



From The Lefthand Seat

Jim Davis
RAAA Chair
Director, Regional Express (Rex)

On 6 February 2019 the Productivity Commission released its draft report on the Economic Regulation of Airports. This is the third such inquiry conducted by the Commission since the privatisation of Australia's major capital city airports from 1997 to 2002 and sadly has followed a similar pattern. Previous inquiries were the Price Regulation of Airport Services conducted in 2007 and the Economic Regulation of Airport Services conducted in 2012. All involved an examination of the model used for the monitoring of airport charges and whether there was an abuse of monopoly power by the airports. The current inquiry for the first time looked at regional airports in addition to the major airports.

Disappointingly and unaccountably, the pattern of supporting the current monitoring system and propping up the monopoly practices of the major airports has continued. Indeed, in its key findings, the report states that "The four airports monitored by the Australian Competition and Consumer Commission - Sydney, Melbourne, Brisbane and Perth - have not systematically exercised their market power to the detriment of the community". It goes on to say "Each has generated returns sufficient to promote investment while not earning excessive profits".

As just one example Melbourne Airport achieved a full year EBITDA result for FY18 of \$735m representing an EBITDA margin of just under 75%. This figure is approximately the

average EBITDA result for the four major monitored airports. These are incredible numbers for the aviation industry and ones which the airlines cannot even begin to dream about. It defies logic to say that this has been achieved on a fair playing field.

By international standards Australian airports stand out as amongst the world's most profitable. The IATA submission to the Productivity Commission highlighted the fact that of the 5 most profitable airports in the world, ranked by EBITDA, three were Australian. And indeed the four monitored airports came within the top ten airports worldwide.

Extraordinary results are not confined to the four major airports. Some second tier airports also achieve impressive numbers but over the years the Productivity Commission has managed to remove these from the ACCC monitoring regime. And the draft report now recommends that the voluntary monitoring regime currently applied to the five second tier airports "should be discontinued". Two examples of airports that could bear closer scrutiny of their monopoly practices, rather than none as recommended, are Darwin and Canberra.

The inquiry has ignored significant evidence provided by many submissions including those from the ACCC, IATA, A4ANZ, Qantas, Virgin Australia and the RAAA to name but a few. The A4ANZ, in particular,

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commissioned a comprehensive economic study by Frontier Economics earlier in 2018 which was the foundation of their submission to the Productivity Commission.

The Commission found that airlines had sufficient countervailing power at airports to combat airport monopolies and that it “had insufficient evidence to conclude that airport operators make take it or leave it offers to airlines and that airlines are compelled to accept them”. Some RAAA member airlines would find this statement incomprehensible.

With regard to regional airports there were some positive aspects. With respect to Sydney Airport it recommended that “the [regional] price cap should be retained in its current form at this time”. However, somewhat ominously, it also stated that “the next Commission inquiry into airport regulation should consider the continued need for regional access arrangements at Sydney Airport in light of the development of Western Sydney Airport and any other future considerations”. This would appear to signal a potential end of regional price capping at Sydney Airport in the future and the forcing of regional operators out to Western Sydney Airport.

Encouragingly, the draft report took note of a problem highlighted in submissions with some regional airports having a tendency to build unnecessary and expensive infrastructure and then pass on the costs to operators without consultation. It also noted the practice of some regional airports to revalue assets, in many cases the subject of

Government grants, and pass on the consequent depreciation costs

without consultation. The report recommended that “Government funding for infrastructure investments at regional airports should be subject to rigorous published assessment” and that “there is also considerable scope to improve the financial management of airport assets at some regional airports”.

While these specific aspects of regional airports were addressed there was no mention of a general accountability for charges at regional airports. Practices vary widely with some regional airports genuinely consulting with operators while others unilaterally levy increased charges with no transparency. The Commission’s statement that “airports in regional centres have less (or no) market power and should not be subject to increased monitoring at this stage” does not reflect reality. Again, it seems the Commission is concentrating on the large operators and their ability to exert countervailing pressure on regional airports and is ignoring the small regional operators that do not have the same ability.

Of extreme disappointment is the total lack of mention of capital city secondary airports where in some cases there has been an abuse of market power. While these airports were not specified in the terms of reference of the inquiry much evidence was supplied to the Commission and has seemingly been ignored.

Another confusing aspect is the Commission’s criticism of the major fuel suppliers and their ability to block new entrants by controlling fuel infrastructure and yet it ignores the fact that in some cases the airport takes over and controls the fuel infrastructure and creates the monopoly effect.

The RAAA put considerable effort into its submission to the inquiry and received information from many members and non-members. It appears that, by and large, it has been a pointless exercise. ✦



2019 RAAA Events Calendar

**30 May 2019
Darwin, NT**

- ✦ Board meeting
- ✦ Technical Working Group
- ✦ Member Function

**5 September 2019
Canberra, ACT**

- ✦ Board meeting
- ✦ Technical Working Group
- ✦ Member Function

**28-30 October 2019
RAAA Annual Convention
RACV Royal Pines Resort
Gold Coast, Queensland**

**28 November 2019
Sydney NSW**

- ✦ Annual General Meeting
- ✦ Board Meeting
- ✦ Technical Working Group
- ✦ Annual Christmas Function

Please mark these in your diary.
We look forward to seeing you there.



From The Righthand Seat

Mike Higgins
RAAA CEO



The RAAA continues to Represent Aviation Across Australia.

Act Amendment

A Bill was introduced into Parliament on 21/02 to amend the Civil Aviation Act 1988. The most relevant of the changes are to section 53 Functions of the Board.

The functions of the Board are to:

- (a) decide the objectives, strategies and policies to be followed by CASA; and
- (b) ensure that CASA performs its functions in a proper, efficient and effective manner; and
- (c) ensure that CASA complies with directions given by the Minister under section 12B.

The most important is (c) where the Board can now insist on CASA following the Ministers Statement of Expectations (SOE). The SOE from the Minister were previously not given the gravitas they deserved. They are now to be enshrined in legislation. This is a great first step in other overdue amendments to the Act.

Convention 40 years

This year will be the 40 year celebration of the RAAA and the 20th Convention!

We are already deep into the planning and this year will be a stella event, with a couple of 'first time events'. Please save the dates 28-30 October and plan to join with us in the Gold Coast again.

Maintenance Organisations supporting our Charter operators

There are 550 maintenance organisations approved and operating under the Civil Aviation Regulation 30, and have done so for

decades. The RAAA is one of the strong voices representing aviation across Australia. Members include both charter and RPT operators, airports, flying training schools and the like. We are concerned at the lack of progress by CASA on the development of the maintenance requirements for the new regime to impact charter operators in the near future.

This year sees the coming to terms with the actual new legislation which will impact current charter operators, with full implementation of the Civil Aviation Safety Regulation (CASR Part 135) due within two years. The RAAA and many others have been closely involved in developing this new rule set and which we fully endorse, with the provisos that the requirements are scaleable depending on the size of the operation and certain prescribed aircraft were able to carry up to 13 passengers under the Instrument Flight Rules and with a single pilot. There is still some fine tuning to do with respect to applicability of certain rules to individual operations such as organ retrieval and the like. However, these and other matters will be resolved with the new Reclassification of Activities initiative.

The journey to this stage has proved that the excellent new consultation mechanisms designed by CASA have worked well. Specifically, the formation of a high level Aviation Safety Advisory Panel (ASAP) and the individual Technical Working Groups (TWGs) has introduced significant efficiencies. Congratulations are due the CASA Stakeholder Engagement Group for managing the process with professionalism and objectivity under very challenging time-frames.

Hopefully, in keeping with the highly successful ASAP and TWG consultation process, we will all soon be involved to the same degree in assessing the current rules for the respective maintenance providers to complement the new Part 135 operators. This is where the next challenge lies.

Firstly some background. High capacity air transport aircraft are designed and manufactured to certain criteria in order to obtain certification. This certification basis includes maintenance philosophy, practices and procedures. These aircraft are often large machines and are predominately operated by the larger airlines within Australia and often include international operations. These aircraft are operated under the CASR Part 121 rules and are maintained under the CASR Part 42 and 145 rules.

However, lower capacity aircraft used by your typical Part 135 operator are certified to a different set of criteria. For many decades they have been maintained by Maintenance Repair Organisations (MROs) who are regulated by CASA under the Civil Aviation Regulation 30 (CAR30). Whilst the operational Part 135 rules are largely settled, we need to review the applicable CAR30 maintenance rule set. This review is a healthy undertaking and would be welcomed.

So where do we begin?

The Stakeholder Engagement Group has also introduced a Sector Risk Profile tool (SRP) and applied this to various sectors within the industry. Of note is that it included the High Capacity Aircraft operations (lots of passengers) right the way down to



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mustered and Aerial Application (no passengers). Using the Australian Transport Safety Bureau (ATSB) objective data and CASA and industry experience, we have together produced excellent outcomes which focus on areas for improvement using a range of strategies. These include training, education and awareness and in a few circumstances an amendment to regulations. This is an excellent tool and is perfectly suited to a CAR30 review.

The SRP uses an objective and evidence based approach that cannot be argued against in terms of logic or argument for action. Clearly we need to begin our review of the current CAR 30 state of play before we can know what changes, if any, need to be made in order to gently raise the bar, if required, in terms of maintenance for Part 135 operators. Of critical importance in the review will be to differentiate between the CAR 30 operators and the Instructions for Continuing Airworthiness. This is often misunderstood within the industry.

It's the CAR 30 organisations who are responsible for applying the level of maintenance to the aircraft as is required by the maintenance instructions. On the other hand it is the registered operator (often the owner) who is responsible to tell the CAR 30 what maintenance instructions to follow. This instruction is found at the top of your maintenance release. For example, when you drop your car in to the dealer for servicing you tell the dealer what service is due and any problems you are experiencing. In the aviation context you have three choices. You can nominate the manufacturers maintenance schedule known as CAR42A, or the

'Schedule 5' known as CAR42B or an approved System of Maintenance known as CAR42C.

Ideally we should have two separate SRPs. One for the CAR 30 organisations and one for the Maintenance Instructions.

Fatigue Risk Management Systems

As CASA moves to finalise the new rules we are seeking an extension of time for commencement. For those members who will choose the FRMS option, one year is not enough time to locate and engage a subject matter expert, develop and trial an FRMS and then prepare for the CASA approval process. One contentious point remaining is that CASA want to prohibit pilots flying for the operator on their days off, citing 'the effects of cumulative fatigue'. Should CASA remain of this view they would be committed to banning pilots from private flying on the same basis. That certainly won't fly!

Charter operators and restricted passenger numbers

CASA has agreed to review the current limit of 9 passengers on C208 and B200 aircraft with a single pilot under the IFR. This is in spite of the fact that these machines are certified to do exactly that.

Any terms of reference for such a review should take a step back from the 'current practice' and start the exercise at the genesis, and include this in the TOR. That is:

Single engine aircraft were limited to 9 pax by an FAA decision taken mid last century when there were no single engine turbine used in commercial operations, piston engines were underpowered and

unreliable and DC-3s ruled the sky. So clearly and logically any investigation into the risk mitigators on single engine operations need to acknowledge all the improvements to safety since the time that decision was taken. These would include at least:

The stunningly reliable turbine engines of today.

The performance improvements offered by turbine engines in all weather.

The ASETPA conditions already imposed, pilot training and operational planning including route planning and designated safe landing areas etc.

The autopilots and other technological advances in terrain awareness including GPS navigation.

Much improved weather forecasts, anti and de-ice equipment (common on Caravans today)

Australian accident statistics of C208 whilst operated under ASETPA. ✦





Understanding Super Calculations

By Silas Dingiria
for AvSuper



It's easy enough to say that you have to pay at least 9.5% super for eligible employees, but it's not always quite so easy to know exactly what to use as the salary to calculate the contribution amount.

What is super based on?

Super is based on an employee's Ordinary Time Earnings (OTE).

OTE is what employees earn under normal circumstances, rather than overtime, so that's fairly simple for many employees.

However, for other employees it can get trickier – do you include bonuses, sick leave and jury duty for instance? For these situations, it is important to clarify the different components of each employee's earnings and only include the OTE components when calculating their super entitlement.

Many accounting software solutions will sum the appropriate components of the earnings to get the OTE for super purposes, but you still need to know what the employees have earned to enter the data correctly.



OTE includes

- Pay such as usual hours, casual shift-loadings, over-award payments, piece-rates
- Allowances for danger, retention and unconditional extra payments

Payment of expenses for a return to work under workers compensation

- Some bonuses including Christmas, performance and 'ex-gratia' for ordinary hours
- Commissions
- Termination payments (in lieu of notice)

OTE excludes

- Overtime amounts including hourly rates, annualised rates, lump sum payments, casual employees (bandwidth clause or otherwise)
- Payment of expenses for reimbursements, unfair dismissal, petty cash, worker's compensation (if not working)
- Parent leave, jury duty and defence reserve service
- Overtime bonuses
- Termination payments (unused sick, annual or long service leave)

Reporting

Under compulsory standardised reporting, you need to inform your super fund how much super you are paying for each employee and what type (eg SG, salary sacrifice).

AvSuper is a profit-for-members, MySuper-compliant super fund dedicated to the aviation industry. This information is of a general nature only and does not take into account your personal objectives, situation or needs. Before making a decision about AvSuper (ABN84 421 446 069), you should consider your own requirements and the relevant Product Disclosure Statement. For a copy or to discuss your super, call 1300 128 751 or visit www.avsuper.com.au. ✦



Australian Government

Bureau of Meteorology



Improving Australia's Aviation Meteorological Services

The Bureau is committed to providing a high quality and responsive aviation meteorological service delivering long-term improvements to the aviation industry through better air traffic management and providing more digital and graphical meteorological information. Our mission is to provide world class aviation meteorological services and insights to our customers that enhance the safety and economy of aviation operations every day.

The Bureau of Meteorology (BOM) is undertaking some important work to improve weather forecasting for the aviation industry.

A detailed analysis of BOM's operational arrangements was completed in 2015 at the request of the aviation industry.

The review found that while the Bureau runs an effective forecast production system, improvements are necessary to adapt to future requirements and to improve the coordination between forecast centres. This is in line with BOM's mission to provide world class aviation meteorological services and insights to its customers that enhance the safety and economy of aviation operations every day.

The Aviation Meteorological Services Transformation (AMST) builds on the recommendations of the Review of Aviation Weather Services (RAWS), delivering a more flexible and responsive service that meets the growing needs of the aviation industry within national and international frameworks.



To achieve this, BOM will move its aviation meteorologists into two new Aviation Forecasting Centres in Brisbane and Melbourne. These centres will deliver most aviation services across Australia by June 2020, using the very latest advances in observational and modelling capabilities. There will be no change to the number of meteorologists employed, and aviation operators across Australia will receive a greater level of service irrespective of where they are based.

The Bureau's Ashwin Naidu (Manager – Aviation Regional Services) said, "The changes will allow us to more rapidly employ advances in technology and meteorological science that deliver value to aviation operations and enhance our operational effectiveness and flexibility."

More information

Information on Aviation Meteorological Services Transformation is available on the Bureau of Meteorology's website at www.bom.gov.au/aviation/aviation-transformation

If you have any questions about this work, email:

- Aviation_Transformation@bom.gov.au; or
- Brett Anderson, General Manager – Aviation, Land and Maritime Transport, at Brett.Anderson@bom.gov.au. ✦



Welcome Aboard Cobham Aviation Services



COBHAM

**We are pleased to welcome
Cobham Aviation Services to the
RAAA as an Ordinary Member.**



Cobham Aviation Services is the largest provider of contract aviation services in Australia with customers in the resources industry, commercial aviation, defence, and government.

Cobham has been involved in Australia's regional aviation industry for more than 20 years. We provide closed charter (fly-in, fly-out / FIFO) services to regional and remote locations in support of mining, oil and gas projects, as well as premium private jet aircraft charter services to metropolitan and regional destinations throughout Australia. Cobham's FIFO services are uniquely designed specifically to meet individual customer requirements. Our charter services offer companies the flexibility to determine their own itinerary without the restraint of commercial airline schedules. We are also the only provider in Australia that operates jet aircraft to gravel runways – helping our customers move more people faster, using fewer services.

Since 2005, Cobham has been operating Boeing 717 aircraft for

regional flights as part of a long-term contract with Qantas.

Today we transport 2.5 million passengers a year on behalf of this long-term customer. We also support Qantas Freight's domestic operation with more than 2,500 flights per annum.

For government, we have long-term contracts to support the Australian Maritime Safety Authority (AMSA) and Australian Border Force (ABF). We provide search-and-rescue and airborne surveillance missions using highly-modified Challenger 604 jet and Dash-8 aircraft. Many of our special mission bases are located in regional parts of Australia.

The company began as National Jet Systems in 1990. It later became Cobham Aviation Services in 2009 when purchased by parent-company Cobham PLC, a top 50 global aerospace and defence company headquartered in the UK.

Ryan Both, 37, was recently appointed CEO of Cobham in

Australia. He is the youngest to take on such a role at Cobham and brings with him a new generation of thinking and innovation. Today, the company is continuing to expand, with recent new contracts won in the mining space supporting OZ Minerals, and for government supporting General Atomics Aeronautical Systems to provide Armed Remotely Piloted Aircraft System for the Australian Defence Force.



To find out more about our services and capabilities, please visit the Cobham Aviation Services website at www.cobhamaviationservices.com ✦



With the new year just started, the Superjet 100 Programme is exploring new strategic options in order to enhance its aircraft performance.

The new saber-shaped winglets are certainly the first example of the Superjet 100 new key features.

Saberlets will improve performance and handling especially when operating from short runways with steep approaches. Saberlets also will cut fuel consumption by at least 3%.

Flight tests have been completed to achieve the necessary certification by the end of this year. Saberlets will be also available in retrofit to existing customers.

With 136 aircraft flying worldwide logging more than 530.000 FH, the Superjet 100 is today very much loved by passengers for its comfort that is offered by a very wide 5 abreast cabin with the Italian Style Interior designed by Pininfarina, with wide seats and a lot of space in the overhead bins for each passenger to bring his own carryon bags and trolley on board.

Operators flying the Superjet are confirming it has all characteristics of a mainliner, but with very low operating costs, even lower than what we announced, again 10% better than current competitors. At the same time, the Superjet Programme is going to consolidate its global supporting organization, enhancing its capabilities around the world. ✦

University Research Explores Australian GA Motivators

Every voice for the growth and promotion of Australian General Aviation is a welcome addition to the choir. Lucas Tisdall, RAAA member and CEO of Flight One, is engaging the power of academia to explore the alignment between Operator intent and Federal policy.



Lucas is undertaking a doctoral program at the University of Southern Queensland under the supervision of Associate Professor Shane Zhang and Professor Paul Bates, a long time RAAA contributor. The study will involve up to 150 AOC holders across the country; the largest ever engagement with industry by a university researcher.

Unlike many overseas jurisdictions, the position of Australian industry relative to its federal policy makers in critically under-researched. Lucas' study is breaking new ground in determining the intent of AOC holders across the country to invest in new

technology, equipment and aircraft as well grow their workforces. By understanding what motivates industry players to make growth-oriented decisions, the study aims to explore areas of alignment with current policy or identify new focus opportunities for development and delivery by the federal government.

Bypassing CASA as a regulatory body, the study is designed to inform federal policy makers at departmental and ministerial levels about the needs and aspirations of industry participants across the broad geography of Australia and at all sizes of operation. While applying significant academic weight and rigour to the Australian dynamic in contrast with international experiences, the study's objectives have some very real implications for galvanizing both Operators and government into achieving greater economic outcomes for the benefit of the domestic industry and the communities we mutually serve.



Lucas will be contacting Accountable Managers around the nation in the coming months to make a strictly 45-minute appointment with each one. However, if you'd like to ensure that your perspectives are captured in this innovative and important project, please make contact directly at lucas.tisdall@usq.edu.au ✦

