



Australian Government
Attorney-General's Department

**Security and Critical
Infrastructure Division**

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Information Session – Security Licensing

[Introduction]

1. Acknowledge introduction.
2. Depending on how it is counted, the number of private security personnel in Australia matches or exceeds the size of our police forces.
Police provide a public service - their powers and the laws governing them are very different to those affecting the private security industry.
The private security industry provides a private service which is splintered into many diverse groups catering for a wide range of private demands.
3. The rapid growth in the private security industry reflects high demand and commercial success.
However, it is frequently asserted that the industry is racked with problems, casting a shadow over the integrity of the industry as a whole.
4. Concerns exist about inadequate service, corruption, violence and the vulnerability of citizens to private security.
Such concerns have led most industrialised countries to apply some form of regulation over their private security industries - mainly probity checks and minimum levels of training - but standards are still highly variable.
5. There have been actions taken over the last couple of years to try to improve the regulation of the private security industry in Australia.
You may know that the Council of Australian Governments meeting in April considered the issue of minimum national standards controlling the operations of the security industry but could not reach agreement.
6. Although no agreement was reached, a Regulation Impact Statement was developed to support COAG consideration of this matter and I will draw on this to briefly describe the current Australian security industry.
I will then outline some of the problems that purchasers of security services are telling us about, and suggest some of the reasons for these problems.
7. I am also going to give an overview of the current licensing arrangements and what could be done to improve the regulations, before setting out what might be done next to try to meet the new Government's objectives in this important policy area.

[Composition of the Security Industry]

8. Geographically, the private security industry is concentrated in New South Wales, Victoria and Queensland.
Business in these states accounts for 80 percent of the industry's total revenue and 78 percent of its employment.
9. Static guarding, crowd control and patrolling accounts for over 60 percent of security services in Australia.
Technological services such as the manufacture, sale and installation of security equipment, security monitoring, and document storage accounts for around 35 percent.
10. But security is much more than licenced security operatives and businesses providing security services.
11. The discipline of security embraces managers in government and industry, as well as architects and engineers in construction and manufacturing.
It includes IT security technicians and managers, and extends to parts of the services industry such as insurance and banking.
12. By some accounts, the number of private security personnel in Australia roughly matches the number of police at around 40 000 to 50 000, although other estimates suggest private security personnel may outnumber police two to one.
Internationally, Australia appears to be a bit below average in its intensity of private security use, with an estimated 188 security personnel per 100 000 population. In the United States the number per 100,000 people is 326, the European Union is 2371, while New Zealand comes in behind us with 82.
13. IBISWorld estimates the Australian private security industry earned \$2.36 billion in 2005-06, or a bit over \$100 per Australian resident.
This equates to an estimated \$1.36 billion contribution to the Australian economy in value added in 2005-06, or 0.15 per cent of the total GDP.
14. ASIAL (2007) puts the earnings number at \$4.3 billion or a bit over \$200 per person.
15. This slide shows how the Australian security industry products and services are segmented.
16. The security industry is characteristically labour intensive.
As I mentioned earlier, static guarding, crowd control and patrolling accounts for over sixty per cent of the security services provided in Australia.
Relatively, technological and/or capital intensive services, such as cash in transit, document storage, security monitoring, sale and installation of security equipment, accounts for a little under 35 per cent.
17. This slide shows private security cost structures.
Low levels of capital are required for most security functions - being a guard generally only requires a uniform and communication equipment.
Low capital requirements mean there are few financial barriers to entry.

[Identified Problems]

18. Obviously protecting critical infrastructure is a major concern.
Most of the nation's critical infrastructure is privately owned, or operated on a commercial basis so it is not – and cannot be – the sole responsibility of the Australian Government to protect it.

19. Critical infrastructure extends across many sectors of the economy, including banking and finance, transport and distribution, energy, utilities, health, food supply, manufacturing and communications, as well as key government services and national icons.
20. Australian businesses don't need to be persuaded to look after their security. They understand that modern businesses take prudent steps to protect their shareholders' interests from foreseeable risks – including terrorism.
21. However, businesses which rely on the services of the security industry have been telling the government that there are problems. Purchasers of security services are dissatisfied with the competence and quality of service offered by security providers and consultants. They are worried about the lack of physical fitness and poor communications skills of security operators, which may prevent them performing their duties.
22. There is also concern about variations in security industry standards across all jurisdictions, and the lack of mutual recognition arrangements. This is seen as a potential barrier to the effective integration of the private security industry and its ability to contribute to national counter-terrorism arrangements. Also, plans to increase guard numbers in the face of increased threats, are not viable due to lack of surge capacity in the industry.
23. Essentially, the concerns about the security industry relate to probity issues, skills and training, and national capacity and mobility.
24. In relation to probity concerns, the issues include:
 - a perceived lack of trustworthiness of service providers and personnel and the consequent underutilisation of the security industry;
 - abuse of the job and position to pursue criminal activity – [drug distribution example];
 - the present culture and industrial practices of the sector;
 - larger businesses creating their own security force because of their lack of trust of security organisations;
 - the need to prevent those with mal-intent from gaining privileged access to cause harm; and
 - the reluctance to apply Mutual Recognition laws due to the application of different probity standards in each jurisdiction.
25. In relation to skills and training, issues include:
 - the varying skill standards required across jurisdictions;
 - the development of competencies to operate complex technical equipment, apply the law, ensure compliance and respond to emergency situations;
 - developing effective interpersonal skills to communicate and deal with a wide range of people;
 - self-defence and physical capacity for self-protection and containment of violence;
 - the creation of good work ethics, self-esteem and positive public perceptions; and
 - inefficiencies and inconsistencies associated with having to set up secondary training schemes to overcome inadequacies in initial training.

26. Finally, in relation to national capacity and mobility, the concerns are related to:
- the lack of capacity of any jurisdiction to sustain a surge in guarding requirements needed to deal with increased threats;
 - the lack of effective competition for large contracts;
 - an inability to meet short term demand spikes; and
 - the impost of eight separate licences for cross-jurisdiction activity.

[Economic Factors]

27. There are some economic explanations for the real and perceived quality problems with the services provided by the security industry.
These include high levels of price competition for most services, and hitherto low regulatory minimum standards.
There is insufficient enforcement of the regulatory standards that exist which allows non-compliant, backyard operators easy entry and exit from the industry.
Low margins, low wage rates and high churn rates (entries and exits) flow as a consequence of intense competition.
28. Finally, there are non-discriminating, reluctant and sceptical purchasers who make 'grudge purchases' - purchasers who emphasise price over quality competition because they may regard security as necessary to meet insurance, regulatory, legal or political requirements imposed on them.
Their purchase is made reluctantly and grudgingly.
29. Others in this category regard security services as necessary to pass risks of legal liability to smaller commercial entities to protect shareholders of major brands.
Some feel security is necessary to provide a visible deterrent and to create a perceived (rather than real) sense of security for patrons or customers.
30. Many see private security as only capable of dealing with petty crime and small security issues.
They think it is incapable of being able to prevent or greatly reduce big risks created by determined criminals, forces of nature, major accidents or fanatical terrorists.
31. Objective evidence of influence of price on security purchase decisions is difficult to find.
A survey of European Union public authorities in 1998 showed that the vast majority select security contractors solely on the basis of the lowest price².

[Public Policing and Private Security]

32. The growth trend in security services in Australia appears to have been mirrored in most other industrial countries.
Factors that have fuelled the growth in demand are:
- the inability of the state to provide the appropriate levels of security demanded, and
 - the proliferation of shopping centres, leisure facilities, gated communities, the growth of night-time activities and the growing risks of terrorism.
33. There has been both an expanded range of functions undertaken by the private security industries, and an increase in performing similar functions that the public police do (even police-like modes of operation).

34. The growth in private security should not be seen as a shift away from public policing. Two different services are being provided.
35. Public policing is about prosecution, conviction or punishment to uphold the public objectives of the criminal justice system and the norms it creates. This requires a monopoly to be effective.
36. Private security is about preventing specific private losses, protecting specific property and reducing private risk, which does not require a monopoly. Private sector security is splintered into many diverse groups catering for a wide range of private demands that only specialist, non-state suppliers could provide.
37. The differences between public policing and private security identified by Rick Sarre and Tim Prenzler in 2005 are shown in this Table.

[Security Industry Licensing]

38. The growth in private security in industrialised countries has generally seen legal controls required to shape its growth rather than prevent it. Most European countries introduced regulation in the 1970s and 1980s. The grounds for regulating relate to private security personnel undertaking special functions, having access to privileged information, exercising powers, using force and conducting functions similar to the police.
39. In Australia, private security industries are regulated by state and territory governments and standards vary by jurisdiction. The Commonwealth does not have the Constitutional power to regulate in this area.
40. All states license private security firms and individuals. Requirements to qualify for a licence vary by state. In some states considerable training and probity checks are required. In others the requirements are less strict.
41. Across six states and two territories the security industry is regulated by 17 different Acts and Regulations, and administered by agencies ranging from *Racing; Gaming and Licensing* right through to a department of *Tourism, Fair Trading and Wine Development*. One consequence of this piecemeal approach is that while we have mutual recognition of training across jurisdictions, there is no similar system for the recognition of security licences or master licence holders across state borders.
42. Private security may be the first on a scene when confronted with a terrorist or other major incident. They guard critical infrastructure and public gatherings so they must be of high quality and highly trustworthy.
43. Differences potentially create problems relating to mutual recognition, duplication of licensing, high compliance costs and undermining of standards.
44. Since 2005, the Critical Infrastructure Advisory Council, the Ministerial Council on Police and Emergency Management – Police (formerly the Australasian Police Ministers Council) and the Council of Australian Governments have considered this issue. They are concerned that these variations may compromise integration and the industry's contribution to national counter-terrorism.

[Harmonisation of Security Industry Regulation]

45. While harmonisation of regulation to an acceptable standard could help overcome these problems, harmonisation to the highest standard is likely to be necessary to avoid compromising the states or territories already at that level.
46. The new Government's policy is to work towards a nationally consistent approach to the regulation of the private security industry.
Such a change could potentially require changes to current state and territory private sector security regulations.
47. Likely aims of such a policy would be to improve the probity of industry participants by applying nationally agreed minimum standards of identification, verification, criminal history and intelligence checks, and licence eligibility criteria.
It would also need to improve the mobility of personnel between jurisdictions through mutual recognition of licences and temporary licenses.
And lastly it would want to ensure consistent training standards across the country.

[Conclusion]

48. It would stand to reason that if the lack of trust in the Australian industry is not stemmed then it has little hope of taking on greater responsibility and therefore flourishing.
49. As we have seen in other countries, regulation has been the catalyst to growth.
In this context, regulation will be welcomed by those who have a legitimate interest in protecting the interests of the private sector and should only be feared by those whose business practices are sub-standard.

¹ (Button 2007), (CoESS/UNI-Europa 2004), (IBISWorld 2007), (Parfomak 2004), (Stewart 2001).

² CoESS and Uni-Europa 2000