A new partnership for the aviation industry

The Australian Aviation Associations Forum - Aviation Policy 2016

AERIAL APPLICATION ASSOCIATION OF AUSTRALIA LTD.

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Australian Business Aviation Association Inc.

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REGIONAL AVIATION ASSOCIATION OF AUSTRALIA

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Founded 1926

RECREATIONAL AVIATION AUSTRALIA

A NEW PARTNERSHIP FOR THE AVIATION INDUSTRY

A new partnership for the aviation industry

The Australian Aviation Associations Forum - Aviation Policy 2016

The Australian Aviation Associations Forum is an alliance of the majority of Australia's major aviation associations to ensure the industry presents a united voice to government on key aviation issues and policy, characterised by expertise and a wide representation of people and organisations committed to aviation.

The Forum participants represent the significant majority of aviation operators, aircraft owners, service providers, supporters and participants. The Forum has been operating successfully since 2008.

The following associations support the policies contained in this document:

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HIGHLIGHTS

Key Policy Priorities

1. A National Aviation Strategy in partnership with industry with a focus on safety, job creation, and growth.
2. Modernisation of the *Civil Aviation Act* and alignment to international standards.
3. Sale of Airservices and creation of an Aviation Future Fund
4. Urgent policy action on aviation education and training
5. New approaches to general aviation, manufacturing, security and regional aviation

ESTIMATED NET INFLOWS TO GOVERNMENT AND INDUSTRY = $2.205 BILLION

A New Aviation Policy Partnership

The Forum believes that a National Aviation Strategy, built on a strong partnership with industry, will deliver significant economic, jobs and efficiency benefits through action across five key areas:

- Enhanced coordination
- Efficient regulation
- Policy alignment
- Prioritising investment
- Investing in Capability

CONTENTS

PART 1 Introduction 1
PART 2 The Australian Aviation Challenge 4
PART 3 Summary of Recommendations 6
Enhanced coordination 6
Efficient regulation 6
Policy alignment 8
Prioritising Investment 9
Investing in capability 11
PART 4 Benefit Realisation 13
PART 5 Detailed Policy 14
Enhanced coordination 14
1. National Aviation Strategy 14
2. Appoint a Minister Assisting for Aviation 14
Efficient regulation 15
3. Modernisation of the Civil Aviation Act 15
4. State Safety Program 16
5. Department of Infrastructure and Transport Aviation Division 17
6. Risk Management Framework for Aviation Regulation 17
7. CASA 18
8. BITRE 23
9. ATSB 23
10. General Aviation 24
11. Airspace 24
Policy alignment 25
12. Aviation Services to Regional Australians 25
13. Aviation Security 26
14. Aviation Taxation 27
15. Non-Aviation Impacts On Aviation 27
16. Aircraft Noise Management 28
Prioritising Investment 29
17. An integrated aviation infrastructure master plan 29
18. Sale of Airservices Australia 31
19. Aviation Rescue and Fire Fighting 34
20. Airports 36
Investing in capability 38
21. Aviation Future Fund 38
22. Aviation training and education 38
23. Aviation manufacturing 40
PART 6 Appendices 42

PART 1 Introduction

1. A New Environment of Partnership

Australia's aviation industry is a major contributor to the nation's economy and it faces significant challenges. Australia should have a highly efficient and effective aviation industry supported by government policy and regulation. Unfortunately, the reality is different.

Aviation policy has languished and is in need of a bold agenda for reform. The Forum believes that this document can make an important contribution to the development of that agenda. It is critical that the industry start moving forward again rather than being subjected to another review.

The Forum believes that our political representatives can capitalise on our natural advantages and the skills of our people by having government work with the industry in a new partnership to establish an aviation environment that supports safety, encourages competition and innovation and delivers significant benefits to the Australian community.

The Forum believes that key challenges for aviation in the next term of our Federal Parliament are to create a whole-of-government approach and forward-looking aviation policy, to harmonise aviation regulations with international standards and to establish performance-based safety regulation based on risk assessment and outcomes.

This 2016 Australian Aviation Associations Forum Aviation Policy offers a practical strategy to continue the task of reforming Australia's aviation landscape.

2. Job Creation

The aviation industry has the potential to generate many more jobs for Australians.

The industry will not only require large numbers of additional pilots and new maintenance staff, but also additional air traffic controllers, operations managers, ground handling staff, airport staff and critically - trainers.

The economic modelling conducted by a range of international organisations indicates that significant growth in the aviation sector will be a key feature of the coming two decades and Australia will have to reset its aviation regulatory system to take advantage of this opportunity.

The ability of the aviation industry to create fulfilling careers in both regional and metropolitan Australia provides a range of critical advantages to Government in stimulating strategic and long-term job growth.

3. International Harmonisation

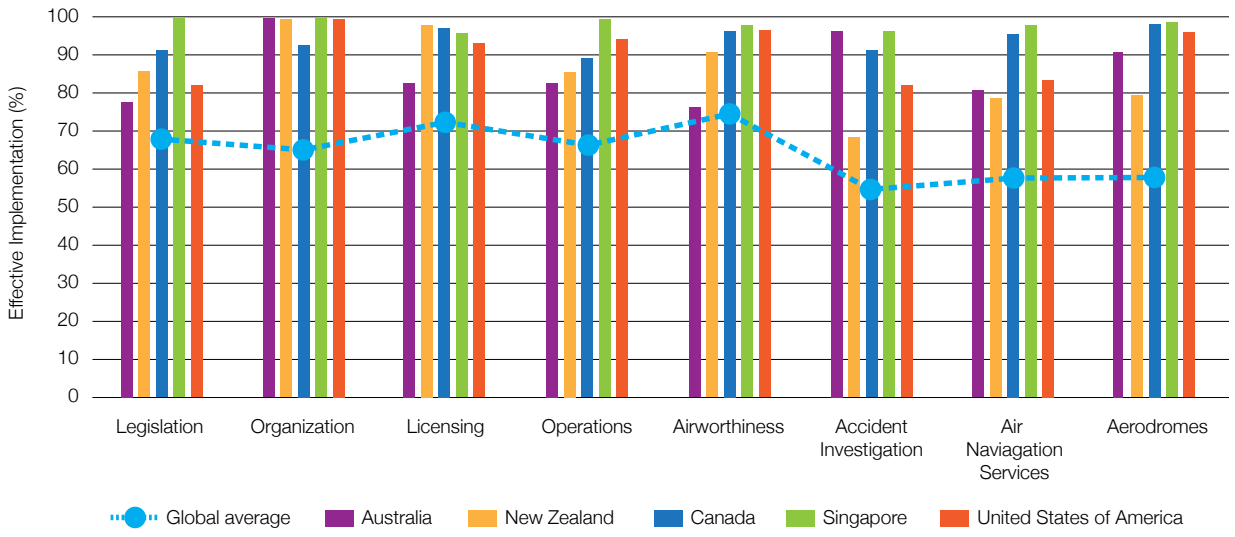
Global aviation is founded on an agreed common approach to aviation regulation between countries through the International Civil Aviation Organisation to which Australia is a signatory.

During the past decade, Australia has drifted away from internationally accepted approaches to regulation to a point where today, regulatory authorities from the US, Canada, New Zealand and the EU do not recognise Australian training and maintenance qualifications.

As can be seen from the ICAO State Safety Audits (see table below), the performance of Australia's safety regulator compares poorly to counterparts in other advanced countries (*Reference:* http://www.icao.int/safety/Pages/USOAP-Results.aspx)

It is no coincidence that, based on the safety audits conducted by ICAO, where CASA has direct responsibility for a key regulatory suite, Australia's performance is well below that of comparable nations.

Table 1 - ICAO State Safety Audit Comparison



Harmonisation of aviation licensing and regulation with overseas jurisdictions will maximise export, training and trade opportunities. It could also allow the creation of a single aviation market with New Zealand, a long standing government policy that has never been effectively implemented.

4. Innovation

Innovation is the lifeblood of the aviation industry and a key reason why the industry continues to be able to deliver such high-reliability, safe operations in even difficult operational environments.

Australia has an excellent record as an aviation innovator - from aircraft design to pioneering aviators and aviation-related products such as the 'black box' flight recorder.

However, the complexity of Australia's aviation regulation has played a significant role in the inability of local industry to compete on an international scale. The current rules are unwieldy and based on a set of prescriptive principles that are out of step with international standards.

This impacts on the capacity of Australian aviation businesses to react in a nimble and innovative manner to domestic and international market demand.

Forum policies will, if adopted by Government, place Australians in a far stronger position to align with international standards and practices and to have Australian qualifications and products recognised easily by other countries.

PART 2 The Australian Aviation Challenge

1. The Aviation Contribution To The Australian Economy

The aviation sector is a significant contributor to the Australian economy contributing in excess of $30 billion per annum (2% of annual GDP) and employing in excess of 250,000 people (directly by airlines, airports and indirectly by the industry value chain).

By 2030 Australia's population is set to increase to 30 million people (up by 6 million people on today) and as a consequence the size of our major and regional centers will continue to grow, particularly within corridor areas between the major capital cities.

This will create further significant demand for air travel and put pressure on infrastructure. Additionally, as the migrant population increases and general wealth and accessibility to air travel improves, particularly in China and India, ever-increasing numbers of international visits will occur.

While domestic aviation activity has been relatively flat over the last few years, international traffic into the major capital cities of Melbourne, Sydney and Brisbane has been growing at a rate of more than 5% per annum.

Non-passenger carrying operations provide community and business services including freight, ambulance and rescue, agricultural, firefighting and survey operations that make a significant - sometimes critical - economic contribution. In addition, sectors including aviation manufacturing, training, maintenance and overhaul demand urgent action to remove impediments to growth.

The Forum believes that Government implementation of Forum policies will provide a significant stimulus to the aviation economy, create jobs across the nation and empower industry to take advantage of significant projected growth.

2. Global Growth

Globally, aviation is forecast to continue to grow at over 4% each year for the next 20 years with passenger numbers more than doubling to reach 7.3 billion by 2034.

Deliveries of new commercial aircraft over this period are anticipated to be over 38,000 which, together with replacement of older aircraft, will double the present global fleet to 43,500 aircraft. The Asia Pacific is now the world's largest aviation market and over 40% of these deliveries are to airlines that operate in this region. *(Reference: Boeing Current Market Outlook 2015-2034)*.

The demand for air travel will continue to put pressure on our aviation system that at times is already capacity-constrained.

Substantial investment will be required to ensure sufficient capacity is available to meet this demand. This additional capacity will be in airport and air traffic infrastructure ($16 billion already forecast by airports), the training of thousands of aircrew, air traffic controllers, airport staff and the expansion of businesses that service this industry.

3. Twin Aviation Challenges For Australia

Essentially, Australia has two aviation challenges.

First is the need to ensure the foundations are sound: that our regulatory and policy environment is conducive to growth and there is sufficient capacity in terms of trained people and modern infrastructure to meet forecast demand and thereby maximise the efficiency of our aviation system.

Secondly, our country has the opportunity to build on our expertise to provide a range of services to the burgeoning aviation sector in the Asia Pacific. Australia should be an important regional leader in key aspects of aviation such as flight training, maintenance, air traffic management, security and regulatory controls, technology, avionics and manufacturing of small to medium aircraft and components.

In order to position the country for this future Australia needs to address these challenges, plan for the future and fix long-running issues in our regulatory and government structures that are holding us back.

PART 3 Summary of Recommendations

Enhanced coordination

1. National Aviation Strategy

The Forum calls on the Government to develop a national aviation strategy through the establishment of a joint industry / government task force based on a partnership between industry and government and which considers the recommendations contained in this Policy. TAAAF participants stand ready to support this process.

2. Appoint a Minister Assisting for Aviation

The Forum calls for the establishment of the role of Minister Assisting for Aviation to oversee and coordinate a new aviation strategy for Australia. Aviation policy and its delivery are fragmented and are spread amongst a number of departments and agencies in both Federal and State Governments. The challenges ahead require a new aviation strategy and stronger political leadership and coordination.

Efficient regulation

3. Modernisation of the *Civil Aviation Act*

Unlike many advanced countries, Australia has adopted a highly prescriptive approach to aviation safety regulation which has seriously hindered the development of the industry for little discernible safety benefit.

A fundamental modernisation of the *Civil Aviation Act 1988* is required to bring Australia's safety framework into line with best international practice and to focus the role of the regulator on safety outcomes which are based on risk assessments and the fostering of the industry.

A new *Civil Aviation Bill* should be introduced into Parliament within the next two years.

In the meantime, the urgent task of fundamental reform of CASA must proceed with a new focus and urgency in accordance with the agreed recommendations of the Forsyth Report into aviation safety regulation.

4. Aligning Government Structures to the New Aviation Environment

Major changes to Government aviation policy and delivery structures are recommended in this detailed policy document. Forum recommendations include:

- The development and implementation of a risk-based regulatory framework
- The development and implementation of performance-based regulations
- A new, more efficient and equitable CASA long-term funding model

5. General Aviation

General aviation is a very diverse, economically and socially vital part of Australia's aviation industry. It covers a range of aviation operations and sectors that underpin the health of communities, especially those in regional Australia, and provides a critical feeder training role for large airlines.

General aviation in Australia is suffering from over-regulation and high costs compared to other countries.

Government should adopt the Forum-proposed *'New Philosophy of Regulation of General Aviation'* and direct CASA to implement a classification of operations that simplifies the regulation of this sector.

For example, by matching regulatory approaches to the differing exposures and capacities of sectors through sector risk profiling and recognition of industry programs and independent audits, CASA can simplify its approach and reduce regulation, expenditure and cost on industry in these areas without compromising safety. The use of self-administering bodies to oversee sport and recreational aviation operations is a true success story that provides another model for simple and effective regulation.

6. Airspace

The Forum believes that government agencies need to consult more effectively with industry on major developing aviation technologies and use of airspace. This should include a more integrated approach to managing industry input and intelligence gathering through the existing but under-utilised Regional Airspace and Procedures Advisory Committees (RAPAC) network.

While the Forum supports - in-principle - the OneSky program to bring Australian airspace onto a new jointly administered ATM platform, there are considerable concerns about the cost of the program, the timing of its delivery and the efficiency of its ultimate outcome.

As the operational concepts develop, industry must play an integral role in assisting Government to ensure the OneSky system is equitable, improves safety and is cost effective.

Another key challenge is the integration of unmanned aerial systems (UAS) into existing airspace while protecting the safety of existing users. CASA should focus on this issue as the primary concern of UAS policy, including placing significant due diligence responsibilities on UAS users.

Policy alignment

7. Aviation Services to Regional Australians

The role of aviation in building and maintaining healthy rural, regional and remote communities is critical. Over the last 25 years, more than half the regional Regular Public Transport routes and more than half the operators have been lost due to cost pressures, changing demographics and government policy indifference.

Government should establish a coordinated and government-funded scheme to facilitate aviation services to all communities across Australia where transparent criteria are met. The Forum believes that a significant improvement could be made to aviation access and support for smaller regional communities across Australia for an investment of less than $20 million per annum.

8. Aviation Security

The Forum recommends that Government adopt a risk-based approach to aviation security to reduce the cost of compliance in regional areas, increase the operational flexibility available (especially for security screening in regional areas), and reduce the costs and red-tape involved with the ASIC system.

9. Aviation Taxation

Australia's taxation treatment of aircraft assets is not consistent with aviation sectors overseas.

The Forum recommends that Government, through the Australian Taxation Office, work with industry to identify and remove tax impediments and to develop more equitable approaches to taxation, as is currently the case with other sectors.

10. Aircraft Noise Management

The Forum supports the current arrangements for the management of aircraft noise through the combination of the Aircraft Noise Regulations managed by the Department of Infrastructure, the systems and engagement currently managed by Airservices Australia and the various consultative and complaint mechanisms available through both those systems and the Aircraft Noise Ombudsman.

However, with the proposed sale of Airservices, the Forum believes it is more appropriate for the responsibility for the day-to-day management of aircraft noise reporting systems to be transferred to each major airport. This is consistent with the policy approach of bringing each airport closer to their neighbouring communities through the establishment of airport community forums at each of the major airports throughout Australia.

The Forum also recommends that the responsibility for the issuing or management of aircraft noise certificates be moved from Airservices to CASA and that industry delegates meeting relevant standards be able to issue noise certification for aircraft.

Prioritising Investment

11. An Integrated Aviation Infrastructure Master Plan for Australia

In order to meet the projected aviation demand of the next 20 years, the Government, working with industry, should develop an integrated aviation infrastructure master plan. This important work would be one of the key objectives of the new Minister Assisting for Aviation.

The Forum believes there are significant savings for industry and government through a more efficient planning process as outlined in this policy.

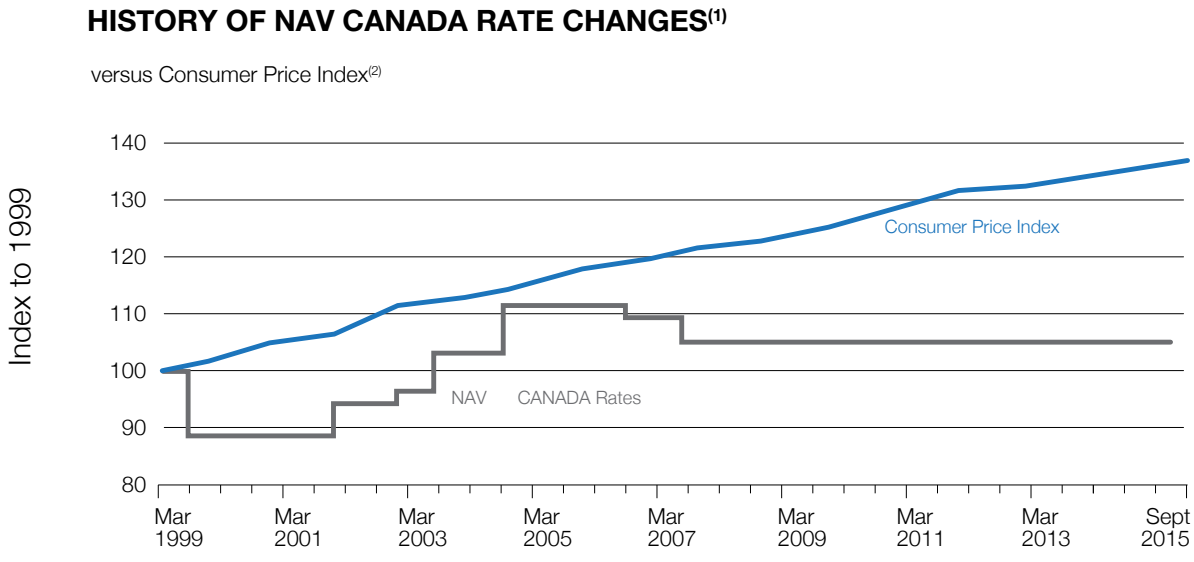
12. Sale of Airservices Australia

The partially-corporatised model under which Airservices Australia has operated for almost 20 years is increasingly incapable of delivering efficient and affordable air traffic services in a growing aviation market.

Airservices should be privatised along the lines of the Canadian air traffic provider, Nav Canada, which has operated successfully and safely for over 20 years. Nav Canada is a not-for-profit regulated monopoly owned by industry stakeholders who are represented on the governing board and surpluses are reinvested in the corporation or used to reduce prices.

The following tables illustrate the success of the Canadian air traffic model.

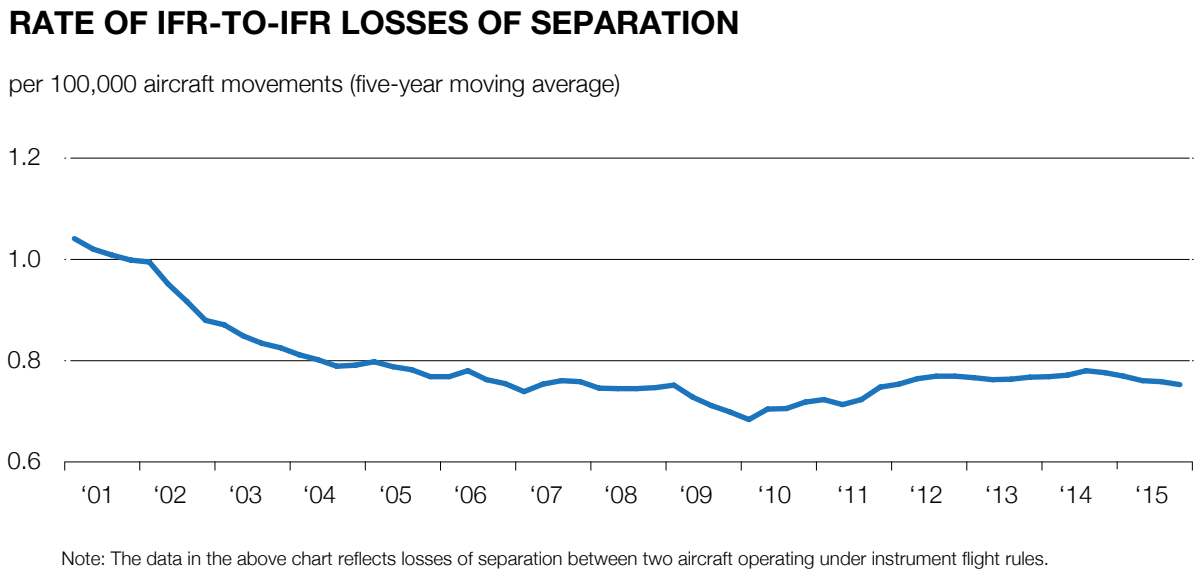
Table 2 - History of Nav Canada Charging Rates - Source: Nav Canada Corporate Plan 2015 - http://www.navcanada.ca/EN/media/Publications/AnnualReport-2015-EN.pdf



(1) Average changes since charges were fully implemented on March 1, 1999

(2) Consumer Price Index - Growth assumed to be 1.2 per cent for 2015

Table 3 - Nav Canada Loss of Separation Indicator - Source: Nav Canada Corporate Report 2015 - http://www.navcanada.ca/EN/media/Publications/AnnualReport-2015-EN.pdf



Note: The data in the above chart reflects losses of separation between two aircraft operating under instrument flight rules.

In the interim, a review of how Airservices delivers air traffic services should be undertaken to use the capability of existing ATM technology more efficiently to ensure the ATC workforce is optimally organised, productive and more cost effective.

13. Aviation Rescue and Fire-Fighting Transferred to Airports

In conjunction with the sale of Airservices, the Forum recommends that the Airport Rescue and Fire Fighting function, which is currently managed by Airservices, be transferred to individual airports with price protection for those regional airports which, after further risk-based review, actually require this capability. Risk-based regulatory standards should be established to ensure appropriate clarity for establishment / disestablishment of services.

14. Airports

Airports are critical support infrastructure and a vibrant airport sector can make a significant contribution to the overall health of the aviation industry.

The Forum recommends, as an integral part of the development of a national aviation strategy, a national airport strategy that seeks to maximise the compatibility of developments with aviation outcomes, including a process that ensures State/Territory planning authorities are also bound by such a policy.

The Forum believes that work to protect airspace around Australia's principal airports should continue with primacy given to the safe operation of aircraft. The Forum strongly supports the current National Airports Safeguarding Advisory Group (NASAG) guidelines and believes they should be made binding on State and Territory planning authorities through COAG processes. The Forum also supports the establishment of a national low-level GIS database for real-time access to mandatorily-reported hazards including wind monitoring towers and communication towers.

As capacity becomes constrained at the major airports there will be increasing pressure from airport owners to force regional operators out in order to maximise returns. This may be done by way of price increases or through runway demand management schemes (slots).

The Forum calls on the Government to ensure future equitable access for regional operators at capital city airports. This may require legislation similar to that enacted for Sydney Airport to specifically control both access and pricing for regional operators.

Since privatisation, the capital city airports have been able to generate extraordinary profits due to their monopoly position in the market place. In the case of Sydney Airport this has been highlighted on more than one occasion by the ACCC. The Forum supports a reintroduction of price control by directing the ACCC to oversee and regulate pricing at capital city airports under the *Competition and Consumer Act 2010*.

Investing in capability

15. Aviation Future Fund

The aviation industry has funded virtually all of the Airservices Australia budget since it was established and the Forum recommends that the proceeds of the proposed Airservices sale, which is estimated to raise approximately $1 billion, be divided equally (ie $500 million each) between the Government and an Aviation Future Fund that would focus on three critical and highly cost-effective initiatives:

- Establishment of 'Aviation Training Australia' to consult with industry and develop aviation training policy, including development of a strategy for the self-funding of aviation careers through a scheme similar to HECS for pilots and the reform of the apprenticeship scheme for AMEs/LAMEs.
- Establishment of 'Aviation Research Australia' to ensure that Australia stays at the forefront of emerging aviation technology, identifies trends and opportunities, coordinates and assists tertiary institutions, produces relevant aviation statistics and economic research and works with industry to establish a relevant research program.
- Establishment of 'Aviation Leadership Australia' to develop industry leadership, promote careers in the industry and to facilitate harmonisation, interaction and knowledge exchange with other aviation leading states.

The Future Fund and the three small organisations would be administered by a Board of appropriately qualified industry and government personnel and would have clear objectives to support the aviation industry.

16. Aviation training and education

While Australia is well placed to offer the full suite of aviation training opportunities to both domestic and international students, this potential is not being realised due to the overly complex and unique Australian regulatory and licencing regime.

Government should adopt the key initiatives from the recent report by the Industry Skills Council into aviation skill requirements and, through Aviation Training Australia established under the Aviation Future Fund, develop a coordinated national aviation training program that meets international training standards.

17. Aviation manufacturing

Job creation is a significant element in the potential of the aviation industry to grow.

As part of the development of a national aviation strategy for Australia, manufacturing opportunities and barriers to growth should be identified and effective policies developed.

This strategy should also address the development of Bilateral Aviation Safety Agreements that include the harmonisation and cross-recognition of Australian regulations with a range of other countries so as to facilitate the export of Australian aviation products and parts.

CASA charges for product certification should be abolished and CASA should be required to delegate more responsibilities to industry where there are suitably qualified candidates or organisations.

CASA should also be required to work more closely with all Australian aviation manufacturing companies to develop a more internationally competitive certification process.

PART 4 Benefit Realisation

Cashable flows

The Forum has not attempted to estimate the cashable flows from each individual recommendation in the policy document as the Forum believes that this would best be done by Government in relation to all recommendations.

The Forum would welcome the opportunity to participate in this work, which would also be expected to encompass the development of:

- better industry policy impact statements
- business and policy cases for each initiative that is to be pursued

The main cashable flows to government and industry from the recommendations contained in this policy are summarised below. As a suite of measures, they would be cash positive in terms of a return to Government directly and have a significant impact on overall operating affordability for the industry. By applying appropriate economic multipliers, they would also be expected to generate significant indirect net benefit in society over time.

Table 4 - Estimated Cashable Benefit Flows to Government and industry

#	Description	Estimated Total Inflow / (Outflow)	Benefit Recipient
1	Integrated asset management plan driven by better procurement, reduced duplication, standard designs etc.	$1.6 billion (10% of forecast spend)	Industry
2	Sale of Airservices Australia	$1.0 billion (if the Nav Canada model is adopted)	Government
3	Create an Aviation Future Fund providing training and research support and coordination	$500 million (outflow)	Government/Industry
4	New funding model for CASA driving greater efficiency, transparency and accountability and reducing appropriation spend.	$43 million (if CASA is 100% funded through a “tonnes landed” charge)	Government
5	Review CASAs overall level of efficiency (10% saving)	$17 million	Industry
6	Review excess cash levels of CASA	$35 million (estimate)	Industry / Government
7	Reduction of CASA staff number to the previous level of approximately 600	$30 million (estimate based on 200 staff reduction @ average staffing estimate of $150K)	Industry / Government
8	Regional Aviation Access Scheme	$20 million (outflow)	Industry / Community
	NET CONTRIBUTION / (LOSS)		
	INDUSTRY		**$1.63 Billion**
	GOVERNMENT		**$0.608 Billion**

Note:
1. The net contribution to industry does not include additional positive impacts from more efficient regulation which is estimated to generate an annual operating cost saving of up to 5% service cost.
2. The inflows/outflows are also total flows regardless of time and/or once-off impacts as opposed to a recurring return.

PART 5 Detailed Policy

The Forum believes that a new partnership with industry should be based on the following policy initiatives.

Enhanced coordination

1. National Aviation Strategy

The Forum believes it is time for new thinking and a new approach to aviation policy in Australia. Incremental change is not going to be sufficient to meet the coming challenges.

Australia needs agreement on common aviation goals between government and industry – a healthy and safe aviation sector, continually creating jobs and prosperity and providing essential services and critical transport links across the nation and to the world.

Investment in aviation can have long lead times (especially with aircraft certification, fleet investment and in the development of supporting infrastructure) and it is essential that industry have a much better level of certainty and consistency in government approaches to aviation policy - regardless of which parties may form Government.

The Forum recommends that a joint industry/government taskforce establish a new aviation strategy for Australia. It is time for a new partnership and an ***integrated and visionary aviation policy***.

2. Appoint a Minister Assisting for Aviation

Aviation policy and regulatory performance has suffered from a lack of focussed Ministerial oversight over many years.

While a Minister solely devoted to aviation may not be achievable given the limited number of Ministerial appointments available to any government, it is clear that the Infrastructure, Transport and Aviation portfolios create a very high workload that requires as a minimum a Minister Assisting for Aviation with sole responsibility for the coordination of a range of aviation-related policies, some of which are outside the current portfolio.

The Forum recommends the establishment of the role of Minister Assisting for Aviation to oversee the development of this policy and the recommendations contained elsewhere in this document and coordinate a whole of government (both Federal and State) approach to meeting the aviation challenges of the next 20 years.

In addition to primary responsibility for aviation policy and regulatory performance, the Minister Assisting for Aviation should also hold the responsibility for the application of whole of government policy to the aviation portfolio, including:

- Implementation of the agreed Forsyth Review reforms
- Institutional and regulatory reform

- Red tape reduction and small business regulation
- Oversight of consultation with industry
- Education, training and skills development
- International harmonisation
- Regional and Northern development issues
- Exporting Australian aviation expertise into Asia
- Aviation taxation

Efficient regulation

3. Modernisation of the Civil Aviation Act

In recent years the relationship between the aviation industry and the Civil Aviation Safety Authority has become adversarial. This was highlighted by the Forsyth Report and as a result some measures have been agreed to by Government to improve the relationship. However, the Forum believes that longer term measures need to be taken that will ensure a working partnership so that aviation safety is maintained into the future.

The starting point for a stronger partnership is a review and update of the *Civil Aviation Act 1988* that is now almost 30 years old. Our system of aviation regulation needs to adopt modern practices that are working successfully in other parts of the world.

The Act is in need of reform to enable a more modern approach to aviation regulation challenges, ranging from the responsibilities, powers and composition of the CASA Board through to the removal of an unnecessary range of details that should be the subject of subordinate regulation.

While this review of the Act is occurring, which it is acknowledged will take some time, the Civil Aviation Safety Authority needs to be refocussed on key foundation principles to guide the activities of a modern aviation safety regulator.

These principles are:

- That the Act should establish the primacy of the CASA Board in meeting critical international treaty obligations by the promulgation of appropriate aviation standards
- That regulation should be based on detailed risk assessments and the recognition that the industry itself has an overriding commitment to aviation safety
- That regulation should be performance-based, not highly prescriptive
- That the activities of the regulator should be aimed at assisting the development of the industry which it oversights
- International harmonisation with minimum differences with ICAO standards and other major aviation systems.

The role of government agencies such as CASA to oversight both compliance and systems health is fully supported by industry, but it needs to be conducted in a risk-based environment that does not impose substantial costs, is efficiently delivered and is adaptive to change.

By adopting a performance-based approach to regulation that focuses on safety and leaves implementation to industry, CASA could put aside the now decades-long burden of trying to develop and draft highly prescriptive regulations that have caused significant damage and cost to the industry.

CASA's budget and spending priorities should also focus on the efficiency of service delivery as a key part of published performance criteria.

The Forum believes that the Government should establish a formal independent review of the *Civil Aviation Act 1988* and a new Bill should be introduced to Parliament within two years that ensures that the Act:

- Will be able to accommodate Australian international treaty obligations in the next 20 years, including those to ICAO
- Compares favourably to other leading aviation countries' civil aviation legislation modernisation reviews
- Ensures consistent and efficient minimum safety regulation that provides confidence to the industry to invest and grow
- Establishes clarity between government, the regulator and industry responsibilities for aviation safety
- Clarifies what actions within aviation should be subject to the Commonwealth Criminal Code
- Reflects the needs of both the industry's regulator and those that are regulated
- Harmonises with best practice and trading partner legislative and regulatory outcomes
- Reflects a risk management framework whereby the level of regulatory burden is commensurate with the operational environment of the relevant sectors (ie through the classification of operations and activities)
- Strengthens the role and structure of the Board to direct the promulgation of minimum performance-based safety standards

4. State Safety Program

The State Safety Program (SSP) for aviation is the primary structure for the Government to deliver its obligations under international aviation conventions.

The current approach of Government excludes industry from ongoing involvement in the SSP, other than through very broad consultation or through various piecemeal consultative mechanisms, often through different agencies.

There is a critical need to establish a stronger government-industry partnership through a fresh approach that recognises the role of industry in supporting and informing Government aviation policy.

The Forum believes that Government should review the structures involved in the State Safety Program and provide mechanisms for improved high-level consultation with industry, including industry representative membership of the key committees.

The Forum is deeply concerned with the ongoing practice of Australia lodging differences to ICAO standards without consultation with industry. This practice must be stopped and a new system of industry consultation implemented through the SSP to ensure any difference lodged has the support of industry and is aligned with Government objectives for the efficient functioning of the Australian aviation regulatory system and international harmonisation.

5. Department of Infrastructure and Transport Aviation Division

The Department of Infrastructure Aviation Division should be refocussed to work proactively with the Minister Assisting for Aviation. Reforms to the Government's aviation policies and structures are long overdue and need to be driven by this area of the Department.

The Government should set-out a new charter for activism for the Aviation Division in the Department as champion for the aviation industry, including:

- Representing aviation issues across Government
- Maintaining an oversight of aviation agency performance against whole-of-government policies (eg red tape reduction, small business principles etc)
- International aviation agreements between countries and the inclusion of aviation issues into free-trade agreements
- Aviation regulatory reform including genuine harmonisation with international regulations and especially regulatory environments across the Pacific
- Overseeing the ongoing implementation of the Forsyth recommendations
- Establishing a strong consultative system with industry

6. Risk Management Framework for Aviation Regulation

Currently it appears that there is no transparent risk management basis to aviation regulatory development in Australia. A Common Risk Management Framework exists as a policy of the Aviation Policy Group however it does not seem to be applied across the aviation portfolio.

In June 2015, the Director of Aviation Safety issued a Directive (DAS Directive 01/2015) to clarify for CASA staff that all regulatory development is to be firmly based on risk management and a clear cost-benefit analysis.

However, the Directive is not being applied to critical regulations recently introduced or to regulations that are already in place. Consequently, regulatory changes that are now imposing substantial costs and complexity on industry for little safety benefit appear to be beyond the reach of the Directive.

A Common Risk Management Framework must also consider the global trend in aviation to performance-based regulations that shift responsibility from the regulator to industry.

The Forum supports the use of the risk management framework embedded into the current State Safety Program but encourages Government to ensure that such a framework is applied consistently across all aviation related agencies.

In particular, CASA should develop a specific risk management framework for aviation regulation that includes:

- Matching of regulatory response to operational type through a reformed classification of operations and activities policy
- Continue the development of sector risk profiles and risk management responses to ensure CASA's risk management approach is more transparent and engaged with industry
- The CASA risk management framework is to incorporate a consideration of costs/ benefits in accordance with the DAS Directive 01/15
- All CASA regulations - including Parts 61/141/142 and CAO 48.1 - be required to comply with the DAS Directive 01/2015. The Forum supports a special and urgent independent review of these Parts to apply the principles of the DAS Directive
- All future regulations and those reviewed post-implementation being drafted as performance-based regulations

7. CASA

The time has come for a complete overhaul of Australia's aviation safety regulator.

CASA has had a series of turbulent relationships with industry over the past two decades and it is apparent that the standard of its management and its internal systems and processes have steadily declined.

This is a situation that is no longer tolerable in a country like Australia that depends so heavily on the safety and growth of its aviation industry.

The Forum makes the following detailed recommendations:

(a) CASA Establishment Review

Industry believes there is considerable scope for CASA to improve its performance and productivity so that a far leaner and more focussed CASA would actually be more efficient in the discharge of its functions under the Act.

As a minimum, consideration must be given to returning CASA to previous productive levels of around 600 staff.

Industry has seen no evidence that would warrant the maintenance of existing staffing levels, based on safety performance data, current delays being experienced across a wide range of CASA regulatory services, or CASA's own key performance indicators.

While staff numbers have grown, service delivery has declined and red tape and costs have increased.

As an example, Aerial Operator Certificates for aerial application operations using an industry provided and CASA pre-approved standard operations manual used to take less than eight weeks from initial application to approval under a service agreement with CASA. Similar applications are now taking over eight months for approval.

The Forum believes that Government should conduct a transparent 'establishment' review of CASA to determine a more appropriate target staffing level and establish efficient systems and methods of work to significantly lift CASA productivity. This was last undertaken in the early 1990s. The need for a root and branch review of CASA functions, capability, staffing and funding is critical to the long term health of both the regulator and the industry.

Such a review should also investigate the opportunities for application of red tape reduction principles, the development of robust and simple systems to facilitate industry interaction with CASA and the appropriate devolution of CASA functions to qualified industry delegates, as is the practice in the USA.

Industry clearly supports the principle of ongoing reform of CASA and strongly supports the start that has been made as a result of the Forsyth recommendations. However, there is considerable work still required to make CASA a world class, efficient, effective and transparent regulator compatible with its counterparts in mature aviation jurisdictions.

A key issue is the need to improve the skills of CASA's staff with candidates who have current industry experience. In the past, industry has suggested a secondment program as one way of meeting this objective and further discussion on this proposal should occur.

(b) CASA Board

For years, the governance of CASA has been of significant concern to industry.

There still appears to be some confusion as to who is in charge.

It is essential that a review of the *Civil Aviation Act 1988* provides clarity on the respective roles of the Department of Infrastructure and Transport, the CASA Board and the Director of Aviation Safety (DAS).

In the meantime, the Minister should make it very clear through a new Statement of Expectations that the CASA Board has ultimate responsibility for the organisation and that management reports to it.

This is a fundamental issue which, when properly addressed, will provide the basis for a new and modern governance structure to be implemented in CASA. A modern system of governance is the critical starting point for long-overdue reform of the organisation.

In the spirit of a new partnership, the views of the aviation industry should be sought for suitable candidates for membership of the CASA Board.

The CASA Board should provide greater transparency in its considerations, including providing public statements relating to CASA strategies, directions and policies. In many cases across the aviation regulatory world, similar Boards provide significantly greater transparency into the issues they are grappling with than CASA. For example, the UK Civil Aviation Authority Board releases minutes following each Board meeting - https://www.caa.co.uk/Our-work/Corporate-reports/Board-minutes/ .

(c) CASA Long Term Funding

The current funding arrangements for the Civil Aviation Safety Authority (CASA) have been an issue of concern to the industry for a long period of time and, while not explicitly examined by the recent Forsyth Review, the Forum encourages Government to review the current funding arrangements.

Funding comes from government via appropriation, through an inequitable fuel levy and direct service charging.

CASA's current required total annual income is $184.8 million, funded as follows:

- Direct charges to industry for service delivery, including issuing of licenses, certificates and approvals (2016/17 Forward estimate: $19.7m)
- Levy on aviation fuels to (2016/17 Forward estimate: $122.6m)
- Funding from consolidated revenue (2016/17 Forward estimate: $42.5m)

International flights (including those operated by Australian carriers such as Qantas, Jetstar and Virgin Australia), major airports and Airservices Australia either do not pay the fuel levy or are not fuel users so no levy can be applied. Clearly, a large proportion of CASA's resources are expended on sectors of the industry which do not contribute to CASA funding.

The main burden of CASA funding falls on regional and mainline domestic operators and domestic aerial work companies who are paying far more than their fair share under this funding arrangement.

While the Forum believes that CASA can be made to work more efficiently at substantially less cost, it also believes that a new, economically efficient and more equitable funding model is required.

The Forum proposes to reduce government funding, increase transparency on cost of service delivery, create greater stakeholder buy-in to the charging approach and better balance the 'user pays' concepts.

To this end a model similar to the funding model of Airservices Australia should be adopted.

The Forum believes that Government should consider CASA charging for "all" its services on a 'tonnes landed' basis similar to the approach for Airservices Australia pricing. Pricing would be regulated by the Australian Competition and Consumer Commission on a CPI-X model. This approach would provide industry with full visibility of the cost base and an ability, together with the price regulator, to drive further efficiency.

By adopting this approach, Government appropriations would be eliminated.

As occurs in the current Airservices model, charges could be tier-based on commercial operations using weight based limits, or a flat fee basis for lower weight aircraft, thus reducing the costs of administration, or with no charges below a certain weight where collection costs may be greater than the charges.

The implications for small operators, organisations that may suffer significant seasonal variation in their businesses, and business and private aviation would need to be carefully assessed in close consultation with industry.

(d) CASA Improvement Program

The Forsyth Review identified a culture within CASA that was in need of urgent improvement. The organisation faces challenges that have been allowed to develop over many years. These are well known to industry and include:

- unacceptably slow, overly prescriptive and complex regulatory reform
- an inability to keep pace with industry innovation, global changes and emerging technologies
- unacceptable delays in issuing commercially essential certificates and approvals
- inconsistent regulatory interpretations
- lack of appeal mechanisms, outside the Administrative Appeals Tribunal, to question CASA decisions or to seek independent reviews of evidence

These issues and others have all been canvassed in the Forsyth Report. Industry believes that the recommendations of that review are critical to improving the operation of CASA and that a review of progress against each of these recommendations should be undertaken by the same inquiry panel.

The Minister, the CASA Board and management should develop a continuous improvement system for CASA based upon continuing the implementation of all Forsyth recommendations, including the completion of a Post Implementation Review of the progress of the those recommendations conducted by the original inquiry panel.

CASA should be urgently directed to establish:

- a continuous improvement system open to industry reports
- a transparent decision appeal mechanism
- a more centralised policy creation and regulatory interpretation unit

(e) Regulatory Reform

The outcomes of the aviation regulatory reform program are at odds with the goals of that program.

The program has failed to deliver against goals such as ‘safety through clarity’, the simplification of aviation regulations or the removal of unnecessary costs. In many cases

the outcomes have actually been the *opposite* of the program goals and are even difficult to reconcile with the objectives of Section 9 of the *Civil Aviation Act 1988*.

The Australian regulatory reform process compares poorly to other advanced countries and has been dragging on for some 30 years in different forms, regularly diverting its focus and direction depending on the variable demands of governments and the organisation's various CEOs.

The ongoing delays in finalising the regulatory reform program is a reflection of a fundamental problem with the CASA culture which has driven highly prescriptive and overly complex regulation as identified in the Forsyth Report.

The industry has the strongest possible vested interest in aviation safety. However, the CASA mindset to date has not recognised this and has instead adopted a role of policing the industry through highly bureaucratic regulations that are then inconsistently applied.

Regulatory reform has fatigued the industry and created significant costs.

Most participants, especially in general aviation, no longer respond to CASA change proposals because their previous inputs have been ignored. The development of new regulations over the last decade has not been transparent and has been characterised by CASA taking a decision and then consulting with industry and ignoring input, rather than a more collaborative approach as is already being used by the Sector Risk Profiling branch of CASA.

Regulatory reform must be undertaken in a measured, planned and controlled manner that delivers regulations that do in fact result in an improvement to safety. That is currently not the case.

The Forum stands ready to participate in the prompt completion of this regulatory reform program which can be achieved by reviewing what areas of regulation are actually in need of repair, what is best practice and what can be left alone.

The Forum believes that the CASA regulatory reform program can be brought to a conclusion by December 2017 by:

- Repairing the damage from new regulations, especially Parts 61/141/142/ CAO 48.1
- Ensuring that the DAS Directive 01/2015 is applied to all regulations
- Developing a genuine partnership approach with a significant shift of responsibility to industry for outcome based regulation.
- Applying the Forsyth-recommended 3 tier regulatory system including:
  - Performance-based regulations
  - Decriminalisation of safety regulations and standards
  - 3 tiers of regulation - being the Act, performance-based regulations and aviation safety standards complying with CASA functions embodied in the *Civil Aviation Act 1988*.
  - Embedding a 'just' culture

8. BITRE

The Forum believes that BITRE should be directed to refer all aviation research responsibilities to the new Aviation Research Australia proposed in this policy.

9. ATSB

Recent moves by CASA to fully access confidential reports to the ATSB through proposed changes to the *Transport Safety Investigation Act* and amendments to the CASA ATSB MOU, demonstrate the inherent conflict in a regulator potentially using information against a reporter.

While recent changes in CASA have certainly made much of the need for CASA to adopt a 'just' culture, there is little evidence that providing the regulator with greater access to identifiable aviation safety data will not undermine the reporting system.

CASA's view that any action taken as a result of receiving these reports is not punitive or disciplinary is not shared by the industry. Such moves, of which industry has numerous examples, compromises any 'just' culture and will erode the healthy reporting culture that is essential to a successful aviation safety management system.

Current practice allows some sharing of information between the ATSB and CASA where it is necessary for maintaining safety standards. There is no need to extend this, particularly when it is at the risk of compromising both reporting and Safety Management Systems.

Similarly, CASA's recent tendency to demand full access to Safety Management System databases has the potential to severely damage the safety reporting culture.

The Forum believes that Government should take advantage of the appointment of a new Chief Commissioner of ATSB in mid-2016 to commission a review of operations of the ATSB by an independent panel and industry representatives, including:

- the appropriateness of providing information to CASA and in what form and the potential impacts on the reporting system
- the likely positive impact of the application of a classification of operations prioritisation of the type of accident investigations undertaken on the condition that all fatal accidents at least receive an investigation to the level of 'probable cause'
- whether the current expertise and training of ATSB staff is relevant to the task and to international best practice
- potential for ATSB working closely with industry organisations to improve reporting of accidents and incidents, up to and including delegation of coverage of the TSI Act to other organisations through an MOU
- the genuine de-identification of aircraft incident details, including the non-publishing of aircraft registration and location
- improve the focus on communication and education using available data
- structures to formalise consultation with industry
- establishment of advisory panels for different sectors so ATSB can access expertise

10. General Aviation

General aviation is a very diverse, economically and socially vital part of Australia's aviation industry. It covers a range of aviation operations and sectors that underpin the health of communities, especially those in regional Australia, and provides a critical feeder training role for large airlines.

General aviation in Australia is suffering from over-regulation and high costs compared to other countries.

The Department of Infrastructure defines general aviation as:

> "General aviation commonly refers to that part of the aviation industry that engages in activity other than scheduled commercial airline activity. This may include charter operators, aeromedical operators, agricultural aviation businesses, aviation-based fire-fighting services, training and aerial work such as aerial photography and surveying. It also includes private, business, recreational and sports aviation activity and supporting businesses such as maintenance providers."

Increasingly complex regulation of this sector has increased compliance costs to a level where the industry has markedly contracted. This is the opposite outcome of international general aviation standards where responsibilities are frequently placed on individuals rather than organisations.

While the Forum supports the establishment of the GA Action Group, this alone is not enough to restore the industry after the damage caused over the last two decades.

During a recent discussion, the GA Action Group identified the need for a new philosophy of regulation to apply to GA to support its development. This new philosophy would replace the previous 'General Aviation Action Agenda' that is dated. A copy of *'A New Philosophy of Regulation for GA'* can be found at **Appendix 2**.

In addition, the use of self-administering bodies to oversee sport and recreational aviation operations is a true success story that provides a model for simple and effective regulation.

The Forum believes that Government should adopt the proposed *'A New Philosophy of Regulation of General Aviation'*.

11. Airspace

The management of Australia's airspace plays a critical role in safety and efficiency, as well as meeting a standardised international approach to airspace management obligations.

However, Australia has developed unique approaches to the management of airspace and related issues that have been the subject of controversy for many years.

While the Forum supports the OneSky program, in principle, to bring Australian airspace onto a new jointly administered ATM platform, there are considerable concerns about the cost of the program, the timing of its delivery and the efficiency of its ultimate outcome.

As the operational concepts develop, industry must play an integral role in assisting Government to ensure the OneSky system is equitable, improves safety and is cost effective.

The Forum believes that government agencies need to consult more effectively with industry organisations on major developing aviation technologies.

UAS – airspace integration

The key safety issue regarding unmanned aerial systems (UAS), remotely piloted aerial systems (RPAS) or 'drones' is their successful integration into airspace already occupied by existing users.

Airspace integration is critical to both safety and the ability to harness the best UAS technology has to offer.

More stringent due diligence requirements should be placed on all UAS operators - regardless of their commercial or 'hobbyist' nature.

Forcing all UAS activities into the airspace below 400 feet, as is currently the case, does not solve this issue - it actually increases the risk for existing low-level airspace users such as aerial applicators and survey companies.

The Forum believes that CASA should:

- Urgently focus on resolution of the potential airspace conflicts between already existing low level airspace users and UAS users by developing a set of due diligence standards and responsibilities for notification to other airspace users by UAS users.
- Commit to the development of a real-time Geographical Information System available to all pilots that allow pilots to check their proposed flight area for UAS operations. Such a database could also provide critical safety information on powerlines, windfarms and other low-level hazards.
- Continue with its ongoing education effort to make UAS users aware of the regulated airspace around them and the potential hazard they may pose to other operations.
- Introduce significant penalties (of at least $50,000 depending on the potential for harm and the amount of due diligence not undertaken by the UAS operator) for airspace incursions around airports, firegrounds etc.

Policy alignment

12. Aviation Services to Regional Australians

The role of aviation in building and maintaining healthy rural, regional and remote communities is critical.

Over the last 25 years, more than half the regional Regular Public Transport routes and more than half the operators have been lost due to cost pressures, changing demographics and a government policy vacuum.

This trend is continuing and represents a significant decay in regional equity and access in terms of services to communities outside major cities and regional centres. There are two issues, both of which require action at the national level.

Firstly, the Forum encourages Government to recognise that over time, market failure has occurred in the regional aviation market due to both the inherently small numbers involved and the lack of consistent support for aviation services to regional and rural communities. The substantial community benefits and the social equity to be gained through effective implementation of such support programs are well documented and clearly point to regular air services as a strong indicator of community well-being.

Australia has previously had a range of schemes to support the provision of aviation services to regional, rural and remote communities.

Secondly, there is no national system to ensure aviation services to regional, rural and remote areas are maintained as a critical part of both national infrastructure and equity and access for those Australians who live outside the major cities and regional centres. The Queensland Government model of a partnership with airlines should be used as the basis for a Commonwealth Government review of aviation services to regional Australians.

The Commonwealth Government should establish a coordinated and government-funded scheme to facilitate aviation services to all communities across Australia where transparent criteria are met. The Forum believes that a significant improvement could be made to aviation access and support for communities for an investment of less than $20 million per annum that would accrue significant benefits for affected communities.

This policy review should also consider the use by Commonwealth, State and Territory governments of aircraft across a range of service areas including correctional services, health, legal, education, firefighting and other State services. Consideration should also take into account the impact of the downturn in FIFO operations and the development of Northern Australia.

13. Aviation Security

Additional costs arising from security measures continue to affect the industry.

The implementation of additional security requirements should follow more rigorous and realistic risk assessment criteria.

The Office of Transport Security (OTS) has grown substantially and the threat assessment and response system – including the mandated need for screening – does not have the essential flexibility to de-escalate in accordance with reduced risk and threat assessments.

The Forum believes that Government should adopt a risk-based approach to aviation security to reduce the cost of compliance in regional areas, increase the operational flexibility available (especially for security screening in regional areas), and reduce the costs and red-tape involved with the ASIC system.

14. Aviation Taxation

Unlike other advanced aviation countries, the Australian taxation system provides virtually no incentive for updating the general aviation and business aircraft fleet. This is due to ATO rulings on the useful working life of aircraft, which has meant that, in particular, the age of the general aviation fleet in this country has steadily grown over the past few decades. Newer aircraft result in improved safety and better environmental performance.

In addition, the long-term part-funding of CASA through an aviation fuel levy imposes a significant and inequitable burden on the domestic industry and provides no incentive for improved CASA efficiency.

The Forum believes that Government should establish a working group with industry to identify and remove tax impediments to the aviation industry and to develop more equitable approaches to taxation, as is currently the case with other sectors.

15. Non-Aviation Impacts On Aviation

There are a number of issues that continue to impact on aviation safety that have not been subjected to adequate risk assessment or mitigation, largely because of gaps in regulatory coverage between Commonwealth and State/Territory governments.

Impacts on aviation safety arise from a wide range of non-aviation infrastructure including wind farms, wind monitoring towers, radio masts, smokestacks, coal seam gas plumes, power lines, buildings near runways or proposed buildings that could potentially impact on approaches or departures from airports or affect atmospheric dynamics including by creating wind shears across runways. Many of these developments are occurring away from airports, but still have a significant impact on aviation safety.

Other mature aviation countries such as the US have systems to provide for compatible land use planning in the vicinity of each existing or new public use airport.

The Forum believes that Government should:

- Require all airport master plans – regardless of them being approved by the Minister or a local authority – to give detailed consideration to the likely impact of any buildings on the safe operation of aircraft. Where the proposed building imposes an aviation risk, primacy must be given to aviation safety.
- Continue the current work of the Department of Infrastructures' National Airports Safeguarding Advisory Group (NASAG) in developing, in cooperation with the planning and related agencies of the States/Territories, a range of guidelines to inform and, where appropriate, restrict future developments that may impact on aviation safety.
- Strengthen the NASAG guidelines into legally binding national regulatory requirements and include aviation industry peak bodies as integral participants in NASAG processes.
- Strengthen CASA's ability to compel people and organisations to provide relevant information when they are developing communication towers, electricity poles and wires, wind farms and wind monitoring towers.

- Establish a national database of tall structures, regardless of their height but based on an aviation risk assessment, which is accessible by all pilots and to which reporting of all tall structures is made mandatory. Such a database should be made available to all legitimate low-level aviators through a website.
- Establish a national mandatory requirement for the marking and notification of aviation hazards that will include wind towers, wind monitoring towers, powerlines, radio masts and other aviation hazards. In particular, all powerline companies should be required to make mapping information of their network available to *bona fide* low level aviation operators and should be required to mark powerlines that pose a hazard to these operators.

16. Aircraft Noise Management

The Forum supports the current arrangements for the management of aircraft noise through the combination of the Aircraft Noise Regulations managed by the Department of Infrastructure, the systems and engagement managed by Airservices Australia and the various consultative and complaint mechanisms available through both those systems and the Aircraft Noise Ombudsman.

However, with the proposed sale of Airservices Australia, the Forum believes it is more appropriate for the responsibility for the day-to-day management of aircraft noise reporting systems to be transferred to each major airport.

This is consistent with the policy approach of bringing each airport closer to their neighbouring communities through the establishment of airport community forums at each of the major airports throughout Australia. Airport Community Forums now operate at all the major airports throughout Australia and are ideally positioned to take up local noise issues with the community.

As part of the change of ownership of Airservices, it will also no longer be appropriate for Airservices to retain the responsibility for the issuing of aircraft noise certificates, and therefore that responsibility should move back to CASA, with a key requirement that noise certificates from other ICAO states be recognised and accepted by CASA.

In addition, certification of aircraft noise should be permitted by CASA delegations to industry personnel who meet the required standards. This is the case in USA where industry delegates can issue noise certifications for aircraft. Australia has a problem in providing industry with timely aircraft noise certification approvals due to Airservices staff unavailability or equipment unavailability.

Prioritising Investment

17. An integrated aviation infrastructure master plan

As a critical part of the development of a new aviation strategy an integrated infrastructure master plan for the industry should be developed.

The Productivity Commission's review into Public Infrastructure released in March 2014 provided a range of recommendations in terms of creating better alignment, creating better value and developing diversified funding.

Amongst other findings, it identified that in many sectors of economic infrastructure, project selection is strengthened through privatisation or corporatization, subject to good governance frameworks. More importantly, there is the real need to better coordinate across local, State/ Territory and Commonwealth jurisdictions – in order to better plan and coordinate Australia's aviation infrastructure requirements.

A lack of coordinated planning has created inefficiency and a lack of potential long-term capacity to meet growing demand by the timely delivery of national aviation infrastructure.

Importantly, it has led to reactionary location-specific decision-making, the development of infrastructure that was not scalable on an as-required basis and projected infrastructure that the industry can now simply not afford. At its worse, this lack has also led to the rise of monopolistic behaviour (particularly amongst owners of key aviation infrastructure and Airservices Australia) that runs counter to the interests of our aviation sector and, in many cases, the nation.

While Australia has a national planning capability, the layers of government and the different planning regulations and legislation for Commonwealth-owned but leased, State-owned and council-owned airports and the air traffic organisation, mean that a nationally integrated asset plan has yet to be developed.

At present, individual aviation stakeholders prepare their strategies and master plans with relatively little interaction with others. As a result, there is no publicly available blueprint that brings these various planning processes together.

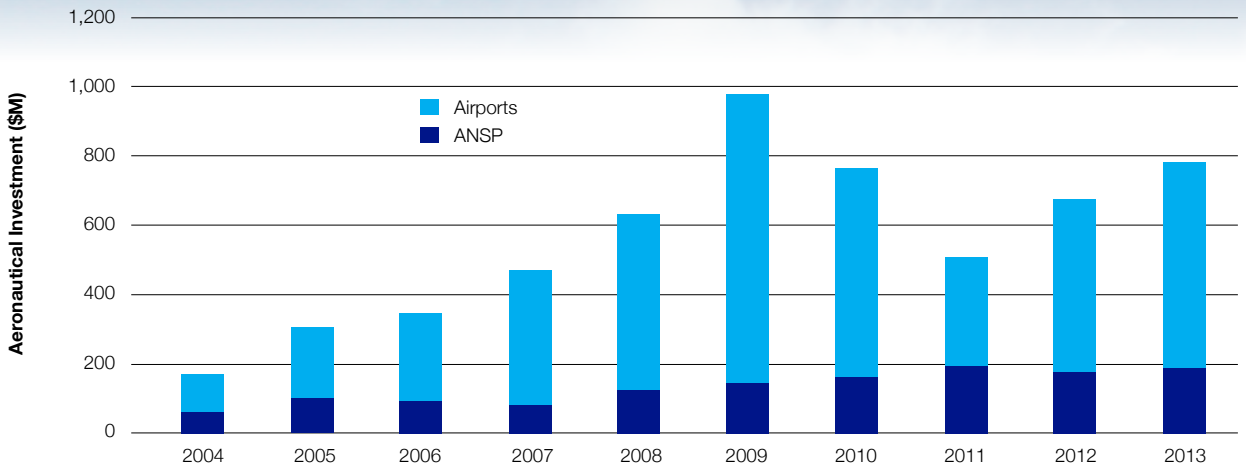
Infrastructure gaps continue to appear either because the demand connections have not been adequately understood or the timing of capacity improvements have been miscalculated which has led to costly and rushed investment and, more significantly, lost opportunity to capitalise on demand.

As compound growth occurs over the next 20 years, the risk of a mismatch between demand and the provision of capacity will increase.

As the network expands and demand increases, improved planning must occur otherwise scarce resources will be consumed inefficiently.

In the ten years from 2004 -2013 there was a total investment of $4.3 billion by airports and $1.3 billion by Airservices Australia in underlying aviation infrastructure.

Table 5 Investment in Aviation Infrstructure



Source: ACCC Airport Monitoring Report 2012-2013

Over the next decade there is a planned investment of $16 billion ($9 billion in major capital city airports, $3 billion in other airports, $2 billion by Airservices Australia, $3 billion for the second Sydney Airport) all to be paid for by the airline industry that has had diminishing returns and contracting ticket prices over a number of years.

The overall level of affordability is unsustainable and the investment can be inefficient in the absence of better demand-driven planning.

To meet the challenges of the next 20 years Australia needs an integrated aviation master plan. This integrated plan can serve to create a better alignment across the layers of government and the private sector, to better predict future infrastructure requirements, to identify innovative and scalable infrastructure solutions and to fundamentally create a common understanding and agreement to the necessary aviation infrastructure – influenced by technology, business trends, aircraft capability and population demographics.

Importantly, this is not a plan just for the 'big end' of aviation and must incorporate the needs of the general aviation community, especially through access to airspace and airport facilities adjacent to major international airports.

This plan would be updated annually and supported by detailed industry consultation and endorsement. It would lay out the demand and capacity requirements for the industry and cover, amongst other things:

- Agreed forecast of domestic and international passenger travel and aircraft movements by location
- Fleet planning of Australian based domestic and international airlines
- The master plan implications and timing of developments on all the capital city, major regional airports and general aviation airports, regardless of ownership
- Investment requirements and timing
- The coordination and oversight of Federal and State aviation policies

This is a call for a partnership between the various stakeholders in industry and government to ensure that Australia's aviation system remains world class, safe, efficient, affordable and timely.

The Forum believes that Australia needs an integrated aviation infrastructure master plan as an integral part of the National Aviation Strategy to meet the demand challenges of the next 20 years

This integrated plan can serve to create a better alignment across the layers of government and the private sector, to better predict future infrastructure requirements, to identify innovative and scalable infrastructure solutions and to fundamentally create a common understanding and agreement to the necessary aviation infrastructure.

18. Sale of Airservices Australia

The ownership and governance structure of Airservices Australia has been questioned by industry and Government at various times since its partial commercialisation in 1998. Productivity Commission submissions have questioned its capital efficiency, the Competition Policy Review ("Harper Review" 2014) questioned its pricing structure and efficiency and most recently the National Commission of Audit – *Towards Responsible Government* (2014) - noted the potential to outsource some of its activities.

Further to this, the Commission of Audit also considered that an independent review should be undertaken of the organisation with a particular focus on the scope of its activities as well as its planned capital expenditure program.

Greater efficiency in the management of Australia's air navigation system will be critical in being able to cope with the projected substantial growth in aviation activity over the next twenty years.

Airservices operates as a publicly owned business in a private sector value chain and has lagged in terms of reform and required innovation. It, like any public entity, is subject to the vagaries of politically-motivated stakeholders and a workforce that is resistant to change.

In the absence of competition, Airservices has little incentive to improve its service delivery environment. Airservices is 100% funded by charges to the aviation industry - including the payment of a dividend to government - which is effectively another tax.

The reality is that the Australian air traffic governance model has struggled to succeed and is now seriously dated.

Removing air traffic organisations from government ownership, as shown by the successful Canadian and UK examples, has led to improved safety, technical innovation, greater efficiencies and cost reductions and to air traffic organisations being able to seize the opportunities offered by the growing global aviation industry.

Since its establishment, the pricing framework of Airservices has slowly developed over this time as well - from a network price and aviation fuel levies to a multi-year, long-term pricing agreement subject to review by the Australian Competition and Consumer Commission. The latest agreement ends on 30 June 2016 and industry is growing increasingly concerned with

the efficiency of the organisation in terms of the cost of service delivery, but also the cost of delivered infrastructure.

The earnings before interest and tax (EBIT) have collapsed over the last three years on the back of a burgeoning staff and salary base, uncontrolled discretionary expenditure and a substantial increase in depreciation via a capital works program that continues to expand.

The latest concern in this regard will be the impact of the new Air Traffic Control System (referred to as "OneSky") - the system to be purchased with the Department of Defence - that is already heading for a significant budget blow out with delivery now planned for 2020.

Dividends to Government over this time have also dramatically reduced and are currently barely $10m per year.

Government has resisted privatisation to date. The Forum suggests that now is an opportune time to revisit both the Government's investment in Airservices and the best privatisation model that might be pursued.

There are various air traffic control privatisation models that operate successfully around the world. Additionally, governments around the world are now actively looking more closely at the privatised model - including the US - which after years of struggling to operate in a government department structure with public ownership, and are debating the relative merits of alternatives driven by a real need for change.

As noted above, two countries have been highly successful in privatising their air traffic control provider organisation and the Forum has reviewed the UK and Canadian models that both have different ownership models and different economic regulatory regimes.

The key differences between the models can be summarised as follows:

- Canada's air traffic control company, Nav Canada, has been set up as a not-for-profit private corporation. Nav Canada has no share capital and is administered by a Board that incudes industry, government and employees. Any profits that are generated are either reinvested or passed onto customers through lower charges
- UK's air traffic control company, National Air Traffic Services (NATS), is a commercial entity whose shareholders expect a commercial return on their investment
- Owing to the commercial nature of NATS, its revenues are capped by the Civil Aviation Authority (UK's independent aviation regulator)
- By contrast, in accordance with Nav Canada's controlling legislation, Nav Canada's fees are set to recover only operating costs with any profits returned to customers through lower charges. The Canadian Transport Agency (CTA) reviews the price setting process against a set of statutory principles, but it does not set a price cap as the Civil Aviation Authority (CAA) does for NATS

The Forum supports a privatised not-for-profit model like that operating in Canada and believes it is a model that should be adopted in Australia.

The safety performance and pricing history of Nav Canada is particularly relevant. A critical safety performance criteria is the incidents of infringement of separation standards and in Nav Canada's experience this has halved since privatisation. Additionally, the level of charges has been significantly below the rate of inflation since privatisation. Nav Canada is amongst the best performing air traffic organisations in the world. See **Appendix 3** for more information on these issues.

So what is the value of Airservices? There are a range of valuation methodologies that could be applied in order to determine the value of Airservices.

Each has its place depending on the nature of the organisation and all make assumptions on return stability, volatility in earnings and predictability of cashflow. By analysing publicly available information and reviewing the alternate valuation approaches, an indicative business value can be derived as being between $900m - $1.1 billion.

The organisation is entirely debt funded and, despite declining returns and an expanding capital works program, is still lightly geared with a 40% debt to equity ratio and, like NavCanada, could borrow to pay Government for the underlying asset base. Borrowing could be achieved through issuing corporate bonds and would be secured based on the fact that the new entity would remain a monopoly provider, user charges can continue to be set independently, good enforcement powers to collect for non-payment remain in place and there is support by stakeholders for a transition.

Government's initial contributed capital was relatively small at $221 million and since Airservices' corporatisation, Government has received more than $350 million in dividends.

Industry has funded the dividend stream and the organisation's growth and expanded asset base. The Forum contends that on sale half of the sale proceeds should be returned to industry by creating an enduring legacy in the form of "The Aviation Future Fund" to promote and develop the aviation industry in Australia.

In the interim, to prepare for this transition, the Forum believes that an external review of the efficiency of the delivery of Airservices' air traffic operations should be undertaken. For example, current practice is based on traditional airspace sectors that bear little relationship to today's aviation operations and the capability of available ATM technology. This system, coupled with scores of specific sector endorsements, means that efficiency and productivity is seriously degraded. The industry expects better value from its ATM provider.

In summary, the Forum supports the privatisation of Airservices Australia along the lines of a not-for-profit model similar to that which has operated in Canada for the past 20 years.

Accordingly, the Forum recommends that the Government progress the sale of Airservices on the following basis:

- Establish the entity as a not-for-profit organisation along the lines of the successful Canadian air traffic organisation Nav Canada
- Ensure the right incentives are established e.g. any surpluses generated would be reinvested in the business or used to reduce cost of service provision
- Establish an independent Board including industry representatives

- Half of the sale proceeds to be used to establish an Aviation Future Fund to foster the development of the industry through training and skills acquisition, leadership and research.
- Establish an external review of the efficiency of the delivery of Airservices' air traffic operations

The Forum would welcome an opportunity to establish with Government a working group to develop a fully constructed business case for Airservices privatisation around a not-for-profit model and to work across industry to create stakeholder engagement and alignment.

19. Aviation Rescue and Fire Fighting

Airservices has, for historical reasons, continued to maintain service delivery responsibility for Aviation Rescue and Fire Fighting (ARFF).

This is a unique situation - no other air traffic organisation in the world operates an aviation fire service. Elsewhere, the service is provided by airport operators.

Aerodromes are ultimately responsible for ensuring an ARFF service is in place, however there are limited certified providers in Australia and Airservices provides services at all but one civil location as essentially the provider of 'last resort'.

Since Airservices corporatisation in 1995, there have been numerous reviews into the ARFF service delivery environment including:

- review of the service standard regulations
- review of the establishment criteria
- scope of services in comparison to local municipal brigades
- who should be accountability for service delivery
- attempting to develop performance based regulation
- introduction of service competition

All the reviews have led to little or no change and despite industry pushing for better performance- based regulation and even offering to provide CASA with "free resources" to progress the development of outcomes-based regulation, the call for change has gone unanswered.

Most recently, as announced in Government's response to the Forsyth Review, the Department of Infrastructure and Regional Development, in consultation with Airservices Australia and the Civil Aviation Safety Authority, has again been examining a range of potential improvements to the efficiency and clarity of ARFF requirements, including the use of risk assessments.

The consultation phase of the Department's regulatory policy review into the provision of ARFF at Australian airports has been completed and is now being considered by Government.

The Forum agrees with the intent of the consultation paper and strongly supports a raising of establishment criteria triggers, developing further risk-based assessments, developing greater

performance-based services standards and providing clarity on the role of ARFF and municipal brigade responsibilities, particularly with regard to airside/non-airside definitions.

However, while it seeks to develop further clarity in relation to responsibility for the provision of ARFF service infrastructure, the Government's discussion paper it is silent on the issue of devolving the service to the airports - which is the practice in all other countries in the world.

Government attempted to devolve delivery by introducing service competition for ARFF in 2007 by certifying another provider. The new provider was unable to compete with Airservices due to the significant barriers to entry, not the least of which was the introduction of network pricing, which from a regional aviation perspective has had obvious benefit.

As part of the sale of Airservices, the Forum strongly supports that the ARFF asset base and service delivery capability be handed back to the airports, both to align with the service delivery environment internationally, but to also ensure that the asset/capability is better utilised on a location-by-location basis.

In the case of regional fire stations they are now nearly as big as the airport terminal themselves and are costing up to $14m per fire station.

While there are some economies of scale in the current service delivery environment, these are outweighed by the relative service inefficiency which would be improved through airports assuming ownership and control of the fire service and its integration into airport delivery services.

Currently, the service within the Airservices organisation is run as a separate division and has grown in resourcing to operate in a stand-alone way. Devolving the service to airports by gifting the existing infrastructure would have limited impact on the estimated Airservices sale price as the service line contributes little to the bottom line of the organisation.

Airservices' current pricing structures have a series of embedded cross-service line subsidies, particularly for regional service delivery. In regard to ARFF, some of this is borne across the ARFF network (mainly from Sydney, Melbourne and Brisbane) but also from enroute charges. In regard to the enroute subsidy, this would need to continue in support of regional ARFF service delivery, especially during a transition and particularly until such time as efficiencies from the implementation of a performance-based regulation can be derived.

The industry has also funded a specialised, centralised ARFF training facility which is located on land owned by Melbourne airport and on which Airservices pays a commercial rent. This piece of infrastructure is a significant training aid and would need to be treated differently in terms of gifting and disposal.

The Forum suggests that it form part of the development of a national aviation training infrastructure owned by the proposed Aviation Future Fund but leased to and developed, as a business opportunity, by interested aviation RTO providers for specialised fire training across the southern hemisphere.

In summary, the Forum strongly supports the handing-back of the responsibility for provision of aerodrome fire and rescue services to airport owners.

In doing so, there is a need to establish regulatory standards including:

- Service establishment criteria triggers
- Risk-based establishment/disestablishment assessments
- Performance-based regulation for service delivery and
- Clarity on the role of ARFF and municipal brigade responsibilities particularly with regard to airside/non airside definitions.

As part of the sale of Airservices, the ARFF asset base and service delivery capability should be handed back to the airports, both to align with the service delivery environment internationally but to also ensure that the asset/capability is better utilised on a location-by-location basis.

Existing price cross-subsidies would need to continue in support of regional ARFF service delivery, especially during a transition and particularly until such time as efficiencies from the implementation of a performance based regulation can be derived.

The Forum suggests that the Melbourne ARFF Training Facility could be part of the development of a national aviation training infrastructure owned by the proposed Aviation Future Fund but leased to and developed, as a business opportunity, by interested aviation RTO providers for training across the southern hemisphere.

20. Airports

Airports are critical support infrastructure and a vibrant airport sector can make a significant contribution to the overall health of the aviation industry. They form an important part of the proposed national aviation strategy and integrated aviation infrastructure master plan.

Airport capacity and national planning considerations, which are discussed elsewhere in this policy, are important to the ability of the aviation industry to continue to grow and deliver benefits to Australia across a wide range of sectors.

The government's "light handed" approach to regulation at major airports has clearly resulted in serious pricing issues.

Since privatisation, capital city airports have been able to generate extraordinary profits due to their monopoly position in the market place. In the case of Sydney Airport, this has been highlighted on more than one occasion by the ACCC. Airports such as Canberra and Darwin, which have been removed from the price monitoring regime, are now responsible for some of the largest price rises.

The Forum supports a reintroduction of price control by directing the ACCC to oversee and regulate pricing at capital city airports under Part IIIA of the *Competition and Consumer Act 2010*.

As capacity becomes constrained at the major airports there will be increasing pressure from airport owners to force regional operators out in order to maximise returns. This may be done by way of price increases or through runway demand management schemes (slots).

The Forum calls on the Government to ensure future equitable access for regional operators at capital city airports. This may require legislation similar to that enacted for Sydney Airport to specifically control both access and pricing for regional operators.

The Forum believes that Government should:

- Develop an integrated airport and aviation policy that seeks to maximise the compatibility of developments with aviation outcomes, including a process that ensures State/Territory planning authorities are also bound by such a policy
- Ensure that movement caps and noise restrictions at capital cities are only implemented on the basis of sound risk management issues and where they are implemented, are kept under review and are amended to take into account changing aircraft capabilities measured against a scientifically rigorous standard
- Protect airports for aviation use as a primary goal of planning policy and prevent the further destruction of aviation airport infrastructure due to inappropriate, non-aviation related development using the NASAG guidelines as a starting point
- Commit to maintaining, protecting and continuing to develop for aviation purposes a general aviation airport in each Australian capital city. Specific and urgent planning consideration should be given to the likely impacts of Western Sydney Airport on aviation training in the Sydney basin.
- Enforce Aerodrome Local Ownership Program (ALOP) deeds to ensure airports previously handed over to local government remain as airports

Establish price regulation for larger regional airports to be administered by the ACCC or enable review by an Ombudsman so that there is a course of appeal for regional airline operators subject to unfair price increases.

- Provide for increased education of local government airport owners through a ‘best practice’ program that identifies airports that encourage GA and the initiatives they use to remain viable
- Maintain the airport remote area scheme
- Ensure access to major capital airports for regional passengers. This may require similar legislation to the *Sydney Airport Demand Management Act 1997* as other major airports approach capacity and feel pressure to drive out smaller regional operators.
- Reintroduce price control by directing the ACCC to oversee and regulate pricing at capital city airports under the *Competition and Consumer Act 2010*.
- Institute a permanent system for regulating charges on regional operators at Sydney Airport, which is currently administered by the ACCC but is subject to renewal every 3 years under the *Competition and Consumer Act 2010*.

Investing in capability

21. Aviation Future Fund

Since the industry has funded virtually all of the Airservices Australia budget since it was established, the Forum recommends that the proceeds of the proposed Airservices sale, which is estimated to raise approximately $1 billion, be divided equally (ie $500 million each) between the Government and an Aviation Future Fund that would focus on three critical and highly cost-effective initiatives:

- Establishment of 'Aviation Training Australia' to consult with industry and develop aviation training policy, including development of a strategy for the self-funding of aviation careers through a scheme similar to HECS for pilots and the reform of the apprenticeship scheme for LAMES.
- Establishment of 'Aviation Research Australia' to ensure that Australia stays at the forefront of emerging aviation technology, identifies trends and opportunities, coordinates and assists tertiary institutions, produces relevant aviation statistics and economic research and works with industry to establish a relevant research program.
- Establishment of 'Aviation Leadership Australia' to develop industry leadership, promote careers in the industry and to facilitate harmonisation, interaction and knowledge exchange with other leading aviation states.

The Aviation Future Fund and the three small organisations would be administered by a Board of appropriately qualified industry and government personnel and would have clear objectives to support the aviation industry.

22. Aviation training and education

The Australian aviation industry is still well-placed to offer the full suite of aviation training opportunities to both domestic and international students - provided it moves quickly. To date, there has been a lack of a partnership between government and industry to foster and promote this important sector of the industry.

Unfortunately, Australia's aviation training potential is not being realised due to the complexity of aviation regulations and the fact that Australia's unique aviation licencing requirements are not recognised by potential customers in the Pacific, Asia, Europe or North America.

Although the Australian maintenance sector can recover, it must urgently manage a looming skills shortage brought about by a reduction in training and the consequent issue of an ageing workforce.

There has been no attempt to integrate aviation training into more numerous and geographically available trades courses such as the automotive trades that logically share certain competencies. The Transport and Logistics Centre identified in 2004 the commonality of trade practical skills across various transport and associated industries. This could be an innovative solution to opening up the aviation industry to young trade trainees and providing much-improved local access to trade training support that more aviation businesses could take advantage of to support apprenticeships.

Australia has a major opportunity to develop a coordinated Federal and State/Territory aviation training program to meet the demand for aircrew, maintenance, airport and related skill over the coming decades. This program is not just to provide skills to our domestic industry, but also the rapidly growing aviation industry in the Asia Pacific.

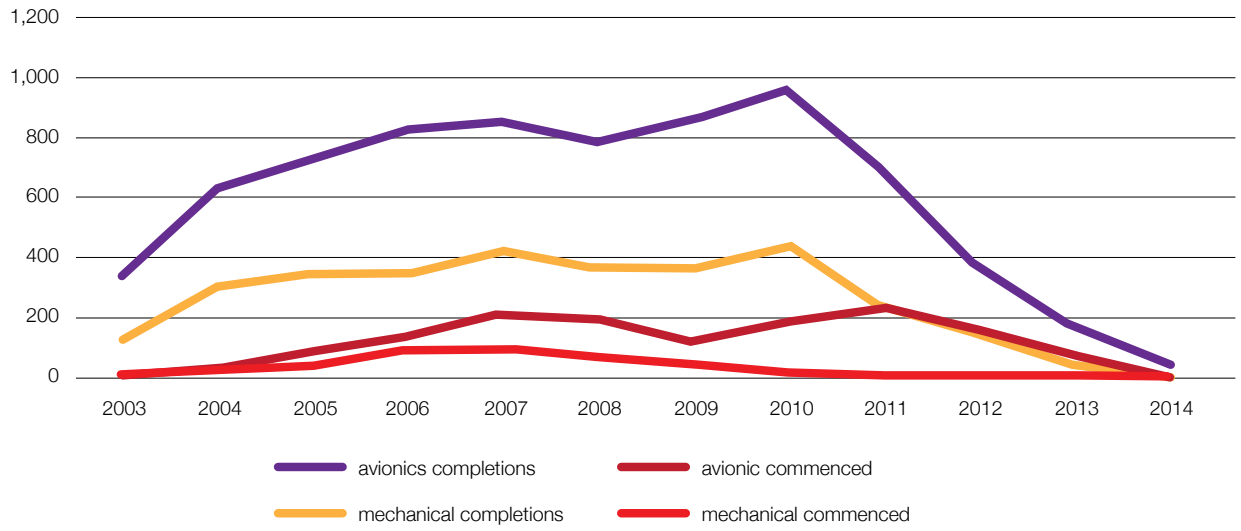
Despite the international reputation of the Australian industry we are again starting from a low base when it comes to training.

The Forum supports the initiative and progress being made by the Commonwealth Department of Education and Training and COAG. This critical situation was recently recognised by the creation of the Australian Industry Skills Committee and specific Industry Reference Committees. The Industry and Skills Council and Industry Reference Committees will play a critical role in overseeing qualifications and training product development.

The Australian Industry and Skills Council's recently published aviation review summary is in line with industry experience where there is a major maintenance workforce demographic issue. For example, the numbers of aviation maintenance apprentices and trainees have decreased from **almost 800** in 2009 to **just under 400** in 2013. This is more than a 50% reduction in aviation apprentices/trainees over 4 years and the trend downwards has continued in 2014/2015. (*Reference: Review of the National Partnership Agreement on Skills Reform Final Report* - Commonwealth, States and Territories, 21 December 2015)

The following table from government sources demonstrates the trends in Aircraft Maintenance Engineer training.

Table 6 - AMEs Commenced and Completed Training - 2003 - 2014



Maintenance organisations have been confronted with a new and complex CASA regulatory regime that will not sustain the industry or the services it provides to aircraft operators and which restricts their potential involvement in Pacific Rim countries.

The 'unintended consequences' of this new regime include a lack of harmonisation internationally and with neighbouring countries, placing Australian industry at a disadvantage to competitors, creating unworkable distinctions between organisations in Australia and significantly increasing costs of compliance.

The new CASA system of licencing and training of personnel and regulation of the maintenance and repair businesses is unique in the world. These regulations are not recognised by our major trading partners, nor does CASA automatically recognise European, US or other qualifications

It represents a significant delinking of Australian standards and regulation from international (including Pacific) standards and produces no identifiable benefits such as improved safety, reduced costs or greater simplicity.

Urgent action is required to rectify this situation.

The Forum believes that Government should, through the proposed Aviation Future Fund organisation of Aviation Training Australia:

- Adopt the recommendations of the recent report by the relevant Skills Council into aviation skill requirements
- Develop a coordinated national aviation vocational education and training program that covers domestic and international training opportunities
- Adopt ICAO international training standards for the training and licensing of all aviation qualifications underpinning licences and ratings to ensure they continue to provide appropriately skilled graduates from the NVET system for the aviation industry.

23. Aviation manufacturing

Australia has the opportunity to become a more significant manufacturer of specialised aviation components, but a national policy to encourage the development of this area of the industry has not emerged. A national aviation strategy for Australia as proposed in this policy needs to encompass this area of opportunity.

Aviation manufacturing in Australia has been characterised by a series of innovative products which have not reached their potential. The absence of an aviation manufacturing policy has left individuals and companies to self-develop global market opportunities and this approach has suffered from a shortage of significant investment.

Aviation is a global industry. International markets require Australian manufacturing standards to be harmonised with their requirements to facilitate access, compliance and successful exports.

Current research and development programs and criteria do not address the needs of aviation manufacturing and this area is addressed in this policy which proposes the establishment of an Aviation Future Fund.

In addition, there is a range of impediments to simpler aircraft certification processes in Australia that are not evident in other countries. For example, the US FAA does not levy charges on aircraft manufacturers during the development and certification stages of projects in order to assist innovation. The FAA has also devolved many functions to authorised and qualified industry personnel.

Perversely, CASA levies significant charges, cost penalties and often spurious processes that impede aircraft and product certification in Australia and is reducing the use of delegates.

CASA should be directed to delegate more responsibilities to industry where personnel can demonstrate suitable competence and qualifications so as to service industry demand for rapid turn-around to take advantage of commercial opportunities.

In particular, CASA should be required to work more closely with all Australian aviation manufacturing companies to implement a new rule-set, certification and manufacture processes that remove unnecessary red-tape and provide a more internationally competitive certification process.

The Forum believes that Government should:

- Remove current barriers to aviation manufacturing opportunities as part of the development of a national aviation strategy for Australia
- Negotiate more Bilateral Aviation Safety Agreements that include the harmonisation and cross-recognition of regulations with a range of other countries so as to facilitate Australia aviation products and parts exports
- Abolish CASA charges for certification and issuing certification certificates
- CASA should be directed to delegate more responsibilities to industry where there are suitably qualified candidates or organisations
- CASA should be directed to work more closely with all Australian aviation manufacturing companies to develop a more internationally competitive certification process

PART 6 Appendices

Appendix 1 - ASRR (Forsyth) Report Card

Appendix 2 - A New Philosophy for the Regulation of GA

Appendix 3 - The Canadian experience with privatising Air Traffic Control

Appendix 1a - ASRR Recommendations Implementation Progress Assessment by the Chair of the Review Panel

The Chair of the Aviation Safety Regulation Review, Mr David Forsyth, has recently publicly commented on progress on the implementation of the ASRR recommendations that were accepted by Government (see http://www.australianflying.com.au/news/forsyth-scores-asrr-reform-progress):

> "Assessing the information tabled by Minister Truss in Parliament in February, showing implementation status as at 31 December 2015, I assessed the following status:
>
> "CASA: 29% implemented, 15% partially implemented and 56% not done.
>
> "DEPT: 20% implemented, 60% partially implemented and 20% not done.
>
> "ATSB: 33% implemented, 33% partially implemented and 33% not done.
>
> "This is being is benevolent as possible. Others may have a harder view. A number of those regarded as implemented will require ongoing monitoring to ensure change remains in place and/or that the culture has changed."

Appendix 1b - ASRR Recommendations Implementation Progress - Forum Assessment

Forum participants have been monitoring the implementation of the ASRR Government-accepted recommendations very closely. Participants have strong relationships with all government agencies involved and are well-placed to gauge the progress of implementation. The following table provides a summary of ASRR recommendations and an indication of the Forum's assessment of progress.

Critical Dates	Action
14 November 2013	ASRR Established
3 June 2014	Minister releases the Report of the ASRR
3 December 2014	Minister releases the Government's response to the ASRR Report
2 December 2015	Minister releases an update on progress on the implementation of the accepted ASRR Report recommendations
29 January 2016	Minister provides an update to the Aviation Industry Consultative Council on progress of the implementation of the accepted recommendations of the ASRR Report

Key

A = COMPLETED TO SATISFACTION OF INDUSTRY

B= UNDERWAY BUT SOME WORK STILL REQUIRED

C = COMMENCED BUT LITTLE ACHIEVED

F = NOT COMMENCED, OR TAKING A DIFFERENT DIRECTION TO RECOMMENDATION

UNKNOWN = DUE TO LACK OF COMMUNICATION

Rec #	Issue	Government Response	Industry Scorecard
1	State Safety Program - improved coordination	Agreed	C
2	DIRD plays stronger role in SSP	Agreed	C
3	ATSB investigate as many fatal accidents as resources permit	Agreed	A
4	ATSB / CASA work to accredit CASA observers to investigations	Agreed	UNKNOWN
5	Gov appoint ATSB commissioner with aviation experience	Agreed	A
6	CASA Board exert full governance control and have appropriate skills	Agreed	F

Rec #	Issue	Government Response	Industry Scorecard
7	Next DAS have leadership and management experience in cultural change	Agreed in principle	C
8	CASA reinstate KPIs, hold a stakeholder survey, accept regulatory applications on-line and adopts PS Code of Conduct and Values	Agreed, with in-principle agreement to PS Code of Conduct	F
9	CASA establish staff exchange with industry	Agreed in principle	F
10	Airservices *et al* reconsider 'Assessment of Priorities' policy	Agreed	UNKNOWN
11	ATSB & CASA amend MOU to be more definitive re: interaction	Agreed	A
12	CASA delegate responsibility for day-to-day management of airspace to Air Services	Noted.	UNKNOWN
13	DIRD and Defence establish agreed position on safety oversight of civil ops into military airports	Agreed	UNKNOWN
14	CASA changes its regulatory philosophy and builds an effective collaborative relationship with industry	Agreed	C
15	CASA continues to provide indemnity to delegates	Agreed in principle	F
16	CASA overhaul its training program	Agreed	F
17	CASA adopt 'just' culture	Agreed	F
18	CASA reintroduce a 'use of discretion' procedure	Agreed in principle	UNKNOWN
19	ATSB transfer information to CASA on Mandatory Occurrence Reports without redaction of de-identification	Agreed in principle	UNKNOWN
20	ATSB transfer safety promotion role to CASA	No agreed	No action required - recommendation not supported by industry
21	CASA change its structure to a client-oriented model	Noted	F

Rec #	Issue	Government Response	Industry Scorecard
22	CASA establish small offices at specific locations	Noted	F
23	CASA share outputs of its risk process with certificate holders	Agreed in principle	F
24	CASA makes full disclosure of audit findings at exit	Agreed	F
25	CASA introduce gradings of NCNs	Agreed	F
26	CASA ensures consistency of audits and report times	Agreed	F
27	CASA implement a system of 3rd party audits as a supplementary tool	Agreed in principle	F
28	CASA establish a safety risk management hierarchy based on the classification of operations	Agreed	F
29	Recreational aircraft to be registered by organisations under CASR Part 149	Agreed in principle	C
30	CASA change to a 3 tier regulatory structure	Agreed in principle	F
31	CASA restructure all regulations not yet made into 3 tier structure and review those already made	Agreed in principle	F
32	CASA reaccess penalties in the CASRs	Agreed	F
33	CASA apply project management to all unfinished regs and have drafting completed within one year	Agreed	F
34	CASA DAS meet with industry to develop an improved SCC	Agreed	F
35	CASA devolve to DAMES the ability to approve medicals	Agreed in principle	UNKNOWN
36	The Government amend regulations to simplify requirements for an ASIC card	Noted	F
37	CASA amends the terms of reference for the Industry Complaints Commissioner	Agrees in principle	F

Appendix 2 -
A New Philosophy for the Regulation of General Aviation

Contents:

Preamble and Aim

GA Regulatory Philosophy Statement

Classification of Operations

Efficient Regulation of Small Aviation Business

References:

- *CASA Regulatory Philosophy Statement*
- *PMC Office of Best Practice Regulation (OBPR) - Small Business Guidance*
- *PMC OBPR Small Business Engagement Principles*
- *PMC OBPR Red Tape Reduction Principles*

Preamble and Aim

General aviation is a very diverse, economically and socially vital part of Australia's aviation industry. It covers a range of aviation operations and sectors that underpin the health of communities, especially those in regional Australia, and provides a critical feeder training role for large airlines.

However, the nature of general aviation is that while it plays an important role, government has been unable in recent years to tailor efficient regulation of the sector to the economic capacity of the sector, resulting is sometimes severe contraction of the sector. Policy drift has led to the sector being unfairly penalised by a disproportionate regulatory burden.

The potential of general aviation to create jobs - especially in regional Australia - has not been subject to supportive policy settings, and the growing regulatory complexity from CASA has crippled many opportunities for growth for no safety outcome. This is especially true in GA manufacturing, maintenance and overhaul.

By adopting a strong philosophical commitment to nurturing general aviation through the removal of unnecessary regulation, Government will be in a position to reposition Australian GA businesses to be safer, more efficient and better able to take advantage of growth opportunities.

A New Philosophy For General Aviation

Definition: *philosophy* - a theory or attitude that acts as a guiding principle for behaviour.

One of the great challenges to the aviation sector over many decades has been the ebb and flow of different approaches to aviation safety regulation - based on often unspoken assumptions regarding the philosophy of regulation and the capabilities of different sectors to manage safety, all of which have led to increased costs and red tape.

The GA Action group has an opportunity to recommend a transparent set of guiding principles that will inform regulators, such as CASA, how they should frame regulations so as not to damage the GA sector and remove the 'pendulum' effect of wildly varying approaches to regulation - from 'Big R' regulator to 'hands free' and back again.

CASA clearly has a legitimate role in overseeing safety across the industry, however, *how* it has approached that task over recent years has caused massive disruption to industry, introduced unsustainable inefficiency and raised costs that threaten in some cases to shut the GA sector down altogether.

Without dwelling on old ground well-described in Forsyth Report submissions and its report, the approach of 'one size fits all' aviation regulation is a failure. CASA itself has identified this in certain cases such as the micro DAMP exemption, but otherwise failed badly - eg Parts 61/141/145 and CAO 48.1.

By approaching the discussion from a philosophical perspective, there is a greater chance of striking a longer-term balance that will not damage GA, but will build on already existing strengths and encourage the sector to rise to the challenge of improved, cost-effective safety.

The regulation of GA needs to be more knowledgeable of the needs of different sectors, more accomplished at risk management, more aware of the low tolerance of cost and inefficiency by the sector and sensitive to the general inability to pass on costs.

Safety remains a priority, although one that can be addressed in different ways to get a sound result - without crippling the industry.

The safety response should be driven firstly be a revised classification of operations and activities, to clarify that appropriate structures and regulatory responses are in place to ensure, as far as is reasonably practicable, safety in GA operations. While this approach fell out of favour over recent years, it remains a commonsense and ICAO-compliant approach.

Once a classification structure has been agreed, it can then be better informed by the use of sector risk profiles and a risk management approach sector by sector.

In the case of aerial application - the only published sector risk profile from CASA so far - the risks identified and the proposed controls stand in stark contrast to the regulatory burden on the sector. This is strong evidence for questioning how much regulation is actually performing a risk management task and how much is simply imposing red tape and cost - for no safety benefit.

Importantly, in the aerial application sector risk profile, industry programs (such as the independently audited AIMS program and the Chief Pilots course) are widely recognised as playing an important part in reducing risk and improving safety. However, CASA is still struggling with this paradigm shift and appears reluctant to 'let go' because of its attachment to power over the industry - something the SRP does not really remove - it simply changes the delivery model to a far more efficient approach.

A philosophical benchmark of 'simple rules for simple operations' would show-up many current approaches to regulation as being an unnecessary burden on industry.

A related consideration should also be the structure best suited to deliver a stronger correlation between types of operations and complexity and amount of regulation. For example, the US FAA has a GA Directorate for the GA manufacturing sector. Such a Directorate in the Australian context would greatly assist CASA in improving its knowledge of sectoral requirements, accessing expertise and thereby improve its regulation of and cooperation with GA.

While there is a range of strongly supported government statements ranging across red tape reduction principles to regulation of small business, these do not seem to have an impact on current aviation regulation and regulatory development. They should.

Given CASA has recently published a regulatory philosophy that spells out a very clear departure from previous practice, a complementary philosophical statement of industry expectations regarding general aviation regulation would be an appropriate counterbalance. Such a philosophy could include expectations for consultation, consideration of cost on the sector affected, efficient delivery of regulatory services, risk management performance-based regulation, decriminalisation of regulation, transparency and accountability of regulators, or a range of other statements.

By recommending a new philosophy to drive change in the regulation of the GA Sector, the Action Group could provide a tool to inform significant structural and regulatory change, remove cost, improve efficiency and enhance safety.

GA Regulatory Philosophy Statement

1. The GA sector has a legitimate role in being heard as a fundamental part of government policy development. All aviation agencies should have a formal consultative system to engage with GA. The performance of this system - in terms of issues raised by industry and successfully resolved - should be made a requirement for annual reporting of all aviation agencies (including CASA, ATSB, Airservices, BITRE, Dept etc).

2. All government regulation should be based on the identification and management of tangible hazards, risks and controls. Unless government is able to identify a clear, research-supported, risk management safety case for a regulation, it should not be taken forward or should be repealed. The Government's red-tape reduction principles should be actively pursued by aviation regulators.

3. Aviation should be regulated in accordance with a classification of operations and activities, with general aviation being characterised by 'simple performance-based regulations for simple operations'. Critically, where risks to fare paying passengers are low, regulations should reflect this reduced primary risk.

4. A sector risk profile approach, firmly based on the involvement of industry representative bodies from commencement, should become the main risk management vehicle to establish the need or otherwise for regulations or other actions - including education.

5. Consideration must be given to the economic impact of proposed regulations and policies on general aviation viability and level of activity, based on direct liaison with GA representative bodies. Where significant damage is likely to be caused by regulatory change, the aviation regulator concerned should withdraw the proposal.

6. Regulations should be performance-based for GA, but should be accompanied by an guidance material to facilitate easy compliance.

7. GA regulations should be decriminalised unless intent can be proven - ie strict liability for most offences should be removed (see the useful NSW Parliament discussion paper). Criminal offences identified by evidence should be covered by either CASR Part 13 amendments or offences contained in a Part 13 Manual of Standards, separated from safety regulations, such as the US has done.

8. Aviation regulators should seek to work with and support the work of GA representative bodies where the common interest in safety is most effectively and efficiently delivered through industry programs. This should include but not be limited to the replacement of CASA processes with superior value-adding industry programs (eg for aerial application the AAAA Standard Operations Manual, AIMS, Chief Pilot, safety training courses and Professional Pilot Program). Where such programs do not yet exist, aviation regulators should work with industry to establish and recognise such programs.

9. All government aviation policy and interaction with industry should be driven by the following principles:

- Just culture.
- Natural justice and a right of appeal on all decisions.
- Systems for complaint management and protection of complainants from vindictive administrative or other actions from regulators, either formally or informally condoned or not by management.
- Transparency and accountability for all decisions.
- Systems to drive quality assurance of regulation and continuous improvement and efficiency in regulatory service delivery.
- Centralised policy making and interpretation to support consistency.

Classification of operations and activities

In aviation, a classification approach can be used to target different regulatory responses to different aviation sectors. While this approach fell out of favour over recent years, it remains a commonsense and ICAO-compliant approach.

The safety response should be driven firstly be a revised classification of operations and activities, to ensure that appropriate structures and regulatory responses are in place to ensure, as far as is reasonable, safety in GA operations.

Safety remains a priority, although one addressed in different ways to get a sound result - without crippling the industry.

Aviation in Australia should be considered in four different categories:

- Regular public transport - including large capacity charter and freight
- Low capacity Charter/aerial taxi operations (which is a part of GA)
- Aerial work (mission focussed involving generally only crew)
- Private aviation (same as use of a private vehicle on the road)
- Activities such as maintenance, manufacture and training

Each of the categories have very different characteristics, capacities, numbers (in both raw terms, investment etc) and public expectations of risk and potential consequence to uninformed participants as opposed to those aerial work operations with only crew.

RPT

Where passengers purchase a ticket for transport from one place to another, the task will be performed by the RPT sector. There is a widely held expectation that, within the normal bounds of logistics and delays, the person will arrive safely at their destination – in other words, the risk is extremely low.

The sector is characterised by a systemised approach to safety and risk, is heavily and often prescriptively regulated, and safety compliance and systems costs form a significant component of the ticket price.

Competition in the sector is high although significant barriers to entry include high capital investment, highly specialised workforce requirements, and high regulatory standards.

While there is scope for significant improvement in the quality and efficiency of current aviation regulations, the low tolerance of risk on this sector, principally from the airline company owners as well as regulators and the travelling public, make the potential for significant removal of regulation low.

Low capacity charter

The current approach to treating low capacity charter operations as a 'baby airline' is fraught with problems and costs.

Even an apparently simple new requirement for charter aircraft to be treated in a CASR Part 145 maintenance shop may result in many operators abandoning their previously viable businesses, or low capacity charter being driven 'underground' where there will be no regulatory oversight or guidance.

Simplifying regulations for this sector should be a major priority before damage becomes permanent.

Aerial Work

Where aviation companies are engaged on a commercial basis to undertake tasks or missions for another party that does not involve the transport of ticket purchasing passengers, there is significant scope for simpler regulation - ie the aerial work sector.

CASA has already initiated a process that would lend itself to significant reduction of regulation. The Sector Risk Profile for aerial application is a unique vehicle for forging a healthy relationship between regulator – that has no or little experience in highly specialised areas – and the regulated – who hold the expertise and information about risk.

The Sector Risk Profile process will enable an agreed set of risks and treatments to be established. Any regulations that are not seen to be addressing those risks could then be removed.

In particular, recognition by the regulator of existing independently audited programs such as the AAAA AIMS program would significantly reduce the resources required to currently regulate the sector. AAAA is already involved with the CASA Sector Risk Profile process that recognised the important risk reduction role of AAAA education programs including:

- AIMS
- Chief Pilot Course
- PPP
- Safety courses

Private aviation

This sector is not in need of heavy-handed regulation as the risks are better managed through basic regulations, placing responsibilities on individuals and a strong focus on education by the regulator.

Activities

Maintenance is an engineering sector that exists across all operational areas and which needs risk-based performance regulations depending on the operational sectors being supported.

Manufacturing is very diverse in that it covers product manufacture from whole aircraft to parts for sale and parts manufactured during the course of maintenance. The over-prescriptive approach of the last decade has affected the productivity of this sector. Performance-based regulation, commensurate with the manufacturing product, need to be introduced.

Training is an-over-regulated sector that requires a whole-of-government approach to provide nationally and internationally accepted Australia Quality Framework qualifications. This must be capable of being attained in a timely and cost-effective manner. Australian training capabilities should be supporting the needs of the Asia Pacific Rim as well as the domestic market.

Appendix 3 - The Canadian Experience With Privatising Air Traffic Control

When NavCanada was privatised in 1996 it paid government approximately $Canadian 1.5 billion to purchase the Government's air navigation service assets. It was established as a non-share capital private corporation. Instead of having shareholders, true industry buy-in and alignment was created by having four members, being:

- The Government of Canada
- The Air Transport Association of Canada (representing airlines)
- The Canadian Business Aviation Association (representing business and general aviation)
- The Nav Canada Bargaining Agents Association (representing employees)

The structure has wide stakeholder representation, with the distribution of Board seats between members ensuring that no individual is able to dominate. Interestingly, the challenge for the Canadian Government and Nav Canada was much more structurally significant than it would be for Airservices Australia. In their case, they were moving a division of a government department and 6000 employees to a private entity structure and little of the existing operational, financial, governance and economic frameworks were in place and needed to be created.

Despite the concerns of some, those air traffic control providers that have been privatised are now amongst the world's leading providers and are recognised through benchmarking by the Civil Aviation Navigation Services Organisation (CANSO) as being the leaders in safety and safety maturity - significantly reducing "airprox" events, driving innovation and creating service efficiency.

Additionally, it should be noted that when the UK Government decided to pursue a public private partnership (PPP) in preference to other forms of private sector models they established a range of objectives including:

- Improving safety and national security
- Securing private sector management expertise
- Create an incentive for efficiency
- Being accountable to users
- Delivering a return for the taxpayer

The key measures of success in Nav Canada's case include:

- a new national air traffic system and systems modernisation program
- five year loss-of-separation rates for IFR aircraft are now half of what they were under government ownership
- were the first ANSP to introduce a safety "just culture"
- bought technology development in-house and now sell product throughout the world

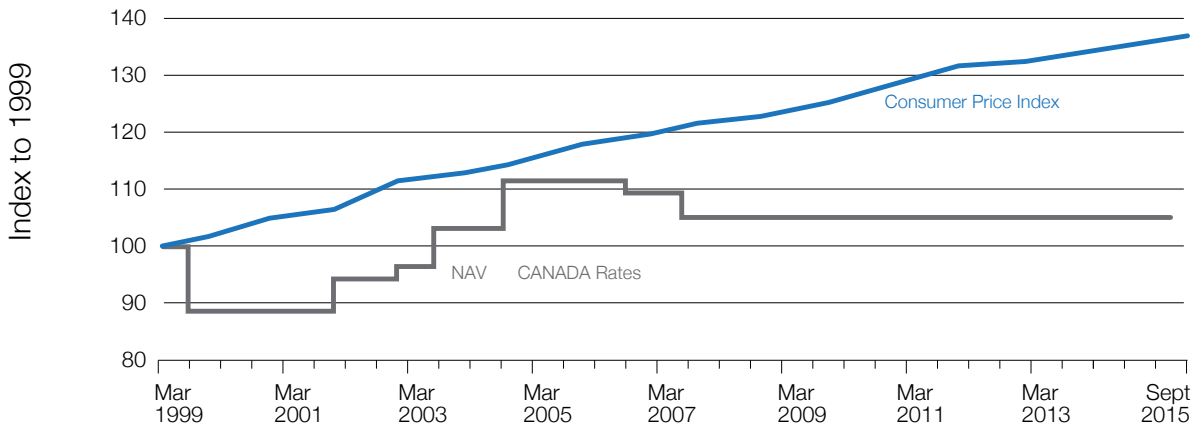
- creation of a very constructive labour relations environment
- maintained a AA credit rating since inception
- service disruption is non existent
- customer charges are now about 35% less than the rate of inflation over the last 20 years and
- the debt profile has declined

Nav Canada's capital spending is also half what it was under government ownership with three times the effect and the organisation survived all aviation capacity challenges with no government support.

Table 1 - History of Nav Canada Charging Rates - Source: Nav Canada Corporate Plan 2015 - http://www.navcanada.ca/EN/media/Publications/AnnualReport-2015-EN.pdf

HISTORY OF NAV CANADA RATE CHANGES[1]

versus Consumer Price Index[2]



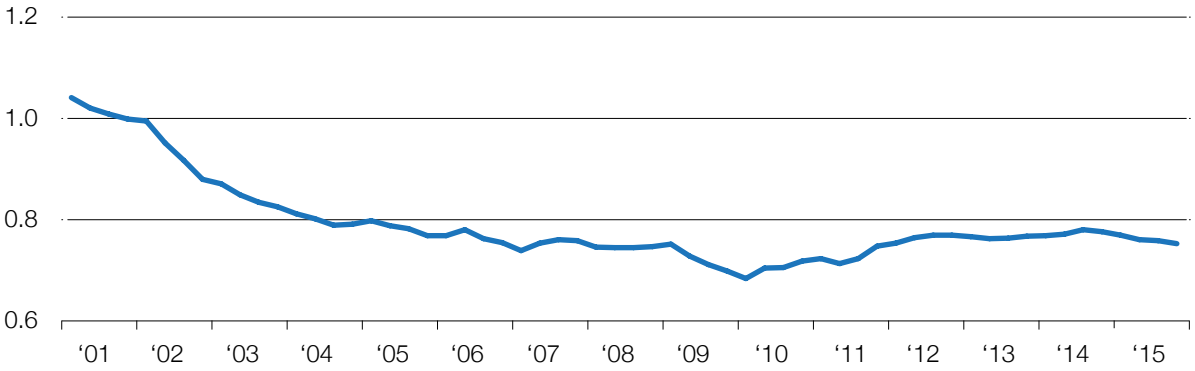
[1] Average changes since charges were fully implemented on March 1, 1999

[2] Consumer Price Index - Growth assumed to be 1.2 per cent for 2015

Table 2 - Nav Canada Loss of Separation Indicator - Source: Nav Canada Corporate Report 2015 - http://www.navcanada.ca/EN/media/Publications/AnnualReport-2015-EN.pdf

RATE OF IFR-TO-IFR LOSSES OF SEPARATION

per 100,000 aircraft movements (five-year moving average)



Note: The data in the above chart reflects losses of separation between two aircraft operating under instrument flight rules.

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