



RAAA SUBMISSION

CIVIL AVIATION SAFETY AUTHORITY

COST RECOVERY IMPLEMENTATION STATEMENT (CRIS)

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Serving regional aviation, and through it, the people and businesses of regional Australia

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17 April 2015

Cost Recovery
Civil Aviation safety Authority
GPO Box 2005
Canberra ACT 2601

Dear Sir,

RAAA SUBMISSION

CASA Cost Recovery Implementation Statement (CRIS)

The RAAA is pleased to provide this submission in response to the CASA : Cost Recovery Implementation Statement (CRIS) draft paper.

I. RAAA Background

The RAAA and its Members

The Regional Aviation Association of Australia (RAAA) is a not-for-profit organisation formed in 1980 as the Regional Airlines Association of Australia to protect, represent and promote the combined interests of its regional airline members and regional aviation throughout Australia.

The Association changed its name in July 2001 to the Regional Aviation Association of Australia (RAAA) and widened its charter to include a range of membership, including regional airlines, charter and aerial work operators, and the businesses that support them.

The RAAA has 28 Ordinary Members (AOC holders) and 69 Associate/Affiliate Members. The RAAA's AOC members directly employ over 2,500 Australians, many in regional areas. On an annual basis, the RAAA's AOC members jointly turnover more than \$1.5b, carry well in excess of 2million passengers and move over 23 million kilograms of freight.

RAAA members operate in all States and Territories and include airlines, airports, freight companies, engineering and flight training companies, finance and insurance companies and government entities. Many of RAAA's members operate successful and growing businesses providing employment and economic sustainability within regional and remote areas of Australia.

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RAAA Charter

The RAAA's Charter is to promote a safe and viable regional aviation industry. To meet this goal the RAAA:

- promotes the regional aviation industry and its benefits to Australian transport, tourism and the economy among government and regulatory policy makers;
- lobbies on behalf of the regional aviation industry and its members;
- contributes to government and regulatory authority policy processes and formulation to enable its members to have input into policies and decisions that may affect their businesses;
- encourages high standards of professional conduct by its members; and
- provides a forum for formal and informal professional development and information sharing.

The RAAA provides wide representation for the regional aviation industry by direct lobbying of Ministers and senior officials, through parliamentary submissions, personal contact and by ongoing, active participation in a number of consultative forums.

II. RAAA Response to CASA's Cost Recovery Implementation Statement (CRIS) discussion paper

It is the RAAA's view that the Draft Cost Recovery Paper (CRIS) should never have been released in its current form and should be withdrawn immediately. It is generally known across industry that the CRIS was released without the knowledge or approval of the CASA Board's Audit Committee or of CASA senior management. This lack of process and oversight weakens severely the draft document's credibility.

Taking the above into account a financial paper of such importance to industry should have been discussed directly with industry participants prior to its release. This is the long established process at Airservices Australia through its Pricing Consultative Committee, and also generally followed by the Bureau of Meteorology with respect to its aviation services charging. In short, all major changes to charging should be canvassed extensively with those most affected.

If the Paper is not to be withdrawn the following commentary is proffered.

- The CASA paper states that there are 90 new charges. However, it appears as 42 of these are being transferred across from current legislation. Of the estimated 48 new fees being introduced only 3 have a flat dollar amount and the rest will be all hourly based. This increase in the number of hourly rate charges is of grave concern.
- The Draft Paper has only provided a top level amount (Item 3.2.11 page 12 and Item 7.1 page 20) of the expectation for recovery. They have not indicated (a) the amount they expect to receive per line item or (b) the expenses they expect to incur per line item. This information must be available as it is the culmination used in Table G (page 20) and is needed to help industry determine if a particular fee is fair and reasonable.
- There is only a vague reference in the paper to the total amount received by CASA from industry. Industry, and in particular commercial aviation, also contributes to the operations of CASA through the aviation fuel excise (\$124m 2013/14 financial year). For the 2013/14 financial year, based on CASA's Annual Report, industry provided 77% of CASA's revenue. This compares to 65% of their revenue in the 2009/10 or an additional \$20m for, in our view, no added value or benefit.
- Although none of the hourly rates are increasing they are now far more widely applied. There are serious concerns about the hourly rates used. CASA charges an hourly rate of either \$100, \$130, \$160, or \$190. These equate to an annualised rate of \$195k, 254k, 312k and 370k. How has CASA calculated and validated the hourly rates they use? The rates appear high considering this is supposed to be cost recovery only ie no profit.
- Current items (with one exception) seem to be staying at current levels/basis. The exception is Item 64.015(4) on page 41 which is currently a flat fee of \$50 and is moving to an hourly rate. From appearance this is contra to the Paper's statement of no increases as they have not indicated anticipated recovery per assessment for this change (page 16 5th paragraph from the bottom).

- The Paper appears to be adding a lot more items for which they can charge a fee with the majority of these items being charged on an hourly rate basis. It appears that many of these items are for “processing and consideration of application”. These items should be charged at a flat rate which would provide applicants greater confidence in what CASA is charging for their services and also an indication of whether an applicant should be using a particular service due to individual financial constraints. The use of an hourly rate excessively appears to be being used by CASA to maximise the return they can achieve from a particular service and not just covering a reasonable recovery of what the service actually costs to supply.
- CASA has historically failed to provide industry a cost breakdown for activities by budget appropriation for example they receive \$x from government appropriation for say “standard setting” and it cost \$y for them to provide this activity. Accordingly there is no ability, especially in the current economic environment, to assess if CASA is cost shifting items indicated under 1.2.2.2 (page 3) from government funding to industry funding.
- Paragraph 3.2.1 indicates that 80% to 90% of direct costs is staff. As per the analysis (see below) on this issue over the past several years the major increase is staffing levels in Other Classifications (title 2013/14 annual report). This was previously called “corporate services” and, as we understand, not associated to direct industry related tasks and services. This chart appears to be a contradiction to the statement under 3.2.10 that “CASA manages its costs...”.

**CASA Staffing
Employees by Category**

	2008/09 FY	2009/10 FY	2010/11 FY	2011/12 FY	2012/13 FY	2013/14 FY
Air Transport Inspectors & Safety System Specialists	19	21	19	23	18	18
Airworthiness & Aerodrome	149	148	175	179	171	183
Corporate Services (Other Classifications)	346	350	410	416	441	444
Aviation Safety Advisors (Safety Promotion)	12	11	12	11	9	8
Certificate Management Team Leader					43	43
Flying Operations (Airlines)	27	29	28	29		
Flying Operations (GA)	49	56	58	62		
Flying Operations Inspector					70	78
Flight Training Examiner	5	9	7	9	9	7
Professional Services	13	15	16	21	18	20
Senior Management	55	63	61	68	71	70
TOTAL EMPLOYEES	675	702	786	818	850	871

III. CONCLUSION

The aviation industry is suffering a significant downturn largely due the end of the resources boom and a long-term two state drought. Industry is now tightening its belt and so must CASA's regulatory services. This is not an appropriate environment to introduce 90 new charges relating Part 61 and pilot licensing.

CASA staffing costs must be contained and further operational efficiencies sought at every level prior to imposing more charges on an industry that is already contributing 66% of CASA's income through the fuel levy and 77% of their total funding.

In short, the Paper lacks any significant consultation with industry and is not anywhere near being acceptable in its current form.

The RAAA is grateful for the opportunity to provide our views on the draft paper. If you would like further information about the items contained in this submission, or clarification on any of the points we make, the RAAA would be more than happy to assist. The RAAA looks forward to engaging further with CASA on this issue.

Regards,



Paul Tyrrell
Chief Executive Officer