IBs. However, as 116 of these ASIC IBs did not issue ASICs, amendments were made to the ATSR that came into effect in November 2011 to allow these security controlled airport IBs to apply for their IB status to be revoked.⁸

In contrast to the ASIC scheme, port operators and other maritime industry participants have never been required to be MSIC IBs under the MTOFSR. As at 18 February 2011, there were 22 MSIC IBs.⁹

In 2018, there were 62 IBs (46 ASIC IBs, 13 MSIC IBs and three IBs that issued both ASICs and MSICs). In 2019, the number of active IBs reduced further from 62 to 37 due to the Department's implementation of enhanced cyber security standards in June 2019, which led to a number of IBs seeking to revoke their IB status and exiting the ASIC or MSIC market.

As at 19 August 2021, 37 IBs are authorised by the Department (24 ASIC IBs, 13 MSIC IBs and two that issue both ASICs and MSICs). This includes both government departments and agencies (the Department of Home Affairs, Airservices Australia and the Civil Aviation Safety Authority¹⁰) and private sector entities. The private sector IBs include employer IBs such as airline operators, facility operator IBs such as airports and maritime port facility operators and third party IBs that issue cards for profit and do not have a direct connection to the aviation and maritime sector. About 95 per cent of all current ASICs and MSICs are issued

⁷ Australian Government (2005) *An Independent Review of Airport Security and Policing for the Government of Australia*, September 2005, p. 23. Accessible online at <https://apo.org.au/sites/default/files/resource-files/2005-10/apo-nid1917.pdf>

⁸ Extract from Item 5.5 from the National Aviation Policy Statement—Aviation White Paper: Regulatory Impact Statement (RIS 10645), referred in Attachment C of the Explanatory Statement to Select Legislative Instrument 2010 No. 298. Accessible online at <https://www.legislation.gov.au/Details/F2010L03064/Explanatory%20Statement/Text>. See also Australian Government (2009) *National Aviation Policy: White Paper*, December 2009, p. 43. Accessible online at https://www.infrastructure.gov.au/aviation/publications/files/Aviation_White_Paper_final.pdf.

⁹ Commonwealth of Australia—Parliamentary Joint Committee on Law Enforcement (2011) *Inquiry into the adequacy of aviation and maritime security measures to combat serious and organised crime*, June 2011, p. 111. Accessible online at https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Law_Enforcement/Completed_inquiries/2010-13/aviation_maritime/report/index

¹⁰ A complete list of all IBs is included at **Attachment A**. CASA is legally designated as an ASIC IB under the ATSR but this IB is not operational and the Department of Home Affairs currently issues cards for CASA employees who have an operational need for an ASIC through their employment.

by private sector IBs. IBs vary greatly in size from those that have fewer than 300 cards on issue to those with over 30,000 cards on issue. A list of all authorised IBs is at **Attachment A**.

3. The problem

Attacks on the transport sectors have the capability to achieve a high number of casualties, economic damage and widespread disruption. There remains an enduring threat from ‘trusted insiders’ who may exploit their positions working in secure areas at airports and ports to commit criminal or terrorist acts. In Australia, there have been a number of such incidents, for example:

1. In August 2014, the Australian Federal Police commenced an investigation into the alleged importation of illicit drugs and smuggling of tobacco and cigarettes through the Sydney waterfront and maritime supply chain (using corrupt industry officials). In total, 17 people were charged and a quantity of tobacco, cocaine, cash, firearms and ammunition were seized, and approximately \$2.7 million of assets were restrained.¹¹
2. An employee of an airport service provider, based at Sydney Airport, used his airside access to remove two bags containing 38kg of methamphetamine from an aircraft’s luggage hold, and transferred them to a domestic flight for collection by another man. Both men were arrested in March 2019.¹²
3. On 11 June 2021, a trusted insider working for an air services company was arrested as part of Operation Ironside, which targeted organised crime syndicates, and was charged with drug trafficking and money laundering offences.¹³

This threat has also been demonstrated internationally, where terrorists have successfully exploited authorised positions at airports to commit terrorist acts. Examples include the crash of Metrojet KGL 9268 in Egypt in October 2015 and the Daallo Airlines explosion in Somalia in February 2016. The ASIC and MSIC schemes are a key line of defence against the threat of trusted insiders, and how IBs perform their roles is crucial in reducing risks to the aviation and maritime transport infrastructure.

However, the Department’s compliance activities have found non-compliance across each stage of the ASIC and MSIC issuing process, including identity verification, confirming operational need, card production and card return. During 2020–21, the Department completed 43 compliance activities and issued nine non-compliance notices requiring IBs to submit corrective action plans.

Examples of past non-compliance are also set out below:

1. Identity Verification

When strictly adhered to, the identity verification requirements ensure that the correct person is background checked and that all aliases are checked. However, compliance activity revealed a number of issues in operating practices including:

¹¹ Australian Federal Police Submission to the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity (2016) *inquiry into the integrity of Australia’s border arrangements*, December 2016, p. 5. Accessible online at https://www.apf.gov.au/Parliamentary_Business/Committees/Joint/Australian_Commission_for_Law_Enforcement_Integrity/Border_integrity/Submissions

¹² AFP Media releases, 7 March 2019 “Two arrested, meth seized at Sydney Airport following drug trafficking operation”. Accessible online at <https://www.afp.gov.au/news-media/media-releases/two-arrested-meth-seized-sydney-airport-following-drug-trafficking>

¹³ McKenzie, N. (2021) “Airport worker arrested and charged with drug trafficking and money laundering”, 11 June 2021. Accessible online at <https://www.smh.com.au/national/airport-worker-arrested-and-charged-with-drug-trafficking-and-money-laundering-20210611-p580c8.html>

- inconsistent identity verification practices,
- incomplete identity data being sent for background checking,
- the collection of insufficient or inaccurate identity information from applicants, and
- errors with manual data entry of identity information.

Vulnerabilities in identity verification could result in a background check being undertaken based on incomplete or inaccurate information provided by an IB and ASICs and/or MSICs being issued to individuals who may pose a threat to transport infrastructure.

2. Confirming Operational Need

IBs must confirm an applicant has an operational need to hold an ASIC and/or MSIC before they can issue a card. This includes confirming an applicant has an operational need for the specific type of ASIC and/or MSIC that they are proposing to issue.

Compliance activities have identified instances of IBs collecting insufficient evidence of an applicant's operational need to remain unescorted in security-sensitive areas of Australia's transport infrastructure. IBs have issued ASICs and/or MSICs despite insufficient information provided by the applicants to establish their operational need. The provision of insufficient information has resulted in the inappropriate issuing of ASICs and MSICs. This includes instances where:

- individuals without a genuine operational need have been issued an ASIC or MSIC,
- individuals have been issued an ASIC or MSIC without providing adequate details to determine whether they have a genuine operational need, and
- individuals with an operational need for an airport-specific ASIC have been issued an Australia-wide ASIC.

3. Card Production

Currently, there are 22 IBs that print ASICs and/or MSICs. Some IBs outsource card production to a third party provider. All IBs' ASIC programs and MSIC plans must contain substantial detail about the process of issuing ASICs and MSICs, including security and risk controls the IB will put in place for card production. Compliance activities have found poor security and storage of card production materials, inconsistent processes and incorrect card production across IBs. For example, some IBs keep extensive stock for card production but do not keep an inventory of the materials or quantity of cards produced. This poses an identity security risk where trusted insiders could obtain ASIC and MSIC stock to produce fraudulent cards that look genuine, without the missing card stock being noted. Some IBs did not print the cards in accordance with the approved form of an ASIC and MSIC. Some IBs were also found to have pre-processed security Kinegrams®¹⁴ onto cards prior to printing the cards, compromising the anti-tamper security feature.

4. Card Return

The ATSR and MTOFSR require holders of ASICs and MSICs to return their card to their IB when:

- the card has expired,

¹⁴ Kinegrams® are foil-based optical security devices which are applied to ASICs and MSICs. They can be used during a visual check to confirm the card is genuine.

- the holder is notified that it has been cancelled,
- the card has been damaged, altered or defaced, or
- the holder no longer has an operational need to enter the relevant secure area.

Failure to return the card within one month (ATSR) or 30 days (MTOFSR) carries a penalty of ten penalty units. Further, under paragraph 6.06(2)(l) of the ATSR and paragraph 6.07Q(2)(l) of the MTOFSR, IBs have an obligation to take reasonable steps to facilitate card return.

Compliance activities and annual reporting by IBs has consistently revealed that card return rates across the industry remain unsatisfactory.¹⁵ This poses a significant risk to the schemes where cards that are no longer valid remain in circulation and may appear to be genuine cards.

The risk profile of the ASIC and MSIC schemes is factored into the development of the Department's annual national compliance plan which sets out its transport security operational priorities. The operational priorities are not limited to the ASIC and MSIC schemes, and include aviation and maritime security risks more broadly. This risk-based approach enables operational resources to be directed to the highest priority security risks, which has uncovered widespread non-compliance in the ASIC and MSIC schemes. However, despite the Department's corrective actions in each case of non-compliance and penalty units applying for failure to comply with obligations under the ATSR and MTOFSR¹⁶, IB activities continue to be assessed by the Department as high risk.

While the Department has taken action to address each non-compliance, since 2018, the Department has observed an increase in the degree of non-compliance on a range of issues. For example:

- An IB was found to not have provided full legal names and aliases in applications for background checks for ASICs. This failure alone could have impacted on some 32,000 cardholders whose ASICs must be cancelled if they were not issued in accordance with the IB's ASIC program. Upon reconciliation of records, a number of cards were cancelled and affected applicants were required to lodge a new application and undergo a new background check to obtain a new ASIC.
- A number of IBs have not been compliant with cyber security standards. In 2018 and 2019, three issuing bodies were affected by cyber-attacks. The Department was advised that a localised portion of an IB's website had been accessed by an unauthorised entity. It was understood that key personal information of all card applicants was publicly available on the website. In 2020, several IBs have had large amounts of data exfiltrated and compromised with Nephilim ransomware.
- An IB was initially issued with a notice of non-compliance for a failure to adequately verify operational need. However, despite that, the same IB was later issued with an infringement notice for their continued failure to verify operational need.
- In 2019, more than 10,000 cards were found to not have been printed in accordance with the approved form of an ASIC and MSIC by two IBs.

It is clear that addressing detected non-compliance has not reduced residual risk and compliance activities alone will not effectively address the systemic vulnerabilities in the current devolved private sector IB led model.

¹⁵ The Department undertakes annual surveys from the IBs. For example, from the 2019–20 annual surveys, while a few IBs have achieved 100 per cent card return rate, some have less than 50 per cent return rate and many also failed to notify the Department of card cancellations within the required timeframe and maintain a high percentage of issued cards reported stolen or lost.

¹⁶ For example, failure to give effect to an ASIC program or MSIC plan carries a penalty of 50 penalty units. See regulation 6.07 of the *Aviation Transport Security Regulations 2005* and regulation 6.07R of the *Maritime Transport and Offshore Facilities Security Regulations 2003*.

4. Why Government action is needed

4.1. The current regulatory model needs Government's intervention

The current private sector IB model is a devolved regulatory regime with decision making powers for granting ASICs and MSICs devolved to various IBs across the country. There are inherent vulnerabilities in this model which impact on the integrity of the schemes.

1. Applicants achieve different outcomes

Different IBs currently use different application forms and apply different processes and standards in performing their IB functions. Applicants could exploit these differences by strategically choosing which IB to apply to in order to maximise their chances of being issued an ASIC or MSIC. In particular, when confirming operational need to hold a card, IBs, as the decision makers, have interpreted these standards in varying ways, resulting in individuals being issued an ASIC or MSIC incorrectly.

Inconsistencies also occur in other aspects of the ASIC and MSIC issuing process. IBs across the country have also been inconsistent in managing card returns, with many IBs achieving an unsatisfactory return rate. Further, not all IBs have the appropriate level of security for storing personal information, cards and card production materials. Many IBs outsource their printing to different third party providers, which creates a high risk of fraud, with card stock and printing undertaken across a large number of different facilities.

Under the current devolved IB model, IBs can impose varying restrictions to applicants when applying for an ASIC or MSIC, based on commercial considerations (for example a facility operator IB can limit the choices of an applicant who needs to access its facility by requesting the applicant only apply for the card from the IB operating from that facility). In other instances, a facility operator can enter into a commercial agreement with another IB, requesting applicants to only apply for cards from that particular IB if they require an ASIC or MSIC to work in that facility. This may result in additional burden to applicants and in some situations has led to additional costs to the applicants.

2. Personal data vulnerable to cyber attacks

Some IBs have automated the processing of applications while others still retain a fully manual paper-based process. Applicants' personal information is currently held across multiple IBs, in different systems, each with differing cyber security standards.

In 2019, all active IBs were issued a regulatory directive to upgrade their cyber security to meet, at a minimum, the Top Four of the Australian Signals Directorate Essential Eight, Maturity Level Three. The directive also requires IBs to undertake an independent cyber security audit of all electronic systems that contain ASIC or MSIC information every 12 months. While the Essential Eight is a valuable tool for measuring cyber maturity, it does not protect against all types of attack and cyber security remains a significant concern for the Government. Cyber attacks are increasing in sophistication, organisation and aggression, with many attacks supported by state-based and non-state actors. The cyber threat increases exponentially in a devolved private sector IB led model. The May 2020 incident mentioned in section three resulted in a large amount of data stolen from several IBs, including details on names, addresses, birthdates and tax file numbers of current and past employees.

3. Lack of control or oversight for the regulator

Given IBs are currently located across the country, the Department has built a national coordination centre to collect industry intelligence on ongoing performance of IBs and directs considerable resources to compliance activity. Maintaining the required presence across this devolved model, without oversight or control over the end to end process of issuing an ASIC or MSIC, depletes the Department of the necessary resources to target other areas of risk in the aviation and maritime sectors.

4. Limited ability to reform and innovate

Under the current devolved IB model, information regarding risks is held in multiple locations. There is no single repository of information, which is crucial to supporting future reforms and improving the Government's intelligence and law enforcement activities. If the devolved model remains, the Department's records on ASIC and MSIC holders may be incomplete, which may undermine the effectiveness of the Government's law enforcement and intelligence activities and limit potential future reforms to strengthen the schemes.

Government intervention is necessary to reform the current IB model and fundamentally address the systemic vulnerabilities.

4.2. Broad support for reform of the Issuing Body market

A number of Government and Parliamentary reviews and reports have recommended reforming the current IB model for the ASIC and MSIC schemes. In 2009, the *National Aviation Policy White Paper* stated that the "ASIC regime should be streamlined by reducing the number of issuing bodies". To improve the integrity and security outcomes of the schemes, the 2017 Senate Rural and Regional Affairs and Transport References (RRAT) Committee's *Inquiry into airport and aviation security*,¹⁷ and the 2011 Parliamentary Joint Committee on Law Enforcement's (PJCLE's) *Inquiry into the adequacy of aviation and maritime security measures to combat serious and organised crime*¹⁸ both recommended replacing the current ASIC and MSIC IBs with a centralised IB.

In addition to the PJCLE and RRAT inquiries, a number of other reports have identified weaknesses and vulnerabilities in the ASIC and MSIC schemes. In 2005, the Government released the *Independent Review of Airport Security and Policing for the Government of Australia* (the Wheeler Report), which identified a number of vulnerabilities in the ASIC scheme. These included risks relating to background checking processes and vulnerabilities in the issuing process for ASICs, including weaknesses in the identity verification process and issuing incorrect type of ASIC to applicants. The Australian National Audit Office (ANAO) released a report in June 2011, *Management of the Aviation and Maritime Security Identification Card Schemes*, which identified a number of risks in the administrative practices of the IBs responsible for the ASIC and MSIC schemes, particularly relating to the issue and manufacture of cards. The report highlighted that while the schemes prescribe mandatory standards for IBs, these standards are not being consistently met. It recommended reviewing whether the current arrangements provide an appropriate level of assurance that the schemes' requirements are being met.¹⁹

In December 2020, the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity released its report, *Integrity of Australia's border arrangements*, which recommended that the Australian Government review the overall administration of the ASIC and MSIC schemes to consider either a single issuing authority or a significantly reduced number of issuing bodies.²⁰

¹⁷ Commonwealth of Australia—Senate Rural and Regional Affairs and Transport References Committee (2017) *Inquiry into airport and aviation security*, March 2017, p. 72. Accessible online at https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Rural_and_Regional_Affairs_and_Transport/AviationSecurity45/Report

¹⁸ Commonwealth of Australia—Parliamentary Joint Committee on Law Enforcement (2011) *Inquiry into the adequacy of aviation and maritime security measures to combat serious and organised crime*, June 2011, p. 114. Accessible online at https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Law_Enforcement/Completed_inquiries/2010-13/aviation_maritime/report/index

¹⁹ ANAO, *Management of the Aviation and Maritime Security Identification Card Schemes*, Performance Audit, Audit Report No. 39, 2010–11, 5 May 2011. Accessible online at <https://www.anao.gov.au/work/performance-audit/management-aviation-and-maritime-security-identification-card-schemes>

²⁰ Commonwealth of Australia—Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity (2020) *Integrity of Australia's border arrangements*, December 2020, p. ix. Accessible online at https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Australian_Commission_for_Law_Enforcement_Integrity/BorderIntegrity46th/Report

4.3. International developments

Reforming the current IB model will better align the ASIC and MSIC schemes with international best practice, particularly with the practices of a number of Five Eyes partners. For instance, the United States (US) and Canada have well-established, centrally managed government run schemes. The Canadian Air Transport Security Authority has been managing and administering the Restricted Area Identity Card (RAIC) program for Canada's 28 major airports since 2002.²¹ The US Transportation Security Administration and the US Coast Guard have jointly been administering the Transport Worker Identification Credential (TWIC) program for security regulated ports and vessels since 2007. New Zealand's (NZ's) Permanent Airport Identity Card program is operated centrally by the NZ Government's Aviation Security Service. The United Kingdom operates a devolved model administered by individual airports.²²

5. Policy options

5.1. Option one: status quo

This option would involve no change to existing regulatory arrangements. The current devolved IB model with 37 authorised IBs would be retained and new IBs would be permitted to enter the market. There would be no change in regulatory burden associated with this option. The Department would continue with its current compliance plan and audit activities and IBs would continue to operate under a business as usual model. The risks and vulnerabilities outlined above would remain unaddressed.

The Department could increase the number of compliance activities against existing IBs under this option. However, as analysed in sections three and four of this RIS, greater enforcement would not address the systemic vulnerabilities associated with the current devolved private sector model.

5.2. Option two: no more than two private sector Issuing Bodies

Under this option, the current IB market would be reduced to no more than two private sector IBs to service both the ASIC and MSIC schemes with a pre-COVID market of approximately 250,000 cardholders. The Department would retain its ability to issue ASICs and MSICs to law enforcement officers and government officials. The Department would also continue to coordinate background checking and manage the discretionary review process.

The Department would employ a robust tender process in selecting the IBs.

Amendments to the ATSR and MTOFSR would be required to alter the process to become an IB and to limit the number to no more than two IBs. Further amendments could also be required to enhance the existing ASIC and MSIC schemes. Indicative regulatory amendments are detailed at **Attachment B**.

5.3. Option three: single government-run Issuing Body

Under this option, a single IB operated wholly by the Australian Government, through the Department, would be established to service the ASIC and MSIC schemes. The Department would retain its existing role in undertaking background checking and discretionary review processes and absorb the administrative functions performed by existing IBs. These functions would include facilitating the initial application for an

²¹ Transport Canada (2012) *Transportation in Canada 2011*, p.36. Accessible online at https://tc.canada.ca/sites/default/files/migrated/transportation_in_canada_2011.pdf

²² There are currently 62 airports in the United Kingdom with scheduled commercial airline services. It is unclear if all of them issue the required airport identification cards equivalent to our ASICs.

ASIC, verifying applicants' identity and operational need for a card and facilitating card production, distribution, return and destruction.

This option would see the Department's existing IB system and workforce up-scaled to service the entire ASIC and MSIC markets. The Department would receive applications via an online portal and confirm the applicant's identity and operational need. Given the Department would administer the scheme nationally, it would engage external providers and industry participants to perform the in-person verification of applicants' identification documents and/or produce, distribute and collect expired, cancelled and returned ASICs and/or MSICs. Providers would be selected under a rigorous sourcing strategy, which would include confirming their ability to adhere to the security requirements. Compliance with these requirements would be managed through contractual arrangements with the preferred supplier. Amendments to the ATSR and MTOFSR would be required to enable the IB. Amendments would also be made to enhance the current existing schemes to optimise security outcomes as provided under section 8.1 of this paper.

Existing IBs would be transitioned out of the ASIC and MSIC markets in a phased approach during a designated transition period. This period would commence after the public announcement of a final decision and after a rigorous consultation process with current ASIC and MSIC service providers. During the consultation process, the Department would develop individual transition plans with existing IBs.

These plans would seek to mitigate the risk that some IBs may exit the ASIC and MSIC markets earlier than anticipated. It is not anticipated that many would exit the market before the transition period, however, if an IB makes a decision to exit earlier, their cards on issue may be transferred to the Department's IB or, if the Department does not yet have the capacity to administer the cards on issue, to another private sector IB.²³

The Department has been rolling out improvements to its own IB business by upgrading system capability to integrate with broader whole of government capabilities and improving business processes. New departmental ICT systems will be gradually rolled out throughout 2021–22. This new ICT system, when completed, will provide a platform to support all ASIC and MSIC IBs to gradually integrate and migrate their applications and card holder records.

Establishment of a funding mechanism would be essential, if this option is to be implemented, to enable the full recovery of operating expenses incurred as part of the end-to-end ASIC and MSIC application and issuing process. Under the current model, the Department charges a fee of \$92.50 for the background checking service provided to all IBs, including itself, for each ASIC and MSIC application.

The Department has considered three possible funding mechanisms for this option, including:

- (i) a 100 per cent cost recovery mechanism through an industry-specific levy (tax);
- (ii) a partial cost recovery mechanism, via a fee-based approach consistent with the Australian Government Charging Framework; and
- (iii) a mechanism that includes fee-based cost recovery for background checking and a commercial charge as a short term funding mechanism for the transition period, with a longer term funding mechanism to be decided at later stage.

A commercial charge proposal would need to be consistent with Australian Government's Competitive Neutrality policy for the transition period. The third mechanism would be the preferred funding mechanism for this option. This would ensure the Department does not receive any net competitive advantages (although not all IBs issue cards for profit) over the transition period by virtue of public sector ownership. After the

²³ As previously mentioned, revocation of IB status by Secretary's discretion or revocation for cause under the ATSR and the MTOFSR all attract a process of consideration of multiple factors by the Secretary. The exit of an IB does not take effect immediately and would allow time for the Department to consider related matters such as transferring records and cards on issue.

transition period, the Department, as the single IB, would be servicing the entire ASIC and MSIC market. The commercial charge would be reviewed after the transition period to ensure the competitive neutrality principles continue to be met and the commercial charge would not be higher than or equivalent to the pre-transition market average.

6. Benefits and costs of Option one

6.1. Option one benefits

This option would provide the lowest net benefit as there would be no reduction in the risk to the schemes and it does not address the vulnerabilities and issues with the current IB model.

6.2. Option one costs

This option would have minimal industry impact and there will be no direct costs or increased regulatory burden associated with this option. However, the unanticipated indirect costs could be much higher for both business and the Australian community if the current vulnerabilities in the schemes are exploited by criminals or terrorists.

Costs to individuals

Under this option, current cardholders would continue to access services from their existing IB. Card costs would continue to be set by their IB.

Regulatory cost

Continuing the status quo means there will be no change to existing regulatory costs to businesses, individuals or community organisations.

Table 2: Average annual regulatory costs—Option 1

Average annual regulatory costs (from business as usual)				
Change in costs	Businesses	Community organisations	Individuals	Total change in costs
Total, by sector	\$0	\$0	\$0	\$0

7. Benefits and costs of Option two

7.1. Option two benefits

Security outcomes

Moving to a two private sector provider IB model would provide more centralised management of the ASIC and MSIC application and issuance processes. This option would also provide better security outcomes than option one.

This option would increase consistency and quality assurance in applicant identity verification. It would deliver more accurate background checking, helping to prevent people circumventing the application process. Standardised and centralised management would also strengthen identity security outcomes through: enhanced protection and oversight of personal information; strengthened practices for confirming

operational need; increased consistency in card production standards; and the provision of greater oversight and management of card returns.

This option would provide the Department with a greater ability to ensure consistency in operating standards than maintaining the status quo. The Department could also focus its regulatory engagement on the two private sector IBs. While the Department would ensure a strong compliance focus under this model, compared with Option three, there is still a risk that instances of non-compliance which compromise security standards may still occur.

Noting the volume of cards in operational use and their importance to Australia's comprehensive framework for safeguarding critical infrastructure, it is critical that the IB model ensures the needs of the market can continue to be met into the future. Reducing the market to two private sector IBs may introduce new risks and provide a lower level of assurance that cardholders across Australia would have timely and reliable access to an IB to apply for a card compared to option three, where the Department would ensure the national footprint for the schemes is maintained. In the event that one of the IBs exits the market, applicants may be impacted by delays to application processes or an inability to obtain a card due to capacity constraints.

Service delivery

Under this option, applicants from around Australia would receive a more consistent level of service than Option one. However, this option would not provide the same benefits that can be provided through a single streamlined IB service run by government and closely integrated with background checking services.

An initial tender process would be required to select the two private sector IBs, noting a risk that there could be a low number of suitable tenderers or even no tenderers. In the event that there are two private sector IBs selected, a periodic tender would be required to ensure a high level of service delivery and market cost is maintained by the two private sector IBs. The two private sector IB model may provide market innovation and competition to deliver a preferred service to applicants. This competition may drive service enhancements that provide efficiencies to applicants and cardholders.

However, Option two, compared with Option three, would not provide the same foundation for improved identification outcomes, for example, through leveraging the use of biometrics. Private sector IBs can be required to collect applicants' biometric information for facilitating background checks with relevant government departments. However, government departments are the only authorities that can verify and authenticate the biometric information, and have access to other biometric data held by like-minded partners.

Competition between the two providers and periodic retendering of the IB market may also drive down card costs for applicants. However, it is unlikely that competition between providers under Option two would drive down costs sufficiently to make it a more cost effective option for applicants than Option three.

7.2. Option two costs

Regulatory amendments

Similar to the single IB model, this option would adopt funding mechanism three—fee-based cost recovery and commercial charge—which will be supported by any required amendments to the legislation or regulation. There would also likely be different changes required, compared to Option three, to enable the establishment of the two private sector IB model instead of a single government IB model. See indicative proposed regulatory amendments at **Attachment B**.

Costs to individuals

The cost of an ASIC or MSIC is not currently regulated by the government and the cost of a two-year card (ranging from \$220 to \$285 in accordance with publicly available costs) is met either by cardholders or their employers in the case where the IBs are employers and/or facility operators. These arrangements may change for employees, as a result of a decision by their employer to pass on the costs to individual

employees. Under this option, the cost of a card to applicants could be capped through contractual arrangements with the successful tenderers, following a competitive selection process. The cost of the card could also be reviewed by Government periodically. This would encourage competition between the two private sector IBs and ensure there would be no unnecessary increase in card prices to applicants or their employers.

Cost to industry (businesses)

Current IBs are required, under the ATSR and MTOFSR, to maintain records for audit purposes. Given this existing requirement, IBs should already have their records managed and stored systematically. This should ensure existing IBs can transfer their records to the new IBs with minimal inconvenience or cost.

Under the current arrangements, existing IBs that are employers may have found cost efficiencies by issuing cards to their own employees, rather than outsourcing this service. It is estimated that six employer IBs may be issuing cards to their staff at cost. These IBs are (i) Cobham Flight Operations, (ii) Qantas, (iii) Toll Priority, (iv) Virgin Australia, (v) DP World; and (vi) Patrick Corporation. Under Option two, costs may rise for these businesses. The exact cost impact for each of these businesses would depend on a number of variables such as the cost of their current business operations, the future card costs charged by the successful tenderers and whether they would pass on the card costs to their employees.

For this option, the potential overall revenue loss for private sector IBs would be similar to Option three, with the exception that existing IBs could choose to tender to become one of the two market IB providers. As the schemes would broadly continue to operate under the existing regulatory framework, the Department considers there would be minimal additional regulatory burden for the two IBs under the proposed model.

Regulatory cost

The establishment of two IBs would not bring major changes to individuals in engaging in the ASIC and MSIC application process and fulfilling cardholder obligations. Based on feedback received from government and private sector stakeholders, it is estimated that there would be reduction in regulatory costs per annum,²⁴ resulting from reduced compliance related activities such as record keeping and meeting cyber security requirements.

Table 3: Average annual regulatory costs—Option 2

Average annual regulatory costs (from business as usual)				
Change in costs	Businesses	Community organisations	Individuals	Total change in costs
Total, by sector	-\$1,261,920 or -\$1,081,920 or -\$1,171,920	\$0	\$0	-\$1,261,920 or -\$1,081,920 or -\$1,171,920

²⁴ Reducing the current IB model into two private sector IBs is estimated to require approximately 50 staff to operate the schemes in total. Based on feedback from some IBs, it is estimated that it costs \$10,000 per annum to set up the required system that meets the Government's cyber security requirements and maintain/upgrade it. It is unlikely that every IB spends the same amount (lower especially for some that retain manual processes and a little higher for those IBs that have more sophisticated systems to integrate). An estimate of one working day (eight hours) per month is used for each employee (it is roughly estimated that about 200 employees are currently employed by existing issuing bodies to perform IB duties) to complete all compliance related activities such as reporting, auditing, risk planning and so on. The majority of IBs (30 out of 32) do not issue ASICs and/or MSICs as their core businesses. A number of larger IBs are also facility operators that issue their staff with cards for their own facilities. Repurposing their system elsewhere in their operations is estimated to be a viable solution. The estimated reduction in regulatory costs under option 2 would depend on the two IBs to be selected. If those two IBs are able to repurpose their existing equipment/system easily, estimated annual reduction in regulatory costs is \$1,261,920 (\$1,632,560 - 50 x 8 x 12 x \$73.05 - \$10,000 x 2 = \$1,261,920). If the two selected IBs are both from current businesses that already issue ASICs and/or MSICs as their core business, the estimated annual reduction in regulatory costs is \$1,081,920 (\$1,632,560 - 50 x 8 x 12 x \$73.05 - \$100,000 x 2 = \$1,081,920). In the scenario where two selected IBs are from each category respectively, the estimated annual reduction in regulatory costing is \$1,171,920 (\$1,632,560 - 50 x 8 x 12 x \$73.05 - \$10,000 x 1 - \$100,000 x 1 = \$1,171,920).

8. Benefits and costs of Option three

8.1. Option three benefits

The establishment of a single government run IB would provide the highest security outcomes of the three options. It would provide the government with complete oversight of the schemes' operations and ensure full control over identity enrolment and card management processes. It would establish a single and consistent application of policy, assurance and service delivery.

Security Outcomes

This option would enhance the Government's ability to respond to threats posed by potential trusted insiders and strengthen the identity security outcomes of the ASIC and MSIC schemes. This option would also mitigate the risks exposed by the vulnerabilities in the current IB model, including:

1. Identity Verification

A single government IB would ensure that a consistently high standard of identity verification is performed for all applicants. This would ensure sufficient information is received from applicants, employers and facility operators so that accurate and thorough background checks could be conducted. This would provide greater assurance that individuals who are issued ASIC and/or MSICs are not a significant risk to transport infrastructure and operations.

2. Confirming Operational Need

A single government IB would ensure a nationally consistent approach to operational need, ensuring that facility operators and employers have greater control over who is issued ASICs and/or MSICs for their facility. The approach mitigates the risk of cards being issued for specific facilities without their knowledge or consent and gives the government greater assurance that operational need is verified.

3. Card Production

Under this option, a single third party provider would be engaged to securely print all two-year ASICs and two to four-year MSICs. Standardised and centralised management of the ASIC and MSIC production process would strengthen identity security outcomes through increased consistency in card production standards. The single government IB model would also deliver improved card inventory, record keeping and security measures for card stock and other equipment, enhancing the government's ability to identify missing card stock and mitigate potential production of fraudulent cards.

4. Card Return

Under this option, cardholders would still be required to return expired, cancelled or damaged ASICs and/or MSICs. Single government IB would implement a "one-in-one-out" process to ensure that cardholders could only receive their new card once the old card has been returned. This would significantly reduce the number of expired, cancelled and damaged cards that remain in circulation, also reducing the risk that these cards could be used fraudulently.

Regulatory management of the ASIC and MSIC schemes could be also be streamlined, which would reduce the industry's compliance burden. This would also enable the Department to increase efforts on other activities that pose the highest risk to Australia's critical infrastructure. In addition, law enforcement, national security and the Department's intelligence and information holdings could be improved by enabling access to a single database containing details of the schemes' operations.

The reform would also provide a strong foundation for future innovation. For example, consideration could be given as to whether biometrics could assist in further strengthening the ASIC and MSIC processes by improving initial identification of card applicants and biometrically verifying applicants against available criminal history. A single government IB would ensure any biometric holdings would be stored securely and could provide the level of control and oversight needed to maximise the benefits.

Service delivery

Enhancements to the Department's existing ASIC and MSIC end-to-end application process would incorporate a high level of automation to align with industry best practice and meet customer needs. These enhancements would provide a greater level of assurance and could be built at scale to service the entire ASIC and MSIC market. Certain elements such as in-person identity verification, card production, and distribution could be outsourced—to leverage industry capability and expertise and deliver an optimum service to applicants. Alternatively, certain employer(s) and/or agent(s) may be appointed by the Department.

A key criteria for the provider—which may include the appointed employer(s) and/or agent(s)—would be to ensure that, at a minimum, the current geographic footprint of the ASIC and MSIC schemes is maintained and that industry-based employers and facility operators continue to be involved in the ASIC and MSIC issuing process. This would ensure applicants are not negatively impacted when obtaining their cards and that applicants are issued with the correct card that corresponds to their specific operational need.

To ensure that the vulnerabilities that exist within the current model are not replicated through these outsourced providers, the Department would undertake robust sourcing and contract management practices. Service providers would be sourced to ensure consistency of practice across the country and strict security procedures would be mandated through the contractual arrangements. To mitigate potential compliance concerns and security risks associated with contracting third party providers, the Department also envisages that it would conduct regular audit activities to ensure that any third party service provider is complying with the requirements in the ATSR and MTOFSR. Potential security risks would also be mitigated by ensuring that contracts with third party service providers include robust security protocols for the storage of ASIC and MSIC material and that card distribution and destruction are performed securely.

Applicants from around Australia would be treated equally and would have access to information and services (including helpdesk access) in one place. Under a single government IB model, the number and type of application processes would also be significantly reduced with a single streamlined application portal.

This option would provide greater benefits to cardholders than current arrangements where applicants may be required to apply for multiple ASICs and MSICs to access specific airports or ports. For example, if an applicant wants to be hired by an airline, the airline will often require the individual to have an ASIC issued by the airline. This means that if the applicant decides to work for another company or airport, they would need to apply and pay for a new card. Under the single government IB model, the applicant would only be required to hold one card.

A single government run IB would also provide greater security for personal information given it would be held in a single location within the Department. The IB would be closely integrated with background checking services that are already securely located within the Department. This would provide efficiencies over non-government IBs, which are required to undertake an additional step by interacting with the Department's background checking services as part of the application process.

8.2. Option three costs

Regulatory amendments

This proposal under Option three (which adopts mechanism three—fee-based cost recovery and commercial charge) would be supported by any required amendments to the *Aviation Transport Security Act 2004*, *Maritime Transport and Offshore Facilities Security Act 2003*, the ATSR and/or MTOFSR.

Amendments to the ATSR and MTOFSR would be required to enable the IB, and to enhance the existing ASIC and MSIC schemes. **Attachment B** provides a non-exhaustive list of examples of the type of regulatory changes that would be required. These amendments would be required to deliver the benefits described at section 8.1.

Costs to individuals

Based on publicly available pricing, the full cost of an industry sourced two-year ASIC ranges from \$220 to \$285, while the full cost of an industry sourced two-year MSIC currently ranges from approximately \$225 to \$275. The cost of a four-year MSIC currently ranges from \$350 to \$500. These costs are not regulated by the Government and are set by individual IBs. Card costs are currently met by the cardholders or their employer(s). Under the proposed arrangements, the cost for two-year ASICs and MSICs would be approximately \$230 to \$250, while the expected cost for a four-year MSIC would be approximately \$300 to \$410. Many of the employer and facility operator IBs issue free cards to their employees, while absorbing card production and background checking costs. Depending on individual employers' business decisions, these new costs may or may not be passed on to individuals.

Cost to industry (businesses)

IBs may need to make changes to their existing systems and processes to ensure all new ASIC and/or MSIC applications can be transitioned to the single government IB. This may include amending standard operating procedures and processes, and adapting to a new system. A number of smaller IBs have already indicated their intention to withdraw from the market in the near future.

Many IBs are employers and/or facility operators that provide IB services as an ancillary part of their business. It is anticipated that employer and facility operator IBs would support the proposal as it would allow them to focus on their core business operations and other strategic priorities. However, if these IBs were to continue to absorb the costs for their employees, there is a possibility that the new costs could be higher than what they have already incurred under the existing model.

It is assumed that the 19 IBs that are facility operators are currently making some return from their IB services. These businesses have varying price schedules for ASICs and MSICs, which many publish on their websites. An estimate of the combined annual gross margin for these businesses is around \$6 million, with adjustment for inflation. This estimate has been calculated by multiplying the average number of cards issued annually by each IB by the current fee per card charged by the IB,²⁵ and then deducting the AusCheck background checking fee²⁶ per application. This gross return does not take into account any other costs that a business may incur as part of its IB operations—such as labour and equipment costs and other overheads—as such costs vary across the IBs.

There are seven private sector IBs, which currently operate on a commercial basis and run the IB function as a significant business revenue stream. Two of them run the IB function as their sole business. These businesses could experience annual profit loss under this option. However, if the government fails to act to address the vulnerabilities in the current IB model, the cost of a security incident would be far greater for both businesses and the Australian community.

Indicative reporting by some issuing bodies suggests an estimate of up to 200 people are directly employed by existing issuing bodies to perform IB duties, and could be affected by the reform. It is not possible to determine the exact number of staff who may be impacted, as the Department does not have the power to compel IBs to share this information. Staff who currently work for third-party operators—estimated at around 50 people—could face unemployment if their employer is required to exit the market. However, the impact on staff depend on the commercial decisions each business makes following the announcement of the reform

²⁵ For facility operators that do not publish their card fees online, an industry average of \$250 has been used to calculate this estimate.

²⁶ The background checking fee for ASIC and 2 year MSIC is \$92.50 and for 4 year MSIC is \$186.50.

and many IB staff could be redeployed to other duties within their organisation. The impact of COVID-19 has already seen a reduction in aviation staff including those supporting ASIC processes.

An IB would also incur costs if it is forced to close entirely or close parts of its operations. These costs may include concluding ongoing contracts (including leases), collecting any debts and paying creditors, settling legal or tax obligations, selling business assets, filing necessary tax returns and financial accounts and arranging for any utilities (such as water, internet and electricity) to be disconnected. It is anticipated that this would be a significant impost on some businesses if they are forced to close entirely or close parts of their operations. However, the Department cannot quantify these costs as it does not have the power to compel IBs to share their relevant business details.

The Department would ensure that the transfer of records from existing IBs to the government IB is completed with minimum inconvenience to the existing IBs. The Department would also prepare a robust communications strategy to guide the existing IBs through the transition. This would include targeted ongoing engagement to develop individual transition plans with each IB to ensure a smooth transition for both business and cardholders.

Regulatory cost

Under this option, there would be no major changes to the way individuals engage the ASIC and MSIC application process and fulfil cardholder obligations. With the reduction of IBs into one single IB model, deductions in regulatory costings arise from reducing business compliance costs from all other current IBs.²⁷

Table 4: Average annual regulatory costs—Option 3

Average annual regulatory costs (from business as usual)				
Change in costs	Businesses	Community organisations	Individuals	Total change in costs
Total, by sector	-\$1,632,560	\$0	\$0	-\$1,632,560

9. Consultation

The Department has been engaging all government and industry stakeholders through various channels (teleconferences, meetings and industry-wide invitation for written submissions), since December 2020. A full list of stakeholders consulted is at **Attachment C**. The proposed options considered in this RIS were developed following the consultations so far, and will continue to be refined as further feedback is received. The initial consultation concluded at the end of July 2021. Further engagement is planned to cover detailed discussions regarding implementation of the changes, once a final decision is made by the Government. Proposed consultation activities are provided in the table below.

²⁷ This costing applies the same assumptions as that of the Option two. In addition, two IBs (out of 32 IBs) currently perform IB functions as their sole business, in which case, repurposing the system might be difficult or they may consider selling. Whilst the Department do not have the exact figures, based on feedback from some IBs, a generous estimate is made here that some \$100,000 may be counted towards each of the two IBs in acquiring the system/equipment and maintaining it annually. With the total number of industry IB being 32, the annualised deregulatory figure is estimated to be \$1,632,560 ($\$10,000 \times 30 + 200 \times 8 \times 12 \times \73.05 (OBPR default hourly rate) + $\$100,000 \times 2 = \$1,632,560$).

Table 5: Proposed consultation activities

Proposed consultation activities	Timing
Depending on the final decision, consultations will continue with all IBs regarding: <ul style="list-style-type: none"> • plan data migration and transition • negotiate exit plan for each IB • prepare exit schedule 	From August 2021
Develop and consult on communication materials for IBs and customers	From February 2022
Expected transition to commence	From May 2022
Expected conclusion of the project	From July 2023

The key questions put to stakeholders in consultations to date include the following:

- How would a move to a single issuing authority, or a significantly reduced number of issuing bodies for the ASIC and MSIC schemes, impact your activities?
- What benefits would a single issuing authority or a significantly reduced number of issuing bodies bring?
- What do you see as the challenges of moving to a single issuing authority or a significantly reduced number of issuing bodies?
- What transitional issues should the Department be made aware of in addressing Recommendation three of the report [“Integrity of Australia’s border arrangements”](#), from the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity²⁸? For example: What would be a reasonable timeframe to transition to a single issuing authority or a significantly reduced number of issuing bodies?
- What improvements to security outcomes, costs to industry operations and changes in operating risk might you anticipate under a single government issuing authority, or a significantly reduced number of issuing bodies?

Commonwealth Government stakeholders overall supported the proposal to reduce the number of IBs for the schemes. However, they noted the establishment of a single IB may have some inherent risks around ensuring ongoing successful service delivery. They raised concerns around whether the IB would be well equipped to ensure timely processing of ASIC and MSIC applications, and deliver services in a cost effective way, including not increasing the cost to applicants and/or employers to obtain an ASIC or MSIC.

Industry stakeholders welcomed the opportunity to provide feedback. More than 80 percent have responded, either in writing or through meetings. Industry stakeholders acknowledged the findings from the reviews and report recommendations, with the majority viewing a single IB model as being beneficial—“Less is better, as long as the IB is one stop”.²⁹ Some IBs reported they are already in the process of phasing out their services and removing their IB status. While current compliance burden is commonly viewed as not onerous, many IBs welcomed the removal of some of the existing regulatory burden.

The majority of the responded IBs did not oppose the proposed reform. While nine IBs expressed dissent towards the proposed reform, most of them did acknowledge that a single issuing body is likely to provide national consistency, better oversight for the regulator and better security outcomes. Not one IB stated that the current devolved issuing body model would provide stronger security outcomes than a single issuing body model. Most concerns expressed by IBs (including those opposing and supporting the proposed reform) related to operational matters. This included costs and timeframes for IBs to transition, potential

²⁸ Late last year, the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity (PJCACLEI) released their [“Integrity of Australia’s border arrangements”](#) report. In particular, pages 65 to 69 directly relate to the aviation and maritime security identification card (ASIC and MSIC) schemes’ operation and administration. The Committee noted evidence from all border and law enforcement agencies that highlight the current devolved model’s inherent vulnerabilities.

²⁹ Quote from one IB’s comments.

changes to cost structures, service levels for processing applications and access controls for multiple airports under a single IB model. The Department will work closely with industry stakeholders to co-design the detailed operating model to mitigate these operational concerns and minimise potential risks to industry.

IBs also estimated different time periods they would need to transition to a single government IB model, ranging from 12 months, 12 to 18 months, 18 to 24 months and more than 24 months. The Department will adopt a phased approach to transition, working with each IB to develop a plan that would accommodate their business needs.

Industry put forward key security concerns with the proposed reform:

- the robustness of the IB system and whether a centralised IB system may increase the risk of being a target for cyber-attacks given the centralisation of personal data, and
- whether, under a centralised IB system, there may be loss of oversight of information related to access controls and/or physical security which is currently available to the IBs due to their integrated IT systems.

The Department has noted those concerns and would continue to work closely with the industry. It has been made clear to them that reforming the current model would occur through a co-design process where industry's concerns will be factored into any planning and implementation of a new IB model.

10. Delivering the highest net benefit through the preferred option

Option three would provide the highest net benefit to security outcomes for the transport infrastructure in Australia for the reasons outlined in section 8.1 of this RIS. The preferred option would establish a single and consistent application of policy, assurance and service delivery to fundamentally address systemic vulnerabilities in the current devolved IB mode.

Specifically, a single government IB model is preferred to other options for the following reasons:

- The option would standardise identity verification for all ASIC and MSIC applicants across Australia, ensuring that all applicants are correctly verified before being background checked,
- A single government IB would ensure a nationally consistent approach to verifying operational need, ensuring that facility operators and employers have greater control over who is issued ASICs or MSICs for their facilities,
- Standardised and centralised management of the ASIC and MSIC production process would strengthen identity security outcomes through increased consistency in card production standards and improved security measures for card stock and other equipment. This would enhance the government's ability to ensure that cards are printed correctly and ensure that missing card stock and the potential production of fraudulent cards is identified and reported, and
- The government would have greater confidence that cyber-security standards for the ASIC and MSIC schemes are being met, mitigating the risk of threats to aviation and maritime transport infrastructure from cyber-attacks.

In addition, the Department is confident in its ability to design a business operating model for a single government IB that mitigates identified industry concerns, noting that as part of the stakeholder consultation, no IB stated that the current devolved IB model would deliver better security outcomes than the preferred option. The Department will co-design the operating model with the aviation and maritime sectors to mitigate

risks and implement a suitable transition period to ensure that a single government IB model is designed to mitigate potential business risks.

Option three would provide the government with complete oversight of the schemes' operation and ensure the systemic vulnerabilities in the current model are mitigated. Therefore, despite some impacts on individuals and businesses under this option and the requirement to amend relevant regulations, the Department advises that Option three would provide the highest net benefit.

11. Implementation and evaluation

Once the final decision is made by the Government on a preferred option, the Department would work with stakeholders to develop an implementation plan that includes the following.

- Consultation with existing IBs to co-design the detailed operating model for the chosen option. Engagement with affected industry stakeholders will then continue throughout the implementation period to ensure a smooth transition.
- Development of communications materials for ASIC and MSIC cardholders and future applicants to ensure they are aware of the changes to the schemes and understand the implementation timeframes. These would include information on how and where applicants can lodge their applications, where they can attend an in-person identity verification, card costs and the process for collecting a card if their application is successful. Relevant information would also be provided to facility operators and employers to support them in communicating the changes to their staff.
- Website updates to ensure relevant information is available for stakeholders.

Post-announcement of the Government decision, the Department would engage and work with IBs to plan and agree how they will be transitioned to the new model and seek their views about how best to implement the reform. This would ensure stakeholders' views, including any dissenting views, are taken into account and sufficiently mitigated before the transition commences and would also ensure the transition process provides minimal disruption to the aviation and maritime sectors.

Consultation with each IB would seek to understand their current circumstances in determining an appropriate order for IBs to exit the market. Consideration could be given to the type, size and current business operations of the existing IBs. Careful consideration of these factors would increase the likelihood of a smooth transition that prioritises continuity of service for applicants. The implementation risks and mitigation strategies for each of these factors are outlined as follows:

1. Types of IBs

Each type of IB will face different challenges when transitioning out of the market due to their specific characteristics. For example, employers IBs currently link the cards to their payroll systems, the facility operator IBs link the cards to their access controls and third party IBs perform the IB functions as their core business. The Department would develop an exit schedule tailored to each IB, or cohort of IBs, to ensure the stability of the schemes could be maintained while providing IBs with sufficient time to prepare for the changes.

2. Volume of cards on issue

The Department would work with industry in determining an optimal transition time for each IB.³⁰ Consideration would be given to the volume of cards issued by each IB to ensure IBs under the new

³⁰ As at 30 June 2021, there is a combined total of 226,560 ASICs and MSICs on issue, including ASICs and MSICs managed by the Department.

model have been sufficiently scaled-up to handle the anticipated number of applications that would be received.

3. IBs that have outsourced administrative functions to another IB

In circumstances where an IB performs an administrative function for another IB, the Department would consult industry on an appropriate transition timeframe. This ensures that IBs could continue to source these services and operate until they are transitioned to the new model whilst also ensuring the continuity of service is maintained for cardholders.

4. IBs that service rural and regional Australia

Before transitioning IBs that currently service rural and regional Australia, the Department would develop a sourcing strategy and undertake a rigorous procurement process to select third party service providers that could provide in-person identity verification, card production, card distribution and card return services in these areas.

An indicative implementation schedule is at **Attachment D**.

The Department would work with the industry to develop and establish the systems, business processes and workforce that would be required for the new model.

If the new model is a single government IB, to ensure the single IB is operationally ready to start receiving applications from the public, the Department would:

- complete IT system development, with the system ready to receive applications,
- establish system connectivity, with system accounts provisioned to facility operators and employers of cardholders to enable them to confirm operational need through the system,
- undertake internal workforce planning, recruitment and training of staff, and
- execute contractual arrangements with third party service providers to establish agreed processes and procedures to ensure providers are ready to commence providing services.

In conjunction with business development, the Department would also progress necessary legislative reforms to establish the long term funding mechanism for the single government IB model, as well as other regulatory changes designed to support implementation and establish the future regulatory framework.

Once the final transition plan and exit schedule for each IB has been established, cardholder data and records would be migrated from each IB. It is expected that existing IBs would exit the market in a staged approach. After the IB reform has fully been implemented, the Department would develop a plan to evaluate the success of the transition process, and the new IB model.

Attachment A: List of authorised issuing bodies

Table 6: List of authorised issuing bodies as at 30 June 2021 sorted by number of cards on issue

	Scheme	Name	State	Type	Cards on issue
1)	ASIC/MSIC	Veritas Engineering Pty Ltd	WA	Third party	54,143
2)	MSIC	1-Stop Connections Pty Ltd	NSW	Third party	23,328
3)	ASIC	Qantas	NSW	Employer	22,830
4)	ASIC	Aviation ID Australia Pty Ltd*	NSW	Third party	22,345
5)	ASIC	Sydney Airport Corporation	NSW	Facility Operator	11,789
6)	ASIC	Melbourne Airport	VIC	Facility Operator	8,257
7)	MSIC	Pilbara Ports Authority	WA	Facility Operator	7,885
8)	MSIC	ClientView Pty Ltd	SA	Third party	7,781
9)	MSIC	Fremantle Port Authority	WA	Facility Operator	7,426
10)	ASIC/MSIC	Department of Home Affairs	ACT	Government Employer	6,457
11)	ASIC	Airport Security/Security ID	WA	Third party	6,244
12)	ASIC	Brisbane Airport Corporation	QLD	Facility Operator	6,124
13)	ASIC	Perth Airport	WA	Facility Operator	5,120
14)	MSIC	Port of Brisbane	QLD	Facility Operator	4,782
15)	ASIC	Virgin Australia Airlines Pty Ltd	QLD	Employer	4,550
16)	ASIC	Airservices Australia	ACT	Government Employer	3,828
17)	MSIC	Gladstone Ports Corporation	QLD	Facility Operator	3,588
18)	MSIC	Southern Ports Authority	WA	Facility Operator	3,003
19)	MSIC	DP World	NSW	Employer	2,056
20)	ASIC	Queensland Airports Limited	QLD	Facility Operator	1,850
21)	ASIC	Adelaide Airport	SA	Facility Operator	1,632
22)	ASIC	Cairns Airport	QLD	Facility Operator	1,604
23)	MSIC	Atlas Professionals	WA	Third party	1,430
24)	MSIC	Patrick Corporation	NSW	Employer	1,392

	Scheme	Name	State	Type	Cards on issue
25)	MSIC	Mid West Ports Authority	WA	Facility Operator	1,347
26)	ASIC	Aerodrome Management Services Pty Ltd	WA	Third party	1,205
27)	ASIC	Toll Priority	NSW	Employer	983
28)	ASIC	Canberra Airport	ACT	Facility Operator	967
29)	ASIC	Cobham Aviation Services	SA	Employer	928
30)	ASIC	Hobart Airport	TAS	Facility Operator	607
31)	ASIC	Newcastle Williamtown Airport	NSW	Facility Operator	398
32)	ASIC	Maroochydore Airport	QLD	Facility Operator	276
33)	ASIC	Mackay Airport	QLD	Facility Operator	235
34)	ASIC	Hamilton Island Airport	QLD	Facility Operator	200
35)	ASIC	Civil Aviation Safety Authority	ACT	Government Employer	0
Total					226,560

* includes CASA renewals— 3,659

Attachment B: Indicative proposed regulatory amendments

The table below outlines examples of the type of regulatory amendments to the *Aviation Transport Security Regulations 2005* (ATSR) and the *Maritime Transport and Offshore Facilities Security Regulations 2003* (MTOFSR) that will be required to enable the establishment of a single government IB. The list is not exhaustive, and additional minor regulatory amendments will be required to enable the implementation of the IB reform. The existing regulatory frameworks for IBs will be leveraged wherever possible.

Table 7: Examples of proposed regulatory amendments required to enable the establishment of the single government IB

Provisions	Indicative proposed amendments	Purpose
ATSR Regulations 6.15 and 6.16 MTOFSR Regulation 6.07O and 6.07P	Repeal existing provisions and provide authority to allow for a single government IB or a significantly reduced number of IBs.	Enable the single government IB or significantly reduced number of IBs through regulation.
ATSR Regulation 6.12	Remove the Civil Aviation Safety Authority as an IB.	The current regulations prescribe the Civil Aviation Safety Authority to be an IB.
ATSR and MTOFSR New provision	Provide discretion to revoke or to declare as transitional IBs any IBs authorised under the existing provisions in regulation 6.16 of the ATSR and regulation 6.07P of the MTOFSR.	Enable existing IBs to be phased out or significantly reduced.
ATSR Regulation 6.23 MTOFSR Regulation 6.08T	Specify how long the current IBs must keep records of an ASIC and/or MSIC register.	Currently, the regulations do not specify how long an ASIC and/or MSIC register(s) must be retained.
ATSR Regulations 6.24 and 10.18(5) MTOFSR Regulations 6.07U, 6.08U and 104(5)	Align the retention period for information collected to ensure it is consistent across the schemes and the regulations.	Align the retention requirements for ASIC and MSIC records.

Provisions	Indicative proposed amendments	Purpose
<p>ATSR Regulation 6.27AB</p> <p>MTOFSR Regulation 6.08BB</p>	<p>Specify that the identity verification interview must be conducted before the background check, other than in exceptional circumstances.</p>	<p>Specify that the interview must be undertaken at the beginning of the process to strengthen identity assurance process, other than in exceptional circumstances.</p>
<p>ATSR Regulations 6.28 and 6.45</p> <p>MTOFSR Regulations 6.08C and 6.08P</p>	<p>The authorised IBs must only issue an ASIC and/or MSIC to an approved applicant in-person, following positive identity verification.</p> <p>Current cardholders required to surrender old and/or expired card on collection of new card.</p>	<p>Provide a regulatory authority to ensure cards are collected in-person and increase card return rates.</p>
<p>ATSR new provision</p>	<p>Insert power for issuing body to recover costs and expenses reasonably incurred by the issuing body for the issue of an ASIC, to mirror current regulation 6.09A in the MTOFSR.</p>	<p>To provide explicit authority for the issuing body to recover costs incurred in issuing ASICs.</p>

Attachment C: Government and industry stakeholders

Table 8: List of government and industry stakeholders consulted

Government stakeholders	Industry stakeholders
<ul style="list-style-type: none"> • Airservices Australia • Australian Border Force • Australian Criminal Intelligence Commission • Attorney-General's Department • Australian Federal Police • Australian Security Intelligence Organisation • Australian Transaction Reports and Analysis Centre • Civil Aviation Safety Authority • Commonwealth Treasury • Department of Finance • Department of Foreign Affairs and Trade • Department of Infrastructure, Transport, Regional Development, and Communications • Department of the Prime Minister and Cabinet 	<ul style="list-style-type: none"> • Adelaide Airport • Aerodrome Management Services • Atlas Professionals • Airport Security/Security ID • Australian Airports Association • Aviation ID Australia • Brisbane Airport Corporation • Cairns Airport • Canberra Airport • ClientView • Cobham Aviation Services • DP World • Fremantle Port Authority • Gladstone Ports Authority • Hamilton Island Airport • Hobart Airport • Maroochydore Airport • Mackay Airport • Melbourne Airport • Mid-West Ports Authority • Newcastle Williamtown Airport • Patrick Corporation • Perth Airport • Pilbara Ports Authority • Port of Brisbane • Ports Australia • Qantas • Queensland Airports Ltd • Southern Ports Authority • Sydney Airport • Toll Priority • Veritas Engineering • Virgin Australia Airlines • 1-Stop Connections

Attachment D: Indicative implementation schedule

Table 9: Indicative implementation schedule

Transition activity	Timing
Early engagement / confidential consultation	From December 2020 to early 2021
Recruitment and on-boarding of internal staff	From mid-2021
Consultation with each IB commences: <ul style="list-style-type: none"> • plan data migration and transition • negotiate exit plan for each IB • prepare exit schedule 	From mid-2021
System Development Activities <ul style="list-style-type: none"> • on-boarding employers and facility operators into online portal • develop data transformation and migration capabilities • operational readiness commences 	February to June 2022
System Development Activities <ul style="list-style-type: none"> • finalise data transformation and migration capabilities • integrate with third party service provider systems 	February to June 2022
IB made available to private sector: <ul style="list-style-type: none"> • private sector applicants can commence applications via the IB 	June 2022
Data migration and transition of IBs <ul style="list-style-type: none"> • data transitioned from each IB 	June 2022 to June 2023
Project close <ul style="list-style-type: none"> • final IB has left the market • department's IB fully operational and servicing the entire ASIC and MSIC market 	July 2023