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Improving Airport Passenger Screening

By Robert W. Poole, Jr.

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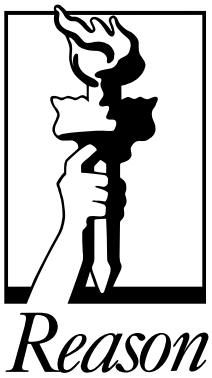

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Policy Study No. 298

Improving Airport Passenger Screening

BY ROBERT W. POOLE, JR.

Executive Summary

The Aviation & Transportation Security Act calls for the federal government to provide passenger and baggage screening at all but five of the nation's 429 commercial-service airports as of November 19, 2002. The other five will opt out of direct federal passenger screening by hiring a qualified private security firm for this purpose. After a two-year period of direct federal provision, all other airports will then be allowed to opt out by choosing a government-certified security firm instead.

The Transportation Security Administration (TSA) is having serious difficulty in recruiting and training enough screening personnel to meet the November 19th deadline. This policy study calls for a significant expansion of the opt-out pilot program, which could significantly aid in getting enough trained screeners in place when and where they are needed. It also calls for rethinking the TSA's direct provider role after November 2004, once the new workforce has been hired, trained, and put in place at all airports.

There are two immediate reasons to expand the opt-out pilot program. First, a sample size of just 1 percent of the nation's airports is meaningless, especially with only one airport in each of five security categories. Good (or bad) results could well be the result of chance. The sample size should be at least 10 percent, which means 40+ airports should be allowed to opt out.

Second, expanding the pilot program would be a major help to the TSA. Under current law, the TSA is supposed to have 33,000 passenger screeners hired and trained by Nov. 19, 2002 and 21,600 checked-baggage screeners by Dec. 31, 2002—a monumental task. There is evidence that airports handling up to 25 percent of all originating passengers are interested in opting out. This evidence comes from the fact that 19 airports applied for the five original slots in the pilot program, and also from interviews with airport directors carried out by Reason Foundation for this study.

Airport directors cite a number of reasons for wanting to opt out of TSA-provided screening. One of the most important is to increase the quality of airport screening. New York's JFK International, for example, proposed hiring a security company staffed by former law enforcement officers. Another reason is to permit greater staffing flexibility. The airline business is very dynamic, with airlines adding and dropping service at airports on short notice. Existing Customs and Immigration workforces have difficulty adjusting to these ups

and downs. Since passenger and baggage screening workforces affect all passengers (rather than only international ones), the impact on passenger processing of improperly sized screening workforces would be very much greater. Other potential benefits include ending up with a more uniform, less-fragmented security system (everything under the control of the airport), and the provision of better customer service. These factors have all been observed in the European approach to airport security, which follows this model of direct service provision by the airport and its contractors, rather than by a national government security workforce.

The European model also draws a much clearer line between service provision, on the one hand, and the setting and enforcement of performance standards on the other. The TSA's current charter mixes these roles, rather than putting the TSA at arm's length from security providers, as in the European model.

Congress has an opportunity to address these problems in easing the TSA's immediate hiring and training burden. Short term fine-tuning could include:

- Increasing the number of opt-out airports to 40+, to provide for an adequate sample size;
- Having the TSA encourage large and medium hubs to apply, to have the maximum impact on its hiring burden;
- Extending the scope to baggage screening, as well as passenger screening, to further alleviate the TSA's hiring burden;
- Letting airport operators, rather than the TSA, be the contracting party to hire and supervise the qualified contractors;
- Permitting airports in the pilot program to hire employees as an alternative to hiring contractors;
- Permitting foreign ownership of qualified screening companies, for nationals of nations that are allies in the war on terrorism; and
- Ensuring rigorous monitoring of all airport screening operations, to assist with configuring post-2004 screening operations.
- Extending the deadline for both federalized and new contracted screening workforces from Nov. 19 to Dec. 31, 2002.

Congress should also begin addressing the TSA's longer term role after the two-year period of federal service provision. The European experience suggests that best results are achieved via a unified approach, under which the airport director has day-to-day control over the provision of all security services: passenger and baggage screening, access control, perimeter control, etc. The airport's security system interfaces with various law enforcement and intelligence agencies, as appropriate. And all parts of the system operate under strong, arm's-length oversight from a national government agency.

Adapting this model to U.S. airports would call for shifting the TSA's role, after 2004, from direct provision of screening services to a role that is primarily standard-setting and regulatory oversight. The two-year period 2003-2004 would then be seen as the time for the TSA to develop and fine-tune standards and procedures and to recruit, train, and provide initial work experience for a new, higher quality airport screening workforce. That workforce would eventually go to work for airports either directly, as employees, or indirectly, as the employees of qualified screening contractors hired by airports, post-2004.

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Part I

Introduction

During the fall 2001 congressional debates on improving airport security, there was considerable debate over what the federal role should be. On that question, the House and Senate passed bills that were quite different. The Senate bill (which passed by 100-0) called for the federal government to take over, via federal employees, both passenger and baggage screening activities that had previously been carried out by airline or airline-contracted personnel. The House bill (which passed by 286-139) also removed these functions from the airlines, but called for them to become the responsibility of either the federal government or of federal contractors (at the airport's option), under greatly strengthened federal oversight. The two airport organizations, the Airport Council International (ACI-NA) and the American Association of Airport Executives (AAAE), supported the latter position.

These conflicting approaches to passenger and baggage screening had to be resolved by the House-Senate conference committee, operating under intense public and political pressure to enact a measure quickly, thereby reassuring the anxious flying public that the federal role in airport security was being appropriately strengthened. The result was a compromise on passenger screening. The federal government's new Transportation Security Administration (TSA) would take over, from the airlines, the existing contracts with private screening firms. But by November 19, 2002, all such screening would be carried out by newly hired and trained federal (TSA) employees. Two exceptions to this general rule were created, in deference to the House bill. First, under a pilot program five airports could opt out of TSA-provided screening as of November 19, 2002, making use instead of TSA contractors (outsourcing). Second, two years after the federalization took place (i.e., as of November 19, 2004), all other airports could opt to outsource this function to TSA contractors. The exact language of Section 108 of the Aviation and Transportation Security Act is provided in Appendix A.

Acting under the provisions of Sec. 108, the TSA accepted applications from airports wishing to opt out under the initial five-airport pilot program. U.S. airports are categorized in different risk categories, based on classified criteria. Only one airport could be selected from each of the five risk categories. Nineteen airports applied for the pilot program, with applicants in all five groups. In June 2002, the TSA announced that the following five had been selected:

Category X	San Francisco International	Category III	Jackson Hole Airport
Category I	Kansas City International	Category IV	Tupelo Airport
Category II	Greater Rochester International		

This report suggests that the existing pilot program needs to be significantly expanded, for several reasons. Longer term, it also suggests that the TSA's role in passenger screening is more appropriately a regulatory role, as opposed to direct provision of screening services.

Part 2

Why the Pilot Program Should Be Expanded

There are two principal reasons for expanding the size of the current opt-out pilot program. First, it is far too small to provide a meaningful sample size. Second, permitting more airports to opt out could significantly ease the TSA's burden of hiring and training an estimated 33,000 passenger screeners by November 19, 2002.

A. Meaningful Sample Size

The provisions of the Aviation and Transportation Security Act (ATSA) apply to the 429 largest U.S. airports with scheduled passenger service. These airports range in size (as measured by annual passenger enplanements) from 39 million (Atlanta) to 10,000 (Block Island, RI)[1]. A pilot program limited to five airports means that this national test of the efficacy of outsourced passenger screening will be based on a 1.2 percent sample size. That is simply too small to be meaningful as the basis for drawing conclusions. A far more meaningful sample size would be in the range of 5 to 10 percent—i.e., between 21 and 43 airports.

Moreover, the structure of the pilot program over-emphasizes smaller airports. Fifty-five percent of all passengers are enplaned at just the top 20 airports. Yet the pilot program includes only one of those large hub airports (San Francisco). In the mid-size category, the selected airport (Kansas City) is 36th in activity level, with 5.9 million enplanements.. The next participant, Rochester, is 82nd on the list, with 1.2 million enplanements. And the other two are quite small, Jackson Hole (182nd, at 174,000 enplanements) and Tupelo (369th, at 16,000).

The problem with including just one airport from each size/risk category is that however well or poorly outsourced security performs in that one case, that result could be a fluke, due to some particular circumstance unique to that airport that is not true of others in its category. (This is what scientists call a "confounding variable.") By contrast, if there were 5 or 10 airports from each of those categories, an unusual success or failure at any one of them would not unduly skew the results.

To be sure, the pilot program may have been included in the ATSA primarily for reasons of political compromise. Nevertheless, the existence of a pilot program is an ideal way to learn whether a different way of doing things works better or worse than the standard way. Airport security is of vital national importance, and if we have a way to learn that one approach works significantly better or worse than another, we are foolish to pass up that opportunity. Congress has created the beginning of such an opportunity, but without expanding the sample size, any serious opportunity for real learning will probably be lost. The results of a five-airport pilot program will be anecdotes, not data.

B. Easing the TSA's Hiring/Training Burden

The TSA faces a monumental task in hiring and training 33,000 passenger screeners by November 19, 2002. According to the DOT Inspector General's assessment, as of July 31, 2002, the TSA had hired only 1,248 passenger screeners.[2] The IG reported that the TSA plans to have 26,000 screeners on board by the end of the fiscal year (September 30) and 33,000 in place by December 31.The TSA has contracted with NCS Pearson for recruiting and hiring these people. The TSA itself prepared the curriculum for basic screening and trained the initial 600 screeners for its Mobile Screening Force that will move from airport to airport assisting with the transition.

The IG reported that the TSA's ambitious hiring and training plans got off to a slow start. Although planning to hire 3,700 passenger screeners in May, it succeeded in hiring only 1,248 (34 percent). It has also experienced difficulties in hiring the permanent screening force for its initial airport, Baltimore-Washington International (BWI). The IG calculates that in order to meet the goal of federalizing the screening workforce at all airports by November 19th, "for the period of July through the end of October, the TSA will need to hire 7,000 to 8,000 passenger screeners each month." It added that "In our opinion, the next 60 days [i.e., July and August] will be decisive in determining *if the November 19 date can be met and to what extent*." [emphasis added]

The IG also points out that the ATSA requires 40 hours of classroom instruction and 60 hours of on-the-job training. This means there is a minimum of two and a half weeks from the time a new recruit is hired until that person can be considered trained and on the job. And it notes that this training is minimal compared with what is typically required for passenger screeners in Europe: 80 hours in the classroom (double what the ATSA requires) and six months of on-the-job training (i.e., 26 weeks, compared with the 1.5 weeks required here).

It is doubtful that the TSA can meet the goal of hiring and training 33,000 passenger screeners by November 19th. And here is where an expanded pilot program could be of enormous help. If a significant number of medium and large airports chose to opt out of federalized passenger screening, obtaining screeners from TSA-approved screening companies instead, the TSA's own hiring and training burden would be reduced to that extent.

The size of the passenger screening workforce is not proportional to total "enplaned" passengers (which includes passengers who arrive on one flight and connect to another, and are counted as "enplaned" on that second flight; those passengers do not pass through the connecting airport's passenger screening checkpoints). Rather, the screening workforce is proportional to the number of passengers *originating* at the airport in question, which is labeled as the number of "O&D passengers" in tables of airport statistics.

Table 1 lists the number of locally originating passengers at the 50 busiest U.S. airports. Overall, there were approximately 483,833,000 local originating passengers in 2000 (as compared with 708,638,875 total enplanements, including connections). As can be seen, some of the airports with the largest total passenger numbers are major connecting hubs (Atlanta, DFW, Charlotte), the majority of whose passengers do not originate there. The airports with the largest numbers of locally originating passengers–those needing to pass through screening checkpoints–are Los Angeles, O'Hare, Atlanta, San Francisco, Newark, Las Vegas, JFK, Orlando, Boston, and DFW. These 10 airports together account for 28 percent of all passengers needing screening. Thus, there would be great "leverage" in reducing the TSA's hiring burden if a number of these airports (besides San Francisco, already selected) were to take part in an expanded opt-out program.

Table 1:Passengers to be Screened at Large and Medium Hub Airports

Airport	Total Passengers	Fraction Local	Number Local
Atlanta	38,492,737	0.367	14,126,834
Chicago/O'Hare	33,264,506	0.47	15,634,318
Los Angeles	29,755,489	0.752	22,376,128
Dallas/Ft. Worth	27,894,447	0.385	10,739,362
San Francisco	18,520,315	0.721	13,353,147
Denver	18,072,751	0.472	8,530,338
Phoenix	17,460,902	0.606	10,581,307
Detroit	17,024,239	0.463	7,882,223
Newark	16,393,366	0.78	12,786,825
Minneapolis/St. Paul	15,981,269	0.451	7,207,552
Houston	15,612,328	0.403	6,291,768
Las Vegas	15,539,822	0.794	12,338,619
Miami	15,423,012	0.656	10,117,496
St. Louis	15,145,163	0.353	5,346,243
New York/JFK	13,960,380	0.857	11,964,046
Seattle	13,745,303	0.717	9,855,382
Orlando	13,691,692	0.842	11,528,405
Boston	12,769,164	0.861	10,994,250
New York/LaGuardia	11,788,235	0.908	10,703,717
Philadelphia	11,685,198	0.597	6,976,063
Charlotte	10,766,711	0.258	2,777,811
Cincinnati	10,491,083	0.246	2,580,806
Honolulu	9,982,810	0.83	8,285,732
Salt Lake City	9,447,784	0.453	4,279,846
Pittsburgh	9,335,284	0.347	3,239,344
Washington/Dulles	9,069,733	0.649	5,886,257
Baltimore	8,983,979	0.822	7,384,831
San Diego	7,713,408	0.861	6,641,244
Tampa	7,622,523	0.872	6,646,840
Washington/Reagan	7,070,706	0.753	5,324,242
Ft. Lauderdale	6,855,303	0.951	6,519,393
Portland	6,792,084	0.746	5,066,895
Chicago/Midway	6,718,439	0.839	5,636,770
Cleveland	6,147,016	0.639	3,927,943
Kansas City	5,817,294	0.796	4,630,566
San Jose	5,807,228	0.915	5,313,614
Memphis	5,276,316	0.344	1,815,053
Oakland	4,921,175	0.95	4,675,116
San Juan	4,847,258	0.67	3,247,663
Raleigh/Durham	4,789,571	0.755	3,616,126
New Orleans	4,769,099	0.823	3,924,968
Nashville	4,393,342	0.755	3,316,973
Houston/Hobby	4,306,313	0.755	3,251,266
Sacramento	3,910,015	0.922	3,605,034
Orange County	3,869,310	0.945	3,656,498
Indianapolis	3,714,771	0.871	3,235,566
Dallas/Love	3,466,266	0.799	2,769,547
Austin	3,463,817	0.852	2,951,172
Columbus	3,426,399	0.876	3,001,526
San Antonio	3,418,105	0.874	2,987,424

Source: ECLAT Consulting, "Analysis of Local and Connecting Traffic at Top Fifty U.S. Airports, 12 Months Ended June 2000," *Airports*, April 3, 2001.

Part 3

Airport Interest in Opting Out

The old line that goes "suppose they gave a party and nobody came" is relevant at this point. What if Congress expanded the pilot program from five airports to 20 or 40? Do we have any evidence that other large and medium airports might apply? The answer to this question is "yes," based on two sorts of evidence.

The first piece of evidence is the fact that 19 airports applied for the five slots in the current pilot program. Of those 19, four others (besides San Francisco and Kansas City, which were selected) were in Categories X or I. Those four airports are New York/JFK, Raleigh-Durham, San Diego, and Guam International. Their total originating passengers in 2000 were 23,887,092, equivalent to 4.9 percent of the U.S. total. Including all those applicants that enplane 100,000 or more passengers per year (Table 2) gives us a total in excess of 26 million originating passengers. Thus, simply by giving the TSA permission to accept all the airports that have already applied for the pilot program, the TSA hiring burden could be reduced by nearly 5.5 percent.

The second piece of evidence comes from interviews with airport directors conducted by Reason Foundation in March and April 2002. Because the focus of the interviews was to understand the factors that might lead an airport director to consider opting out, the interview process focused on airports whose directors had either indicated an interest in the pilot program or who had been critical of federalized screening during the congressional debate on the issue. Thus, it was not a random sample, nor was it intended to be.

Of the 19 directors interviewed, nine expressed interest in opting out (either in the initial pilot program or after November 2004). Another five said they might be interested, but it was too soon to make a decision, based on having little or no information from the TSA about opting out, as of that time. Five said they were not interested, but three of those five said this was because they thought that the way Congress had defined opting out left too much control with the TSA. Were the opt-out structured to permit the individual airport to hire the contractor or to hire its own security staff, they might well be interested.

Since confidentiality was a condition of the interviews, the specific identity of airports involved in the survey cannot be provided here. However, a few statistics can be provided about the airports involved. Table 3 provides a summary of the 14 airports whose response to the opt-out question was "yes" or "maybe." As can be seen, two of the "yes" airports, San Francisco and Kansas City, were selected for the current pilot program and another, JFK, applied but was not selected. Eliminating their passenger numbers from the table (to avoid double counting), the remaining six screened 32 million local-originating passengers in 2000. Add to that the 37.5 million screened by the five "maybe" airports and the total reaches 69.5 million—some 14.4 percent of all originating passengers. Adding together the airports in both tables (after correcting for the overlap), we find that 19.8 percent of screened passengers could be removed from the federalized screening program over and above the 4 percent being removed by the current five-airport pilot program.

Thus, we have good evidence that nearly one-quarter of the TSA's hiring and training burden could be alleviated via an expanded opt-out program that would go into effect as of November 19, 2002.

Table 2: Airports Not Selected for the Pilot Program

Name	Originating Passengers, 2000
New York/JFK	11,964,046
San Diego	6,641,244
Raleigh/Durham	3,616,126
Guam	1,665,676
Savannah	879,821
Orlando/Sanford	508,092
Fresno	501,204
Erie	155,618
Great Falls	143,632
Alexandria, LA	122,744
Durango	91,276
Youngstown	31,475
Morgantown	19,328
Jackson/Madison, TN	n.a.
Total:	**26,340,282 = 5.4%**

Table 3: Other Airports Interested in Opting Out

"Yes" Airports	Originating Pass. Range (M)	Midpoint (M)
Large hub #1	14-15	14.5
Large hub #2 (SFO)	13-14	13.5
Large hub #3 (JFK)	11-12	11.5
Large hub #4	8-9	8.5
Large hub #5	2-3	2.5
Medium hub #1 (KCI)	4-5	4.5
Medium hub #2	4-5	4.5
Medium hub #3	1-2	1.5
Small hub #1	0-1	0.5
Subtotal		61.5
Subtotal less SFO, JFK, and KCI		32.0
"Maybe" Airports		
Large hub #6	12-13	12.5
Large hub #7	9-10	9.5
Large hub #8	5-6	5.5
Large hub #9	5-6	5.5
Large hub #10	4-5	4.5
Subtotal		37.5
Total (excluding SFO, JFK, KCI)		69.5 = 14.4%

Part 4

Rationale for Larger Airport Role

Reason Foundation's March/April 2002 interviews with airport directors reviewed a number of issues which many of the directors brought forward in support of their preference for opting out of federalized security. This section outlines those points.

A. Higher Quality Screeners

One of the main objectives of the ATSA legislation was to raise the quality of the passenger screening workforce. Means to this end were the requirements that all screeners—whether employed directly by the TSA or by qualified private screening companies—be U.S. citizens, that they be high-school graduates, that they receive better training, and that they receive higher compensation. But critics have noted that the final wording permits, as alternatives to a high school diploma, either a general equivalency degree or one year's security work experience. As retired American Airlines chairman Bob Crandall has put it, "By adopting this standard, we are accepting the same people whose performance caused great consternation a few months ago, and we'll likely end up paying the same people two or three times as much as we were before."[3]

Several airport directors have explicitly suggested that under the opt-out provisions, they would be able to set higher standards for contractor personnel. The most highly publicized alternative was the proposal of New York's JFK International Airport. In its application for the pilot program, it proposed the use of a screening firm whose personnel would consist of retired law enforcement officers (LEOs).[4] Such a firm would hire retired officers with skills in foreign languages, training in explosives and weapons handling, interrogation skills, and crowd-control experience. The New York City Police Department retires around 4,000 officers each year, many in their 40s and 50s, ensuring a steady supply of candidates.[5]

Another quality factor cited by airport directors and security consultants is the possibility that qualified private screening companies would provide better career paths for screening personnel, thereby attracting and retaining higher caliber people. Simply relieving the mental fatigue of highly repetitive screening operations would be one possibility. For example, the screening firm might be given broader security responsibilities at the airport—e.g., access and perimeter control—which would provide opportunities for screeners to be rotated to other duties.[6] At European airports, passenger screening is often an entry-level position from which promotion to more demanding security jobs is a typical career path. Moreover, if the security firm has lines of business other than airport passenger screening, it will have a number of other positions into which screeners can be promoted.

B. Greater Staffing Flexibility

The most commonly cited reason airport directors gave for wanting to opt out was concern that a federal screening workforce would not be adaptable enough to changing airport needs. This point is not just theory, since a number of airport directors cited previous experience of this type with Federal Inspection Service (FIS) staffing—the people responsible for staffing the Customs and Immigration positions. For example, one director cited concerns that airlines might have to obtain prior approval from the TSA before commencing new service to an airport. He noted the current practice at his airport with new international service:

> *At [this airport] we now initiate contact with FIS staff, set up a meeting between the new-entrant international carrier and the federal agencies, and we often cajole the FIS staff into providing the requisite service. The FIS staff often complain that they are short-staffed, and cannot provide service at such and such hour . . .*

This director and several others noted that airports expend considerable marketing efforts to attract a new airline, such as JetBlue or Southwest, which typically begins service at a new location with a significant number of daily flights. Based on their FIS experiences, these directors are concerned that such new service may be delayed because of the TSA's inability to increase its screening workforce quickly. One director noted that a requirement for advance approval of new service by the TSA would constitute "nascent re-regulation" of the airlines. Another director commented that "several airport directors [have told] me that airlines are not adding flights because of concerns about delays over passenger screening and the fear that adequate staff and equipment won't be made available by TSA."

The flip-side of delays in adding staff because of new service is concern over reduced workforce flexibility when airlines *reduce* service, and staffing requirements are therefore decreased. In our competitive, deregulated airline environment, airlines can and do reduce service at airports in response to changes in both the competitive environment and their corporate strategies. But a civil service workforce tends to be less able to quickly downsize when demand for its services falls off.

C. Lower Cost/Greater Efficiency

Another point made by airport directors was the potential that contracted screening services would be less costly and/or more efficient than federalized screening. However, this comment may have been made by directors unfamiliar with the opt-out provisions of the ATSA (see Appendix A). Under the terms of the Act, a qualified private screening company must provide "compensation and other benefits to such individuals [screeners] that are not less than the level of compensation and other benefits provided to [TSA] personnel." Thus, the common perception that outsourcing means obtaining the same work for less salary and/or lower fringe benefits is not applicable to outsourced passenger screening under the ATSA.

However, that is not necessarily the end of the story. City and state governments sometimes find themselves faced with similar requirements when they seek to outsource service delivery. Yet in many cases they find that such outsourcing can still deliver more service for less total expenditure. Among the factors that can lead to increased efficiency (i.e., greater productivity), despite comparable basic pay and benefit levels per employee, are:

- Greater flexibility regarding the mix of full-time vs. part-time staff members;

- Higher ratio of employees per supervisor;
- Greater use of incentive systems; and
- Hiring, training, and promotion procedures that lead to higher quality employees.

Thus, although greater efficiency may not be a primary advantage of outsourcing passenger screening, it cannot be dismissed as one of the possible benefits.

D. Unified Security Approach

Increased control and accountability are frequently cited benefits of performance contracting. However, here again the provisions of the ATSA as adopted by Congress do not necessarily give airport directors any greater control over the provision of the screening function. On this point, Congress did not follow the recommendation of many in the airport community, which was to shift control of passenger screening from the airlines (which was done) to the airport director (which was not done). While the House bill would have given some of this responsibility to the airport director under strengthened federal regulatory oversight, the Senate approach called for outright federal takeover of screening.

When the opt-out provisions were worked out by the conference committee, the Senate version influenced their details. Instead of the qualified private screening company being hired by and reporting to the airport director, the company would instead be hired by and report to the TSA—presumably, to the Federal Security Director hired by the TSA for each airport. Thus, it is not clear that outsourcing passenger screening will provide for greater control and accountability, under current law.

What airport directors had hoped to bring about in the new federal legislation was to unify airport security, with one person or office (the airport director or his/her security director) having charge of all aspects of securing the airport premises—perimeter control, access control, baggage screening, passenger screening, local law enforcement, etc. By removing the airlines from the screening functions, such a change would end the fragmentation that had characterized airport security prior to 9/11. The airport's comprehensive security team would be accountable to the newly strengthened federal security regulatory agency—the TSA—that would set the performance standards and ensure that they were being met. But the approach actually adopted in the ATSA continues a fragmented approach. The TSA is responsible for passenger and baggage screening, and for some law enforcement functions, while the airport is responsible for all other aspects of physical security.

E. Greater Focus on Customer Service

Another point brought up by airport directors is concern over the TSA's limited knowledge of, and interest in, customer service. After all, the TSA has been designed from day one as a security organization, not a transportation service organization. Airport directors (and airline CEOs) have expressed concern that the TSA may inadvertently create such unpleasant conditions at airports that the "hassle factor" will deter a portion of air travelers from flying. They therefore desire to outsource screening in hopes of achieving a better balance between the very real need for increased security and the critically important need to treat customers well.

This issue was illustrated in several cases by the question of premium lines for members of frequent flier programs. Reducing the "hassle-factor" for frequent business travelers (who provide the lion's share of airline profits) is of crucial importance to airlines, and airport directors are very sensitive to that concern—obviously, consistent with meeting required security mandates. A number of directors expressed the view that, were passenger screening to become their responsibility to deliver via participation in an opt-out program, they would be more creative in working with the TSA to adopt customer-friendly approaches such as premium lines for frequent flyers.

Here again, whether op-out will permit such increased customer-service focus depends critically on how the TSA interprets the outsourcing provisions. A narrow interpretation would mean simply that the qualified private screening company becomes an extension of the TSA. More flexibly interpreted, the company could become an extension of the airport's own security staff, working in an integrated fashion with its access control, perimeter control, and law enforcement people to address the unique needs of the airport in question. While the TSA's Federal Security Director for that airport would have overall regulatory supervision of all security activities, the day-to-day planning and coordination of the firm's activities would be with the airport director (at smaller airports) or the airport's own security director (at larger airports).

Part 5

Policy Issues in Expanded Opt-out

If Congress decides to revisit the opt-out provisions of the ATSA, besides expanding the size of the pilot program, there are several important policy issues it should address at the same time. This section provides a brief summary of those issues.

A. Qualifications of Security Firms

As noted previously, the opt-out provisions of the ATSA define a qualified private screening company (QPSC) as one that is U.S.-owned and -controlled. This provision was included in reaction to the fact that in recent years, the largest providers of contracted screening services to airlines—Argenbright, Globe, Huntleigh,[7] Wackenhut—have been acquired by global security firms based in Europe. In the climate of opinion prevailing in the weeks after 9/11, there was an understandable reaction against foreign ownership and control of anything having to do with airport security.

In the interim period prior to the November 19, 2002 deadline for either a federal screening workforce or opted-out screening services, the pre-existing screening firms are continuing to provide those services, except that their contracts are now with the TSA rather than the airlines. But under current law, as of November 19th, the supply of companies eligible to be certified as QPSCs will shrink dramatically. This raises the question of whether there would be an adequate supply of U.S.-owned and -controlled screening firms should the pilot program be expanded as recommended here, to 10 percent of passenger airports (and potentially 25 percent of all originating passengers).

The current array of U.S.-owned screening firms includes three relatively large players: International Total Services, Olympic Security Service, and Worldwide Security Associates. In addition, there are several smaller firms, such as GAT and Maxaero, operating at five or more large or medium airports. At smaller airports (Categories III and IV), the most common providers of screening services are airlines (e.g., Air Midwest, Alaska, Great Lakes, Skywest, US Airways Express, etc.), which are not expected to apply to become QPSCs. Most other providers are small, local firms serving one or a few small airports.

Although knowledgeable observers believe that sufficient U.S. capacity exists to provide screening at up to 10 percent of the 429 airports, there are still grounds for reconsidering the requirement for U.S. ownership and control. The global security firms in question are based in nations that are strong U.S. allies in the war on terrorism: Denmark (Group 4/Falck), Israel (Huntleigh), Sweden (Securitas) and the United Kingdom (Securicor). There are legal grounds for questioning such a ban: it may violate Article XVII of GATT, and it may be inconsistent with U.S. equal treatment obligations as a member of the Organization for Economic

Cooperation & Development (OECD). It should also be noted that European and Israeli defense contractors produce weapons for the U.S. military—which is integrally related to national security. Furthermore, these global security companies have an excellent track record of providing airport screening services in Europe (see Appendix B), so it seems strange to deny U.S. airports the benefits of their many years of experience in dealing successfully with airport security issues.

One approach to reform would be to modify the ownership/control restriction. Instead of pre-emptively banning all foreign ownership, the policy could be to permit firms owned by nationals of U.S. allies in the war on terrorism to be eligible for QPSC status. Or, the TSA could be authorized to revoke the certificate of a QPSC if it becomes owned or controlled by persons from nations whose governments are deemed hostile to the United States. Alternatively, Congress could modify the restriction to permit certification of firms with no more than 49 percent voting equity by non-U.S. citizens.

B. Direct Airport Contracting

As discussed in Part 4, airport directors surveyed by Reason Foundation were virtually unanimous in believing that airport security would work better if all aspects of it were under unified control. Those who expressed this view but did not intend to opt out reached this conclusion because they interpreted the ATSA as moving from one form of fragmented security (airport plus airlines, overseen by the FAA) to another form of fragmented security (airport plus the TSA, overseen by the TSA). Thus, to the extent that it would be desirable to *encourage* airports to opt out (to provide a realistic sample size and to ease the TSA's hiring and training burden), it would be helpful to modify the contracting procedure. Instead of making TSA the party that selects and supervises the qualified private screening company, this responsibility could be given to the airport director. Airports would still be choosing only from those firms judged qualified by TSA. All standards and procedures mandated by TSA would still have to be followed by the airport and its screening company. And TSA would still be paying for the contract services. But this change would permit the passenger screening operation to be better integrated into the airport's overall security plan. And it would take greater advantage of the localized knowledge of each airport director to tailor the specifics of implementing the TSA's requirements to the needs of that particular airport and its customers.

C. Expansion of Opt-out to Baggage Screening

The same argument about reducing the fragmentation of security responsibilities would be further enhanced if the airports eligible to opt out of federalized *passenger* screening were also permitted to opt out of federalized *baggage* screening. The TSA faces a comparable hiring and training burden in the baggage area, needing to hire and train an estimated 21,600 checked-baggage screeners by Dec. 31, 2002.[8] If up to 25 percent of this burden could be alleviated by permitting the same set of airports that opt out of federalized passenger screening to do so as well for checked-baggage screening, the TSA would need to hire 5,400 fewer baggage screeners by year-end.

Enhancing the scope of the pilot program as suggested here—a larger number of airports, a broader range of experienced security companies, and the ability to create a unified security system under airport control, regulated at arms length by the TSA—offers a real opportunity to learn whether this approach will work less well than, as well as, or better than the approach to be adopted by a majority of U.S. airports.

D. Airport Make-or-buy Responsibility

The 19 airport directors in the Reason interview process were virtually unanimous on one point: if the law allowed it, they would prefer to have the authority to either hire a private contractor or to hire airport staff directly, to carry out security screening functions. This is essentially the model that has worked very well in Europe over the past decade, as European airports have upgraded their security to cope with terrorist threats (see Appendix B). It provides single-point responsibility for carrying out all aspects of airport security. And it provides for regulatory oversight by the national government's transportation and/or security agencies.

One airport director noted that all air carrier airports are required to maintain the same airfield *safety* standards under Part 139 of the Federal Air Regulations, enforced by the FAA. That agency carries out periodic inspections, and failure to comply can result in the loss of certification—which has never happened, because compliance has been excellent. Prior to the creation of the TSA, airport *security* was regulated by the FAA under Part 107, which is more limited in scope, and was not as rigorously enforced by the FAA. But in principle, with higher standards and serious enforcement by the TSA, such an approach could work as well in this country for security as it has in Europe.

Canada provides a useful contrast with the United States on this score. Prior to 9/11, Canada was the only other OECD member in which airport security screening was provided primarily by the airlines (rather than the airport). The Canadians took longer to change their approach following 9/11, but got final approval for the Canadian Air Transport Security Act in March 2002. Their counterpart to our TSA—the Canadian Air Transport Security Authority (CATSA) is now in operation in Ottawa. The legislation gives the CATSA responsibility for passenger screening, removing it from air carriers. However, it does allow airports to carry out this function if they choose to do so, under federal standards enforced by CATSA.

E. Performance Monitoring and Evaluation

The purpose of a pilot program is to test alternate ways of doing things. In structuring the opt-out provisions of the ATSA, Congress provided a basic two-step approach. First, try the idea for two years on a pilot basis, and then permit all other airports to do the same, if they wish, based on the results of the pilot program. But for this process to be meaningful, two conditions must apply: (1) there must be a large enough sample size to be able to draw statistically meaningful conclusions from the experiment (as discussed previously) and (2) there must be systematic attention to monitoring and evaluating the performance of screening operations, at both conventional and pilot program airports.

Section 130 of the ATSA, Results-Based Management, calls for the TSA to establish performance goals and objectives and to create a performance management system. These sections draw upon the general requirements of the 1993 Government Performance and Results Act, applicable to all federal agencies. Section 44943(c) requires that, where service contracts are used, they should be performance-based.

Thus, the clear intent of the legislation is that performance of TSA activities be monitored and measured. Congress should be sure to emphasize to the agency the importance of developing performance indicators for passenger and baggage screening, applicable to all 429 airports, so that comparative data on pilot program participants and other airports will be readily available at the end of the initial two-year period. Such data will provide a knowledge base on which other airports can draw, when opting out becomes possible for them in November 2004.

Part 6

Longer Term Policy Issues

The discussions in previous sections implicitly raise several longer term issues concerning the TSA's role in airport security. While these may or may not be ripe for consideration as Congress fine-tunes the pilot program, they are worth starting to think about while the agency is still defining its mission and modus operandi.

A. TSA Role Conflict: Regulator vs. Service Provider

In creating the TSA, Congress sought to correct a structural and regulatory failure in airport security. The structural failure was the previous practice of lodging responsibility for screening with individual, competing air carriers. Because of their competitive position, for airlines the costs of airport security became yet another cost they sought to minimize. Hence, contract screeners were in many cases being paid minimum wage and turning over at a rate in excess of 100 percent per year. But that structural problem was compounded by a regulatory failure. The FAA, nominally the regulator of airport security, set de-minimus standards for hiring and training of contract screeners, and its enforcement efforts left a great deal to be desired, according to investigations by the DOT Inspector General's Office and the General Accounting Office.

In seeking to fix these two problems, Congress eliminated the airline role in passenger screening, deciding instead that this function should be carried out by a single provider at each airport, rather than individual firms selected by the various airlines. And it also created the TSA to provide tough new standards and the strong regulatory oversight that had been lacking in the FAA's approach to this task. But Congress also made the TSA the provider of passenger screening, except for those airports participating in the pilot program in 2003-04. By doing so it put the TSA in the questionable position of being both service provider and regulator.

This potential conflict of interest is sparking discussion. A *Chicago Tribune* transportation reporter wrote as follows, in April: "The General Accounting Office, which is launching a review of the security agency's bureaucracy, is pointing to potential conflicts of interest because the [TSA] will be self-regulating and passing judgement on its own performance."[9] He quoted one airport director as saying, "The problem inherent in the federally controlled screening process is that you end up having a federal agency sitting in the middle of your terminal, essentially answerable to nobody." This conflict of interest point was made by a number of the airport directors interviewed by Reason Foundation, as well. More colorfully, the CEO of one (U.S.-owned) screening company noted that, "In effect, as regulator and operator, the TSA is both the 'fox' and the 'hen' in the henhouse, and accountability is problematic."[10]

B. Airport Transitions After the Pilot Program

The conflict of interest issue also arises when considering what happens on November 19, 2004, when all airports are given the freedom to opt out. One airport director in the Reason interviews, who would prefer to run his own passenger screening (possibly using a private contractor), expressed concern about future relations with the TSA. "If you invite them out after two years, they are still there as your regulator."[11] That might create an awkward working relationship.

Very little thought has been given to this possible transition period. If the problems with federalization anticipated by airport directors actually materialize—difficulty in increasing or reducing the screening workforce to keep pace with changes in passenger activity, less-than-ideal coordination with airport-controlled portions of security such as access control, difficulties in the TSA being able to regulate its own workforce at arm's length, etc.—then it is possible that a majority of airports could want to opt out in November 2004. What happens to a 25-33,000-person federal workforce at that point?

In revisiting the pilot program, Congress needs to look ahead two years and consider possible transition scenarios. If a significant number of airports may decide to opt out in November 2004, the federal screeners now being hired should not be led to believe that they have a guaranteed long term civil service career ahead of them. Since the law requires the same level of pay and benefits to be paid to federal and contract screeners, those who have already received federal training and up to two years of on-the-job experience will be obvious candidates for being hired by security firms that take over at airports that opt out at that point or later. But Congress should resist the idea of mandating that the winning bidder for Airport XYZ's screening hire the federal screening employees who have been performing the work there during 2003-04. Such a mandate would preclude an airport selecting a firm planning to use a different approach, such as the JFK proposal to hire a security firm using retired law enforcement officers as screeners.

These concerns suggest that as Congress thinks about longer term policy for airport security, it reconsider the TSA's role. The new agency was brought into existence to deal with a crisis situation. On September 11, 2001, we discovered that an airport security system that was not as good as it could have been, but had worked reasonably well until then, was inadequate to the new level of terrorist threat. It needed to be reworked, and reworked quickly. Congress created the TSA in order to do this reworking, operating in the glare of publicity and without the luxury of time for detailed fact-finding and deliberation. With the passage of time, it may now be appropriate to think more carefully about TSA's longer term role, once it has addressed the task of developing a better airport security system. It may be that the wiser approach is for the TSA to be the:

- Developer of security specifications;
- Sponsor of security research and development;
- Coordinator of intelligence sharing between federal agencies and the aviation community (airlines and airports); and
- Aggressive performance monitor of a unified, airport-run airport security system.

If so, the hiring and training of many thousands of baggage and passenger screening personnel might be looked on as a one-time upgrade, creating the workforce that will ultimately work for airports and private contractors—under strong TSA regulatory oversight.

Part 7

Conclusions and Recommendations

Last fall Congress recognized that airport security was not adequate to cope with the new level of threat from terrorism, and that a stronger federal role was appropriate. In taking quick and decisive action, it did not have the time to examine in detail the experience of other nations that have been protecting airports against terrorism for many years. Nor did it have time for extensive consultation with America's airport directors. And it reached an awkward compromise over the contentious issue of the future role of private security companies in passenger screening.

This report offers suggestions for improving the screening process at U.S. airports, both near term and longer term. The short-term crisis, in which the TSA is faced with an enormous hiring and training burden by November 19, 2002, provides a good opportunity for Congress to fine-tune the pilot program for opting out of TSA-provided screening. Possible changes to the pilot program include:

- Expanding its size to 40+ airports (rather than five), to provide a large enough sample size (10 percent) to be able to draw meaningful conclusions about how well or poorly outsourced passenger screening works.
- Directing the TSA to encourage large and medium hub airports to apply for the expanded opt-out program, which could relieve up to 25 percent of the TSA's requirement for hiring and training passenger screeners.
- Extending the scope of the opt-out to include baggage screening as well as passenger screening, to further alleviate the TSA's hiring burden, while also promoting a more integrated approach to airport security.
- Allowing airport operators, rather than the TSA, to be the contracting party in hiring qualified private screening companies (QPSCs).
- Permitting airport operators in the opt-out program to hire and train their own screening employees, as an alternative to contracting with a QPSC.
- Modifying the requirements for QPSCs to permit foreign ownership by nationals of nations that are close allies in the war on terrorism; if that cannot be done, permit up to 49 percent equity ownership by such foreign nationals.
- Ensuring that the TSA provides rigorous performance monitoring of all screening operations, by both federal workforces and those of QPSCs, to permit meaningful conclusions to be drawn at the end of the two-year pilot program period.

- Extending the date for both federalized and new contracted screening workforces from Nov. 19 to Dec. 31, 2002, to provide sufficient time for airports and the TSA to arrange for contract screening at a larger number of opt-out airports.

Congress also needs to begin thinking carefully about the TSA's longer term role in airport security, as it will be after the two-year period of federal provision. In Europe and Israel, primary responsibility for carrying out airport security rests with the airport company, which in most cases has the option of using direct employees or qualified private contractors for the various tasks involved. The national government sets the standards and provides strong regulatory oversight to ensure that the standards are being met.

This model should be applied to U.S. airports after 2004, with the TSA's role becoming primarily that of standard-setter and regulator. The two-year period of "federalization" should be seen as a time of creating and fine-tuning the standards and regulations, as well as recruiting and training a higher quality airport security workforce. Rather than becoming permanent federal employees, those new security workers would be prime candidates for hiring by airports and security firms, as they implement the new, integrated security approach in compliance with TSA standards.

The expanded opt-out program proposed for 2003-2004 will provide experience with this approach at airports handling up to 25 percent of all originating passengers. With up to 40 airports taking part, of all sizes and types, it should provide ample data on which to fine-tune the post-2004 system.

Appendix A

Opt-Out Provisions of the Aviation and Transportation Security Act

Sec. 108. SECURITY SCREENING BY PRIVATE COMPANIES

(a) IN GENERAL.—Subchapter I of chapter 449 of title 49, United States Code, is amended by adding at the end the following:

#44919 Security Screening Pilot Program

(a) ESTABLISHMENT OF PROGRAM.—The Under Secretary shall establish a pilot program under which, upon approval of an application submitted by an operator of an airport, the screening of passengers and property at the airport under Section 44901 will be carried out by the screening personnel of a qualified private screening company under a contract entered into with the Under Secretary.

(b) PERIOD OF PILOT PROGRAM—The pilot program under this section shall begin on the last day of the 1-year period beginning on the date of enactment of this section [Nov. 19, 2001] and end on the last day of the 3-year period beginning on such date of enactment.

(c) APPLICATIONS—An operator of an airport may submit to the Under Secretary an application to participate in the pilot program under this section.

(d) SELECTION OF AIRPORTS—From among applications submitted under subsection (c), the Under Secretary may select for participation in the pilot program not more than 1 airport from each of the 5 airport security risk categories, as defined by the Under Secretary.

(e) SUPERVISION OF SCREENED PERSONNEL—The Under Secretary shall provide Federal Government supervisors to oversee all screening at each airport participating in the pilot program under this section and provide Federal Government law enforcement officers at the airport pursuant to this chapter.

(f) QUALIFIED PRIVATE SCREENING COMPANY—A private screening company is qualified to provide screening services at an airport participating in the pilot program under this section if the company will only employ individuals to provide such services who meet all the requirements of this chapter applicable to Federal Government personnel who perform screening services at airports under this chapter and will provide compensation and other benefits to such individuals that are not less than the level of compensation and other benefits provided to such Federal Government personnel in accordance with this chapter.

(g) STANDARDS FOR PRIVATE SCREENING COMPANIES—The Under Secretary may enter into a contract with a private screening company to provide screening at an airport participating in the pilot program under this section only if the Under Secretary determines and certifies to Congress that the private screening company is owned and controlled by a citizen of the United States, to the extent that the

Under Secretary determines that there are private screening companies owned and controlled by such citizens.

(h) TERMINATION OF CONTRACTS—The Under Secretary may terminate any contract entered into with a private screening company to provide screening services at an airport under the pilot program if the Under Secretary finds that the company has failed repeatedly to comply with any standard, regulation, directive, order, law, or contract applicable to the hiring or training of personnel to provide such services or to the provision of screening at the airport.

(i) ELECTION—If a contract is in effect with respect to screening at an airport under the pilot program on the last day of the 3-year period beginning on the date of enactment of this section, the operator of the airport may elect to continue to have such screening carried out by the screening personnel of a qualified private screening company under a contract entered into with the Under Secretary under section 44920 or by Federal Government personnel in accordance with this chapter.

#44920 Security Screening Opt-Out Program

(a) IN GENERAL—On or after the last day of the 2-year period beginning on the date on which the Under Secretary transmits to Congress the certification required by section 110(c) of the Aviation and Transportation Security Act [presumably Nov. 19, 2002], an operator of an airport may submit to the Under Secretary an application to have the screening of passengers and property at the airport under section 44901 to be carried out by the screening personnel of a qualified private screening company under a contract entered into with the Under Secretary.

(b) APPROVAL OF APPLICATIONS—The Under Secretary may approve any application submitted under subsection (a).

(c) QUALIFIED PRIVATE SCREENING COMPANY— A private screening company is qualified to provide screening services at an airport under this section if the company will only employ individuals to provide such services who meet all the requirements of this chapter applicable to Federal Government personnel who perform screening services at airports under this chapter and will provide compensation and other benefits to such individuals that are not less than the level of compensation and other benefits provided to such Federal Government personnel in accordance with this chapter.

(d) STANDARDS FOR PRIVATE SCREENING COMPANIES—The Under Secretary may enter into a contract to provide screening at an airport under this section only if the Under Secretary determines and certifies to Congress that—

(1) the level of screening services and protection provided at the airport under the contract will be equal to or greater than the level that would be provided at the airport by Federal Government personnel under this chapter; and

(2) the private screening company is owned and controlled by a citizen of the United States, to the extent that the Under Secretary determines that there are private screening companies owned and controlled by such citizens.

(e) SUPERVISION OF SCREENED PERSONNEL— The Under Secretary shall provide Federal Government supervisors to oversee all screening at each airport at which screening services are provided under this section and provide Federal Government law enforcement officers at the airport pursuant to this chapter.

(f) TERMINATION OF CONTRACTS—The Under Secretary may terminate any contract entered into with a private screening company to provide screening services at an airport under this section if the Under Secretary finds that the company has failed repeatedly to comply with any standard, regulation, directive, order, law, or contract applicable to the hiring or training of personnel to provide such services or to the provision of screening at the airport.

Section 110(c) DEADLINE FOR DEPLOYMENT OF FEDERAL SCREENERS.

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act [Nov. 19, 2001], the Under Secretary of Transportation for Security shall deploy at all airports in the United States where screening is required under section 44901 of title 49, United States Code, a sufficient number of Federal screeners, Federal Security Managers, Federal security personnel, and Federal law enforcement officers to conduct the screening of all passengers and property under section 44901 of such title at such airports.

(2) CERTIFICATION TO CONGRESS.—Not later than 1 year after the date of enactment of this Act [Nov. 19, 2001], the Under Secretary shall transmit to Congress a certification that the requirement of paragraph (1) has been met.

Appendix B

Performance Contracting for Airport Security Screening

A. Introduction

The inadequacies of the pre-9/11 approach to passenger and baggage screening are well-known. As the General Accounting Office has pointed out, only two other nations besides the United States (Bermuda and Canada) delegated the screening function to air carriers.[12] (All other nations placed this responsibility either with airport operators or with the national government itself.) Because U.S. screening then became a part of airlines' budgets, competing airlines sought to carry out this function at minimum cost, consistent with meeting the relevant government standards.

Unfortunately, government standards were virtually non-existent. In 1987, the GAO recommended that performance standards for preboard passenger screening be established[13], but the FAA failed to act. In frustration Congress, in the 1996 FAA reauthorization act, required the FAA to "certify companies providing security screening and to improve the training and testing of security screeners through development of uniform performance standards for providing security screening services."[14] More than three years later, in January 2000, the FAA issued a proposed rule, Certification of Screening Companies, which would have held companies to minimum performance standards. But when the rule had not been finalized by November 2000, Congress directed the FAA to issue a final rule by May 31, 2001[15]. The FAA failed to meet that deadline, and Congress responded by requiring the agency to report twice a year on the status of each missed statutory deadline. Thus, when the terrorist attack occurred on Sept. 11, 2001, there were still no certification or performance standards in operation.

Thus, it is hardly surprising that the GAO and other investigators documented poor performance in passenger screening operations. In 1978, screeners failed to detect 13 percent of objects during FAA tests. In 1987, that number had increased to 20 percent. The GAO adds that test data for the 1991-99 period show that the declining trend in detection rates continue, but actual numbers could no longer be reported because they had been designated as sensitive security information.[16]

In a very real sense, then, the mediocre screening that existed prior to 9/11 was a function of a flawed outsourcing process. By failing to set or enforce any meaningful standards for screening, and by lodging responsibility with competing airline companies, the entirely predictable outcome was screening provided in a minimal fashion—low salaries and benefits, minimal training, and resulting high turnover. But the flaw was not in outsourcing itself.

In fact, as the following sections explain, performance-based contracting of security functions works very well, both at European airports and at many important federal government facilities.

B. Outsourced Screening at European Airports

Europe began confronting hijackings and terrorist attacks on airports in the late 1960s. Risk analysis identified the need for a comprehensive approach that included background checks of airport personnel, passenger and baggage screening, and airport access control. The initial approach in most nations was to use national government employees to beef up airport security, either from the transport agency or the justice agency. But beginning in the 1980s, European airports began developing a performance contracting model, in which government set and enforced high performance standards and airports carried them out—usually by hiring security companies, but occasionally with their own staff. Belgium was the first to adopt this model in 1982, followed by The Netherlands in 1983 and the United Kingdom in 1987, when BAA was privatized. The 1990s saw a new wave of conversions to the public-private partnership model, with Germany switching in 1992, France in 1993, Austria and Denmark in 1994, Ireland and Poland in 1998, and Italy, Portugal, Spain, and Switzerland in 1999.

Table A-1 provides a breakdown of outsourced passenger and baggage screening at 33 large European airports as of late 2001. Of these, only Zurich and Lisbon airports were not using the performance contracting model, and in both nations efforts to shift to this model were underway.

The General Accounting Office visited five nations in 2001 to examine their security screening practices—Canada and four European nations (Belgium, France, The Netherlands, and the United Kingdom).[17] Its report focuses on the superior performance of the European airports, all of which use the performance contracting model. The GAO reports significant differences between their screening practices and that of U.S. airports in four areas:

- Better overall security system design (allowing only ticketed passengers past screening, stationing law enforcement personnel at or near checkpoints, etc.);
- Higher qualifications and training requirements for screeners (e.g. 60 hours in France vs. 12 hours as then required by the FAA);
- Better pay and benefits, resulting in much lower turnover rates; and
- Screening responsibility lodged with the airport or national government, not with airlines.

Most of these lessons were incorporated by Congress into the ATSA. What was largely ignored, however, was the fact that under the European conditions of high standards and oversight, performance contracting (hiring private security firms, paying them adequately, and holding them accountable for results) is the model adopted by nearly all European airports over the past two decades. Israel and a number of other nations in the Caribbean and the Far East also use this model.

Table A-1: Outsourced Passenger and Baggage Screening in Europe

Rank By Total Int'l Pax [/1]	City (airport code)	Passenger & Hand Baggage Screening [/2]	Private Screen-ers?	Hold Baggage Screening Y	Private Screen-ers?
1	London (lhr)	BAA	Y	ADI Initial, SIS (CIVAS)	Y
2	Paris (cdg)	SIFA/Brinks/ICTS	Y	ICTS/ASA/SIFA	Y
3	Frankfurt/main (fra)	FRAPORT	Y	FRAPORT and others [/3]	Y
4	Amsterdam (ams)	Group 4 Falk	Y	Randon Securicor-ADI & Group 4 Falk	Y
5	London (lgw)	BAA	Y	ICTS; Initial	Y
6	Brussels (bru)	Securair	Y	Securair	Y
7	Zurich (zrh)	State Police		State Police [/4]	See note 4 below
8	Copenhagen (cph)	Copenhagen Airport Security	Y	Copenhagen Airport Security	Y
9	Manchester (man)	Manchester Airport plc	Y	Securicor/ADI	Y
10	Madrid (mad)	Vinsa, State Police	Y	State Police	
11	Munich (muc)	SGM (Airport Company)	Y	various private companies [/3]	Y
12	Rome (fco)	Aeroporto di Roma; physical searches handled by police	Y	Aeroporto di Roma	Y
13	Dusseldorf (dus)	ADI	Y	ADI	Y
14	Milan (mxp)	SEA; physical searches handled by police	Y	SEA	Y
15	Dublin (dub)	Aer Rianta (Airport Authority)	Y	Aer Rianta (Airport Authority)	Y
16	Stockholm (arn)	Group 4 Falk	Y	Group 4 Falk	Y
17	Vienna (vie)	VIASS	Y	VIASS and others [/3]	Y
18	Paris (ory)	ASA, SIFA	Y	ICTS, Brinks	Y
19	Barcelona (bcn)	Prosegur, State Police	Y	Prosegur,State Police	Y
20	London (stn)	BAA	Y	ADI (Securicor)	Y
21	Lisbon (lis)	State Police [/5]	See note 5 below	State Police [/5]	See note 5 below
22	Oslo (osl)	ADECCO, Olsten	Y	ADECCO, Olsten	Y
23	Malaga (agp)	80% Securitas/20% State Police	Y	80% Securitas/20% State Police	Y
n/av	Geneva (gva)	Airport Authority	Y	ICTS	Y
n/av	Athens (ath)	ICTS/Wackenhut/3D	Y	Hermis/Civas	Y
n/av	Nice (nce)	ICTS, SGA	Y	ICTS, SGA	Y
n/av	Helsinki (hel)	Securitas	Y	Securitas	Y
n/av	Birmingham (bhx)	ICTS & AAS	Y	ICTS & AAS	Y
n/av	Berlin (ber)	Securitas	Y	Securitas	Y
n/av	Stuttgart (str)	FIS	Y	FIS	Y
n/av	Cologne (cgn)	ADI	Y	ADI	Y
n/av	Hamburg (ham)	FIS	Y	FIS	Y
n/av	Hannover (haj)	FIS	Y	FIS	Y

[/1] Based on 1999 Int'l Airport Traffic Statistics from ACI.

[/2] As of October 2001.

[/3] These airports do not have centralized baggage screening, but airlines hire private companies to x-ray bags.

[/4] Public/private partnership underway.

[/5] Legislation proposed to permit public/private sector partnership.

Source: Aviation Security Association

Companies that do not meet the standards and perform effectively are not simply fined but actually have their contracts cancelled. Since these are typically long term (e.g., up to six-year) contracts, losing such a contract is a serious loss of business, creating a strong incentive for high performance. Companies often bid on a whole package of security services, not just passenger screening, paid for via a single monthly charge. This avoids undue cost pressures being put on any one element.

Standards are set and enforced by a national government agency, typically either a civil aviation authority or a justice or interior ministry. The performance standards and enforcement process focus on four areas:

- Certification of the security companies, in which the government agency reviews the financial fitness of each firm, as well as the backgrounds of its officers and directors;
- Licensing of individual employees, initially as a trained security officer and then as a specialized aviation security agent;
- Standards for compensation and benefits, to ensure that people of sufficient caliber are recruited, and that they are motivated to remain with the company; and
- Training, both initial and recurring, of both managers and operating personnel. The government develops goals and objectives for the training, companies devise the curriculum, which the government must approve before it can be used.

Government oversight includes periodic audits of the qualifications and training of managers and staff. It conducts random, unannounced testing at the screening sites. It also conducts audits to be sure that the training has been conducted. Two main sanctions are used instead of fines: termination of specific contracts and revocation of the company's license to provide aviation security services. Individual screeners can have their licenses suspended or terminated for failing to perform properly.

C. Current Federal Use of Security Contractors

During the congressional debate over airport security in October/November 2001, it was often claimed that functions such as security screening are "inherently governmental" and therefore must be carried out directly by federal employees. Not only is this claim contradicted by the worldwide use of private security firms for airport screening, but it is also contradicted by extensive practice of federal agencies.

To be sure, some federal facilities—including the White House, Congress, Treasury, Pentagon, and State Department—are guarded by federal employees. But numerous others, including the huge new Ronald Reagan Building and the Department of Transportation itself, are guarded by private security firms.

The performance of government security screeners in many cases has left much to be desired. The General Accounting Office ran an undercover test of the adequacy of screening at a number of sensitive federal government facilities that were considered possible terrorist targets. Many of them (e.g., CIA, Pentagon, FBI, State Department) made use of federal screeners, while others used private contractors. "[GAO's] undercover agents were 100 percent successful in penetrating 19 federal sites and 2 commercial airports."[18] While the GAO's report does not distinguish between direct federal provision and outsourced provision of screening, its findings provide no evidence to support the claim that federal employees, per se, perform better than contract employees at the security screening task.

Another large scale use of performance contracting at federal facilities is the U.S. Marshals Service use of contractors to guard federal courts. Under this program, over 3,300 Court Security Officers secure building entrances to more than 450 federal court facilities in the United States and its territories. The privately contracted CSOs operate the x-ray machines and magnetometers at all court entrances, just as federal employees do at the entrances to the U. S. Capitol and the congressional office buildings. The Marshals Service requires applicants for CSO positions to have a minimum of three years of police experience and to have graduated from an accredited law enforcement academy. Hence, most CSOs are former federal, state, or local police officers.

In short, current federal practice refutes the claim that security screening is inherently governmental. Depending on the facility involved, some federal facilities are protected by federal employees while others are protected by contractors. Furthermore, no evidence has been provided to support the claim that federal employees do better at security screening than contract employees.

About the Author

Robert Poole is Director of Transportation Studies at the Reason Public Policy Institute, with over 22 years of public policy research experience. A former aerospace engineer, he holds B.S. and M.S. degrees from MIT. He has authored a number of policy studies on airport and air traffic control issues and has advised the Reagan, Bush, Clinton, and Bush White Houses on various transportation issues.

Other Relevant Reason Foundation Policy Studies

Re-thinking Checked-Baggage Screening. By Viggo Butler and Robert W. Poole, Jr., Policy Study No. 297, July 2002.

Fixing Airport Security, 21st-Century Strategies for 21st-Century Threats. By Robert W. Poole, Jr. and Viggo Butler, Rapid Response #106, September 2001.

How to Commercialize Air Traffic Control. By Robert W. Poole, Jr. and Viggo Butler, Policy Study No. 278, February 2001.

Airline Deregulation: The Unfinished Revolution. By Robert W. Poole, Jr. and Viggo Butler, Policy Study No. 255, March 1999.

Passenger-Friendly Airports: Another Reason for Airport Privatization. By Asheesh Advani, Policy Study No. 254, March 1999.

Reinventing Air Traffic Control: A New Blueprint for a Better System. By Robert W. Poole, Jr. and Viggo Butler, Policy Study No. 206, May 1996.

Endnotes

[1] These passenger enplanement figures are for calendar year 2000, provided by the American Association of Airport Executives, based on data from the Federal Aviation Administration.

[2] "Progress in Implementing the Provisions of the Aviation and Transportation Security Act," Statement of Alexis M. Stefani before the Committee on Government Reform, U.S. House of Representatives, August 7, 2002.

[3] Remarks of Bob Crandall, Wings Club, New York, NY, March 20, 2002.

[4] Eric Grasser, "JFK Wants Retired Police Officers to Replace Screeners," *Airport Security Report*, March 13, 2002, p. 8.

[5] Aaron Davis, "New York Fumes Over Move to Pilot S.F. Airport Security," *San Jose Mercury News*, July 1, 2002.

[6] Christopher Fotos, "ACI-NA Executive Sees Much Lacking in Aviation Security Bill," *Airports*, Nov. 20, 2001, p. 5.

[7] Huntleigh is owned and controlled by a dual U.S.-Israeli citizen, so it is not clear whether or not it would qualify as a U.S.-owned and -controlled company.

[8] "Progress in Implementing the Provisions," August 7, 2002.

[9] Jon Hilkevitch, "Airports Not Sold on Federal Screeners," *Chicago Tribune*, April 6, 2002.

[10] Security firm CEO, personal communication, July 8, 2002.

[11] Reason Foundation telephone interview with airport director at large east-coast hub airport, April 4, 2002.

[12] General Accounting Office, "Aviation Security: Terrorist Acts Demonstrate Urgent Need to Improve Security at the Nation's Airports," Washington, D.C.: Testimony of Gerald L. Dillingham before the Senate Commerce, Science, and Transportation Committee, Sept. 20, 2001.

[13] General Accounting Office, "Aviation Security: FAA Needs Preboard Passenger Screening Performance Standards," Washington, D.C.: GAO-RCED-87-182, July 24, 1987.

[14] Sec. 302, P.L.104-264 .

[15] Sec. 3, P.L. 106-528.

[16] GAO, op cit, Sept. 20, 2001.

[17] Ibid.

[18] General Accounting Office, "Security: Breaches at Federal Agencies and Airports," Testimony of Robert H. Hast before the House Judiciary Subcommittee on Crime, May 25, 2000.









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