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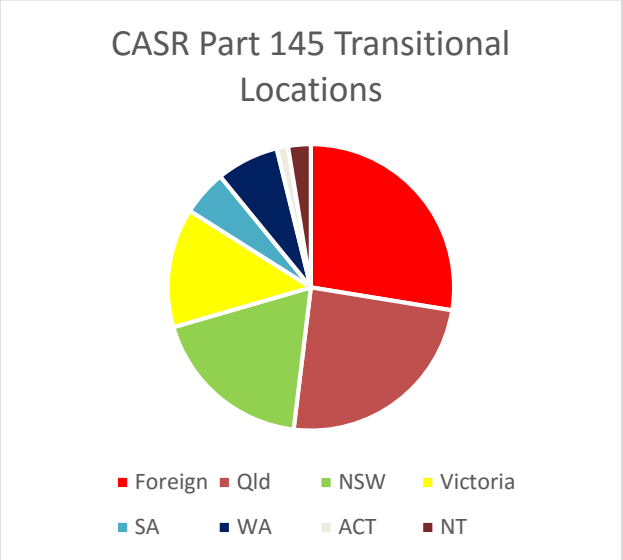
HOW THE MRO INDUSTRY HAS CHANGED

The purpose of regulatory reform, if we believe government, is to reduce red tape and regulatory impost so our Australian aviation MRO businesses can provide cost effective safe services to aircraft operators, both private and commercial.

We know governments place a high priority on ensuring we have a competitive market in the belief that it keeps resource costs down.

In the aviation MRO industry, a competitive market has been implemented so that both domestic and international operators have an international field of CASA approved AMOs to utilise for their maintenance requirements.

There are more foreign AMOs approved by CASA than in any one State in Australia as can be seen on the adjacent chart. This chart is based on the CASA promulgated Part 145 transitions list.



A lot of the approvals are for component workshops but, for aircraft operators, the Asia Pacific CASA approved MRO market is open for business. CASA approved foreign Part 145 AMOs, especially in the Asia Pacific Region, are very competitive to any CASA approved Part 145 AMO located within Australian territories. We need real harmonisation if our CASR Part 145 AMOs are to be competitive in our own regional market.

One hopes that CASA has a full cost recovery system when they provide regulatory oversight of all these foreign MROs. The costs should cover a dedicated CASA international oversight office that would be full time on performing audits of this many foreign MROs. EASA has a full cost recovery policy for Australian MROs that hold EASA MRO approvals.

Obviously government supported CASA becoming a global regulator taking responsibility to provide regulatory oversight of these foreign AMO's approved by CASA under the CASRs whereas the CARs placed that responsibility on the NAA of the foreign country to provide regulatory oversight of their own MROs. The onus was, under the CARs, on the Australian registered operator to ensure the AMO they contracted for maintenance was approved under the regulatory system of the foreign country and approved by their NAA to perform the maintenance under the CAR system.

The burden of liability under CASRs has been shifted from the registered operator to government.

The cost of this approach has been less maintenance done in Australia. We know governments support competition with their free trade approach to businesses over the years. Harmonisation will provide a level competitive regulatory system.

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Q. Is this the most cost effective method for government?

At present, CASA approving these foreign AMOs under CASR Part 145 is opening the MRO market available to Australian operators to many foreign AMOs. With over a ¼ of the CASR Part 145 AMOs now in foreign countries, then over a ¼ of CASA airworthiness auditing workforce would need to be permanently involved with international audits. This is a costly overhead that the Australian industry is supporting.

So what is the alternative?

Instead of becoming a global regulator, would not a more cost effective method be an open MRO market between Asia Pacific countries.

This would require either a Bilateral Agreement with each country or all countries and/or a Technical Agreement between CASA and each NAA. At least under a Bilateral Agreement and/or a Technical Agreement, Australian AMOs would have equal access to their market.

This requires harmonisation that regulatory reform has failed to produce.

If the government was real smart, it would initiate a regional aviation market at an ASEAN type meeting where harmonisation could become a high priority.

Harmonisation without differences

Now that we have a broad aviation MRO market for aircraft operators, it is time that we had a broad aviation MRO market for Australian AMOs.

To achieve that we need full harmonisation within the Asia Pacific Region for a start. Except for Australia's lack of harmonisation, the majority of the Pacific countries are already harmonised with the NZ regulatory system, based on EASA for airlines and FARs for the rest of the sectors. At least harmonising with NZ would keep GA alive.

CASA regulatory output over the last decade has created many regulatory and administrative differences to our neighbours in this region.

This would require a dedicated team, CASA & industry, to work through the current requirements for design, manufacture, maintenance and training to remove all differences, red tape, modernise devolvement of functions, empowering of industry entities, etc. etc.

In 2016 it is unbelievable that there should be any need to set up a dedicated team to identify the differences to our Asia Pacific neighbours and to recommend regulatory and administrative changes to enable our *Design*, *Manufacturing*, *Maintenance* and *Training* sectors to be competitive in the Asia Pacific Region and beyond.

The industry has had enough of consultation, it wants <u>action teams</u> that can make changes.

The outcome of the last decade has seen a decline in non-major airline sectors, it is time to turn it around by implementing the Forsyth government supported recommendations by **adopting the best performance based regulations** from EASA/FAA/NZ. CASA does not have the expertise to be a world leader in regulatory development.

Government needs to review its policies regarding harmonisation.