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**Submission to the Senate Rural and
Regional Affairs and Transport
Legislation Committee**

**Civil Aviation Legislation Amendment
(Mutual Recognition with New Zealand) and
Other Matters Bill 2003**

May 2004

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Preamble

The Australian Licenced Aircraft Engineers Association (ALAEA) represents certifying Licensed Aircraft Maintenance Engineers throughout the Australian airline, regional and general aviation industries.

The ALAEA welcomes the opportunity to respond to the Senate Rural and Regional Affairs and Transport Legislation Committee's investigation into the proposed amendments to the *Civil Aviation Act 1988*, putting in place a statutory framework for the mutual recognition of aviation-related safety certificates across the Tasman.

The ALAEA commends the inquiry into the timeliness, appropriateness and relevance of establishing trans-Tasman legislation with respect to mutual recognition of aviation-related safety certificates. We believe it essential that mutual recognition should not be further addressed/advanced until it can be affirmed that New Zealand safety standards and legislative issues are brought into line with the historically higher standards in Australia.

- The ALAEA would be pleased to appear before the Committee to answer any questions the Committee might have regarding this Submission and to provide further evidence and amplification if requested.

About the ALAEA

The ALAEA is an organisation founded in 1960 to advance the professional, technical and industrial interests of Aircraft Maintenance Engineers who are licensed by the Civil Aviation Safety Authority to certify for work performed on aircraft within Australia. Currently the ALAEA has 3300 members employed by the major airlines as well as in regional operations and the general aviation sector. The motto of the ALAEA is:

“To undertake, supervise and certify for the safety of all who fly”.

Executive summary

The ALAEA is concerned that deregulation and the continuance of global alliances between airlines, coupled with the rapidly growing number of ‘low cost carriers’ (LCCs) entering the aviation arena, will continue to force companies to further explore cost-cutting efficiencies, including altering and reducing maintenance arrangements to meet the minimum requirements of national aviation regulations. These commercial pressures have already caused extreme cost-cutting exercises by airlines, which, putting pressure on standards in the industry, have the potential to jeopardise Australia’s exceptional record of aviation safety.

Giving companies latitude by liberalising existing legislation is not in the best national interest. Degradation of job skill levels and facilitating a contraction in Australia’s aviation expertise and skills base or a diminution of aviation-related business activities in Australia is not in the national interest.

The ALAEA is alarmed at a continuing trend which has seen airline and aviation companies, operating in an intensely cost-competitive environment, pushing regulatory boundaries unchecked in order to cut costs, often at the expense of sensible safety risk management.

The ALAEA has serious concerns that overseas outsourcing of aircraft maintenance in a very real sense amounts to “*Exporting jobs, importing problems*”.

The ALAEA proposes for the consideration of the Committee a number of Recommendations, a summary of which appears below.

Brief summary of Recommendations

1. ***There is a compelling need for an independent review and comparison of the New Zealand Civil Aviation Regulations and the Australian Civil Aviation Regulations.***

2. *An in-depth review of off-shore maintenance repair organisations should be conducted.*

3. *CASA should be maintained as the independent monitor of safety in the industry and CASA's auditing and inspection role not be diluted or devolved to operators.*

4. *Australia's historically high safety and regulatory standards should be maintained at all costs.*

5. *A peak national body be formed as a matter of urgency, to develop a five year plan to ensure Australia has sufficient, suitably qualified personnel (including aircraft maintenance engineers) to carry out maintenance required on aircraft on the Australian register.*

1. Submission

1.1 Preamble

The Australian Licenced Aircraft Engineers Association (ALAEA) is concerned that further liberalisation permitting the mutual recognition of certain aviation-related safety certifications between Australia and New Zealand could be detrimental to the aviation industry in Australia.

As part of the Trans-Tasman Mutual Recognition Agreement (TTMRA), the Australia New Zealand Aviation (ANZA) Air Operators Certificate (AOC) privileges agreement could have a broad and resounding impact within Australia, from which the Australian aviation industry could have difficulty recovering.

The liberalisation of legislation allowing privileges to AOC holders across the Tasman could have a profound flow-on effect in the near future with the advent of Qantas being a partner in a 'low cost carrier' (LCC) operation based in Singapore. (This issue is further discussed later in this submission.)

1.2 CASA – Australia's aviation regulator

In 1999-2000 the Australian National Audit Office (ANAO) conducted an audit of the Civil Aviation Safety Authority (CASA). In the report it is stated that: "*CASA was established as a statutory authority in 1995 under the Civil Aviation Act 1998 (the Act). The main objective of the Act*

is to establish a regulatory framework for maintaining, enhancing and promoting the safety of civil aviation with particular emphasis on preventing aviation accidents and incidents".

The "*Audit objectives and scope*" stated:

“This audit commenced in late 1998 in response to a recommendation in the ‘Plane Safe’ report from the House of Representatives Standing Committee on Transport Communications and Infrastructure that the Australian National Audit Office (ANAO) undertake an efficiency audit of CASA in 1998. The audit objectives were to assess the efficiency and effectiveness of the management systems and procedures used by CASA to ensure compliance with regulatory controls by Air Operator Certificate (AOC) holders operating passenger-carrying aircraft within High Capacity Regular Public Transport (HCRPT); Low Capacity Regular Public Transport (LCRPT) and charter industry sectors; and Certificate of Approval holders. Aviation safety compliance includes entry control, surveillance and enforcement.”

Part of the conclusion of the ANAO’s report states:

*“The ANAO concluded that CASA’s regulatory regime for ensuring compliance by the aviation industry with Australia’s aviation safety legislation has contributed towards Australia’s highly regarded record in aviation safety. However, the potential exists for this regime to be **improved and strengthened** with consequential increased confidence of all stakeholders.”*

It is the considered view of the ALAEA that by granting ANZA privileges to AOC holders both within Australia and New Zealand, the somewhat lower standards of maintenance and, in some respects, different levels of regulatory control in New Zealand compared to Australia, would most certainly jeopardise Australia’s safety record. This is in direct opposition to and contradiction of the above part of the conclusion drawn by the ANAO.

1.3 Legislative Framework

Exploitation of the liberalisation of rules governing AOCs enabling AOC holders to gain ANZA privileges will lead to serious breaches of safety standards and legislative issues in Australia. Evidence of this possibility already exists. During a recent press interview with respect to Virgin Blue’s admission of its maintenance records being in a state of disarray, the airline’s Head of Strategy is quoted as having stated, *“If we thought it was a real issue we would have put more planes on the New Zealand AOC”*.

In the same recorded interview, the statement is made: *“With the NZCAA allowing Pacific Blue to fly ‘short-range’ extended-range twin engine operations on flights between Australia and New Zealand, the airline’s Melbourne – Wellington flights still have to make a slight detour mid-flight to stay within range of Lord Howe Island”*. Lord Howe Island airfield is not rated for aircraft of Boeing 737 capacity so the question must be asked how is it that the NZ regulator has permitted Lord Howe Island to be designated as an alternate for aircraft of this size.

These two statements, extracted from the same press release, imply that there are strategic gains and reasons for aircraft to be registered with a New Zealand AOC as opposed to being registered with an Australian AOC. Companies will exploit those rules for commercial advantage.

The ANAO report also discusses *“Legislative framework”*. This is described, in part, as: *“Australia, like most advanced aviation countries, has developed a complex set of rules and regulations for aviation safety. Historically, the major catalysts to regulatory development have been the standards and recommended practices, established by the International Civil Aviation Organisation (ICAO); recommendations which have arisen from the investigation of aviation accidents and incidents; and the introduction of new technologies. Other influences on regulatory development include requests from industry, community groups, and the public; government directives; international airworthiness directives from either manufacturers or government agencies; major defect reporting systems; and the results of surveillance activities.”*

Under the heading *“Controlling Entry”*, the ANAO report states:

“CASA controls the entry of operators into the aviation industry through the certification process for issuing AOCs and Certificates of Approval. In discharging its responsibility for the oversight of all commercial air operations, CASA must be satisfied with all safety aspects of the operation prior to the issue of a certificate.”

In a ‘Submission to the Senate References Committee for Rural and Regional Affairs and Transport with respect to Administration of the Civil Aviation Safety Authority (CASA) – Oversight by CASA of Air Operator Maintenance Programs’ in August 2000, the ALAEA

stated, in its introduction, *“The ALAEA is concerned that deregulation and the formation of global alliances between airlines are accelerating the impact of competition, forcing companies to explore cost efficiencies, including altering and reducing maintenance arrangements to meet the minimum requirements of the regulations”*. With an impending ANZA extension to AOCs across the Tasman, the ALAEA has grave concerns as to the future impact of aircraft engineering and maintenance being moved offshore.

In the same submission, the ALAEA further stated: *“The culture that established Australia’s aviation safety record is a product of standards and procedures that have been carefully and painstakingly developed over a long period of time.*

“This culture must not be diminished by an industry-wide push for what is termed by some operators ‘world’s best practice’, resulting in less involvement of maintenance staff in some aspects of aircraft operations, such as aircraft transits and pre-flight inspections. This approach is obviously cost driven in an attempt to maximise the return to shareholders. It may be called ‘world’s best practice’ but the more relevant question is: is it ‘world’s best safety practice?’

“CASA must be free of any commercial considerations, enforce the highest possible standards in all areas of aviation to ensure that procedures and standards adopted are indeed ‘world’s best practice’ and not ‘world’s cheapest practice’, and that the highest possible standard of operations is not a casualty of a single desire to maximise shareholders returns.” The ALAEA has not changed its stance on this issue. The ALAEA continues to seek ways of improving and strengthening the standards of safety in aviation within Australia.

1.4 Legislation and Standards across the Tasman

For ANZA privileges to be granted across the Tasman, it is paramount that the base line should be set at the same level. Australia has the privilege of being a world leader with respect to aviation safety and maintenance standards and this level should be the absolute minimum in any partnership agreement whether at a government or company level. Anything less is a degradation of the safety standards in Australia. The travelling public expects the highest standards possible – not ‘affordable standards’.

What has not been conducted, nor considered, is a comprehensive, independent and detailed comparison of Australian civil aviation regulations and standards with New Zealand aviation regulations and standards. Compatibility of both sets of regulations and standards is mandatory and any shortcomings need to be addressed prior to the introduction of any ANZA style agreement. The Australian Transport Safety Bureau (ATSB) would be an excellent choice in conducting such a detailed comparative study.

The International Transport Workers Federation “Safe Skies” Conference in 1996 discussed in detail “...*fundamental changes in the structure of the civil aviation industry (which) now require governments and international aviation organisations to catch up with new corporate and economic environment to ensure that the regulatory bodies have the necessary powers, independence and resources to ensure safe skies in a globalised industry.*”

‘Flags of Convenience’

“One of the most serious threats to regulatory control over civil aviation is the risk of airlines seeking to step outside proper regulatory oversight altogether. In the maritime industry, the capacity of shipping companies to evade safety regulation through “flags of convenience” has led to a spectacular abandonment of safety standards within a major part of the world’s merchant shipping fleets. It is important that such unscrupulous evasion of regulation is not allowed to spread to the aviation industry.”

In Europe there is already a problem of charter airlines which may use one country as an operational base while using aircraft registered in a different country. In these cases the national aviation authority of the country from which the aircraft operates services has no responsibility for the safety standards of the aircraft. Yet there have been proposals within the industry for a loosening of the rules which link airline ownership and national aviation authority oversight.”

ICAO ‘Working Paper’ ATConf/5-WP/75 presented for discussion at the ‘Worldwide Air Transport Conference: Challenges and Opportunities of Liberalisation’ in Montreal from 24 to 29 March 2003, reports further on the ‘Flags of Convenience’ issue:

“In the maritime “flags of convenience” debacle, ships and fleets can be “flagged” out to countries (including land-locked nations with no historical maritime tradition) that offer lower-cost safety and labour standards and inadequate safety supervisory and inspection structures. Flagging out is generally driven by the wish to save costs or to escape effective regulatory control by the State in which the vessel or fleet is beneficially owned. The result is higher accident rates, proportionately more safety and security breaches, and lack of effective implementation of existing international safety, welfare and operational requirements amongst flagged out vessels. Flagging out also brings difficulties in identifying the competent legal authority in situations as diverse as personal injury claims or pollution or environmental damage ...”.

The ICAO paper continues: *“Advocates of liberalisation will quickly point out, however, that there is a dual requirement in the criterion: evidence of principal place of business has to be matched by evidence of effective regulatory control by the designating State. This, it is argued, ensures that safety and security oversight responsibility is maintained by the designating State. However, regulatory requirements and standards of effective control differ between jurisdictions, with potentially different impacts on cost for carriers. As ICAO’s own safety oversight assessment programme is revealing, even the application of agreed standards does vary quite widely.”*

1.5 National interest

The ALAEA firmly believes that with the grant of an ANZA privilege, Australian-based companies could conceivably re-register company-owned aircraft under a NZ AOC, thereby reaping the benefits of cheaper cost operations external to Australia. The ALAEA, in a submission to the Foreign Investment Review Board (FIRB) regarding ‘The Acquisition of a Further 50% Stake in Ansett Holdings Limited by Air New Zealand’ in the first quarter 2000, stated: *“To fully recover what is a significant investment Air New Zealand have asked consultants McKinley and Company to prepare a plan detailing the integration of business activities, elimination of duplication and acceleration of existing business improvement programs.”* This submission further went on to state: *“The wholesale movement off-shore of skilled work currently being performed by Australians in*

Australia is not in the national interest. Nor will the flow-on effect of that business process to other operators be in the national interest”.

The obvious point being that giving companies latitude by liberalising existing legislation is not in the best national interest. Degradation of job skill levels and facilitating a contraction in Australia’s aviation expertise and skills base or a diminution of aviation-related business activities in Australia is not in the national interest.

(The ALAEA in its submission to the FIRB opposed approval of 100% ownership of Ansett by Air New Zealand, forecasting that such an outcome would imperil the continued viability of Australia’s second national carrier. Unfortunately 18 months later, as we all now know, the ALAEA’s fears were to be realised.)

Successive governments within Australia have, over a period of time, allowed a progressive decline in skills levels in a number of industries and aviation has probably suffered more than most. It is only in very recent times that some State governments, in conjunction with some industry entities, have recognised the degradation of the aviation industry within Australia and some progress has been made in rebuilding skill levels and refocussing on the importance of the aviation industry to Australia. This will be a long and painstaking task due to the steady decline in the industry that has been allowed to occur over a considerable period.

But, probably more importantly, the fact remains that while Australia is trying to rebuild its skills base and numbers of skilled aircraft maintenance engineers, companies are overseas outsourcing more and more work overseas due to:

- Cheaper, lower skills based work forces
- relaxation of a number of regulations, combined with the implementation of government agreements such as the TTMRA

- a growing tendency or trend towards an ‘open skies’ policy (this in itself has far-reaching implications for the aviation industry in Australia)

1.6 Mutual Recognition

The Department of Transport and Regional Services, in a submission to the productivity Commission dated 7 April 2003, stated, under the heading, “Mutual recognition of aviation-related (safety) certification”: *“Mutual recognition of aviation-related certificates will permit an aircraft operator to carry out aviation activity in either Australia or New Zealand, whether international or domestic, passenger or cargo, based on an Air Operator’s Certificate (AOC) issued by the regulator of their home country. This is because it has been established that whilst some systems and processes may vary, Australia and New Zealand share equivalent aviation safety standards.”*

In addition, the Introduction to the *“REGULATION IMPACT STATEMENT MUTUAL RECOGNITION OF AVIATION-RELATED CERTIFICATION BETWEEN AUSTRALIA AND NEW ZEALAND”* of the *“CIVIL AVIATION LEGISLATION AMENDMENT (MUTUAL RECOGNITION WITH NEW ZEALAND AND OTHER MATTERS) BILL 2003”* states *“... This follows from an acceptance that, while some systems and processes may vary, Australia and New Zealand have safety standards that produce equivalent safety outcomes in high capacity airline operations.”*

This may be the expressed wish of various government and regulatory departments but on the shop and hangar floor, where the actual work is being carried out, various companies, operating in an intensely cost-competitive environment, are pushing the boundaries unchecked in order to cut costs at the expense of sensible safety risk management.

1.7 Deregulation and competition

A further significant issue detailed in the ICAO ‘Safe Skies’ conference paper was stated as:

“The civil aviation industry has been hit hard and fast by a range of fundamental changes in the way it is managed, operated and regulated.

“Competition has been put forward as the champion of the consumer, but unrestrained competition creates pressures which can seriously undermine passenger safety. Foremost among these is the pressure to reduce costs.

- *Deregulation seeks to reduce government role in industry.*
- *Industry restructuring has made the management, monitoring and repair, and, in particular, the implementation of operational safety far more complex than in the past.*
- *Globalisation gives any industry a greatly increased scope for escaping national and international rules.”*

1.8 Low cost carriers

Deregulation and the impact of competition is forcing companies to explore cost efficiencies through altered working arrangements. With LCCs becoming more prevalent worldwide, companies seek many avenues to lower operating costs. Among the growing list is ‘overseas outsourcing’ of a variety of services. Included in this list is aircraft maintenance and engineering.

Many pilots and licensed aircraft maintenance engineers have stories to relate of petitioning companies and regulators to change maintenance procedures only to be ignored until a serious accident or incident occurs which dramatically, and often sadly, draws attention to the issue.

Airlines are desperate to cut costs. But, who has the incentive and the power to change the system?

You do. I do. The travelling public when purchasing a plane ticket does. The only way to force airlines to spend money on maintenance is to pay for your trip. Pay for the pilot who spent 10 years flying in the outback to get his hours. Pay for the flight attendant trained to deal with a range of in-flight emergencies, and pay for the licensed aircraft maintenance engineer who has seen engine turbine blades fail and insists on searching for the nearly invisible cracks. After all, the people on the aircraft are those with the biggest incentive to see that it doesn't crash.

The expectation of the travelling public is that aircraft are fully maintained in accordance with stringent standards by appropriately licensed aircraft maintenance engineers. This includes aircraft that are maintained both within Australia and outside Australia which are registered to Australian AOCs. An extension of an AOC to an overseas entity provides no guarantee that the same standards will be maintained. As has been stated earlier, Australia has the privilege of being a world leader with respect to aviation safety and maintenance standards and any relaxation would be prejudicial to an excellent record in Australia.

A recent announcement by Qantas of their intention to become a 49% shareholder of another LCC based in Singapore has the potential for airline companies to seek further ANZA type privilege treaties with other countries/operators. The impact of this has the potential to drive standards down in many areas of aviation in Australia.

LCCs have to look essentially at four criteria in deciding which maintenance repair organisation (MRO) to outsource work to: the quality assurance of the work from a regulatory standpoint; the cost; the turn-time; and the reliability. On the other hand, MROs may want to heed the advice as well, as carriers look at and monitor very carefully the condition of the aircraft coming out of a check, in the terms of the number of engineer and pilot reports levelled against the aircraft.

ICAO 'Safe Skies' conference defined:

"A new competitive environment" as:

"The airline industry argues vigorously that safety is never compromised by commercial considerations. The reality, of course, is that safety involves significant operational costs, including the thoroughness and efficiency of maintenance checks, the age of aircraft, the

training level of employees, the working hours and fatigue levels of both ground staff and aircrew. All of these come under fierce pressure in a climate of competition.

“This increasingly liberalised and competitive environment should require extra vigilance, backed by extra resources for safety compliance and for the checks and monitoring by regulatory bodies, to ensure that cost cutting is not done at the expense of safety requirements. Yet economic liberalisation has not been matched by any significant strengthening of safety monitoring and enforcement of standards at either the international or national levels.”

1.9 Overseas outsourcing – maintenance repair organisations

Overseas outsourcing of aircraft maintenance in a very real sense amounts to “**Exporting jobs, importing problems**”.

The “AME Licensing – TTMRA Information Bulletin – Issue 6”, produced by CASA, dated January 2004, states in part “2.15 Maintenance Organisations”:

“The TTMRA facilitates the recognition of New Zealand qualifications (in this case an AME Licence) by the issue of an equivalent Australian qualification.

*The implementation of the TTMRA, while increasing the number of LAMEs available to support the operation of Australian aircraft, requires **extra diligence** on the part of Australian Certificate of Registration holders, operators and approved maintenance organisations holding a Certificate of Approval. Important factors to take into account are:*

- *The TTMRA does not allow the use of a New Zealand AME Licence to perform or certify maintenance of an Australian aircraft.*
- *The holder of the Certificate of Registration must not authorise or permit a person who is not authorised by the Australian CARs to carry out maintenance on his/her aircraft.*

- *An approved maintenance organisation must ensure that only an appropriately authorised (licensed) person performs and/or certifies for completion of maintenance.*
- *The privileges granted to a New Zealand AME Licence holder by an Australian Licence issued under the TTMRA will NOT ALWAYS be the same as those issued to an Australian licence holder.*

The opportunity to outsource maintenance to independent repair stations introduces new challenges in quality assurance as there are numerous gaps in the quality and training of the people working at repair stations. An airline must be familiar with and accept the qualifications and standards of personnel carrying out maintenance on its aircraft, because the carrier is ultimately responsible to see that the personnel are suitably qualified for the job they are being asked to do. When an airline outsources work, the amount of airline supervision is typically much lower than would be available for an in-house repair. There have been numerous instances over recent years of high capacity passenger aircraft needing to undergo extensive rework on return from an overseas-based MRO. The airlines pay a substantial amount of money to have this work done, however they typically fail to provide the level of management oversight required to ensure that they are getting what they pay for.

Since the terrible events of September 11 2001, the important matter of national security is ever-present in the minds of many, in particular, our legislators. Naturally, security considerations as they bear on the safety of the travelling public have assumed vital significance for all airline operators and staff. Democratic governments and major airline companies around the globe are striving very hard to ensure the highest possible of level of security is maintained. However, no matter how stringent these measures are, as has been witnessed on several occasions, breaches of airline security do occur. In Australia, we have witnessed the employment of an alleged terrorist by a highly respected aviation company. MROs, particularly those based in the South-East Asian area, potentially pose elevated

levels of security threat to aircraft deployed to the region for maintenance. There are difficult but vital questions arising out of this situation with relation to personnel hired to perform maintenance on Australian owned and operated aircraft at overseas locations.

What all this implies is that although additional LAMEs are available to perform maintenance on Australian registered aircraft in an overseas maintenance organisation, very close scrutiny by the Australian Certificate of Registration holders is required to ensure that the aircraft is being maintained to the high safety standards the travelling public have come to expect in Australia. Furthermore, what is apparent is that CASA recognises there are significant differences in licensing legislation between Australia and New Zealand and have legislated additional safeguards in regard to certification of Australian AOC registered aircraft by New Zealand licence holders.

1.10 Safety Management

The Civil Aviation Legislation Amendment (Mutual Recognition with New Zealand and Other Matters) Bill 2003 Subdivision F paragraph 28D, “*Director’s power to give an Australian temporary stop notice to holder of New Zealand AOC with ANZA privileges*”, states: “(1) *The Director may give the holder of a New Zealand AOC with ANZA privileges a notice (an **Australian temporary stop notice**) that requires the holder to cease conducting all or any of the ANZA activities in Australian territory that the AOC authorises for the period (which must not be more than 7 days) specified in the notice*”. This places a maximum limit of 7 days on a New Zealand ANZA AOC holder for which the privileges are withdrawn. It is the considered view of the ALAEA that 7 days is insufficient for serious safety breaches.

The “*REGULATION IMPACT STATEMENT MUTUAL RECOGNITION OF AVIATION-RELATED CERTIFICATION BETWEEN AUSTRALIA AND NEW ZEALAND*” of the “*CIVIL AVIATION LEGISLATION AMENDMENT (MUTUAL RECOGNITION WITH NEW ZEALAND AND OTHER MATTERS) BILL 2003*” states in the ‘*Impact analysis – Who is affected by the problem and who is likely to be affected by its proposed solutions?;*’, ‘*For purely safety reasons, the amendments will therefore ensure that the safety regulatory authority best placed to provide effective safety oversight of an operator will be the one to issue that operator’s AOC. This will be affected by a range of criteria to be considered by*

CASA before issuing an ANZA AOC, such as where the company's safety management systems are based'. It is clearly stated later in the document that 'for safety reasons, operators will be required to hold an AOC issued by the safety regulator best placed to provide effective safety oversight, in practice the regulator of the country where the majority of their operations are located'. It is clear what the intentions of this part of the legislation are but historically companies have taken whatever steps are necessary to gain a competitive edge and this includes pushing the boundaries of legislation. The earlier examples quoted with respect to Virgin Blue and Pacific Blue are prime examples.

Qantas is no exception in seeking to trim/cut costs across the board in this increasingly demanding market, in order to survive. As stated earlier in this submission, with LCCs becoming more prevalent world wide, companies seek many avenues to lower operating costs. By overseas outsourcing as much business as possible, airlines are able to reduce costs dramatically, but at what cost to the Australian national interest in areas such as permanent job retention (employment versus unemployment; full time versus casual), taxation issues, job skills levels, etc. Airlines are moving away from their traditional role of operators which own aircraft and employ people to maintain and service and fly their aircraft. They are becoming "core airline" businesses which simply organise people to travel by air from one place to another under a global airline brand, whose services are often, in practice, supplied by contractors, franchisees and alliance partners.

ICAO 'Safe Skies' refers to "Contracting out of safety" as:

"Some airlines have fragmented and outsourced so many of their operational functions that they have been labelled "virtual airlines". A "virtual" airline is likely only to have a "virtual" safety culture. All of this fragmentation and dispersal means that management responsibility operates through a tangled web of contractual arrangements. Given the designated responsibility of the operator in implementing aviation safety regulations this trend clearly diffuses the central mechanism of safety control. Furthermore, safety monitoring by the national aviation authority becomes much more difficult and complex than in the past."

(Recommendations follow)

2. Recommendations

- 2.1 There is a compelling case for an independent review and comparison of the New Zealand Civil Aviation Regulations and the Australian Civil Aviation Regulations. The ALAEA recommends that Australian Transport Safety Bureau (ATSB) conduct such a study, which should include, but not be restricted to, regulations and standards.
- 2.2 The ALAEA recommends that, in conjunction with the above study, an in-depth review of off-shore maintenance repair organisations should be conducted to determine the level of compliance with Australian regulations.
- 2.3 The ALAEA recommends that CASA be maintained as the independent monitor of safety in the industry, balancing competing interests and setting safety requirements by regulation to safeguard the community.
- 2.4 The ALAEA recommend that CASA's auditing and inspection role not be diluted or devolved to operators.
- 2.5 The ALAEA strongly recommends that Australian safety and regulatory standards be maintained at all costs. Any lowering of any of the present standards in Australia would be detrimental to the interests of the travelling public and the airline/aviation industry.
- 2.6 The ALAEA recommend that a peak national body, comprising Federal and State governments, airline operators, industry groups, such as the ALAEA, and education providers, be formed as a matter of urgency, to be charged with developing a five year plan to ensure Australia has sufficient, suitably qualified personnel (including aircraft maintenance engineers) to carry out maintenance required on aircraft on the Australian register.

3. References

- Australian National Audit Office (ANAO) Performance Audit Report in the Civil Aviation Safety Authority (CASA), 1999-2000.
- ALAEA Submission to the Senate References Committee for Rural and Regional Affairs and Transport with respect to Administration of the Civil Aviation Safety Authority (CASA) – Oversight by CASA of Air Operator Maintenance Programs, August 2000.
- International Transport Federation “Safe Skies” Conference – Conference Working Paper, 1996.
- International Civil Aviation Organization (ICAO) Conference – Conference Working Paper ATConf/5-WP/7, Worldwide Air Transport Conference: Challenges and Opportunities of Liberalization, 24 TO 29 March 2003.
- ALAEA Submission to the Foreign Investment Review Board regarding The Acquisition of a Further 50% Stake in Ansett Holdings Limited by Air New Zealand, first quarter 2000.
- Department of Transport and Regional Services Submission to the “Productivity Commission”, dated 7 April 2003.
- Civil Aviation Legislation Amendment (Mutual Recognition with New Zealand and Other Matters) Bill 2003.
- Civil Aviation Safety Authority (CASA) Report – “AME Licensing – TTMRA Information Bulletin – Issue 6, January 2004.

4. Glossary

<i>ALAEA</i>	Australian Licenced Aircraft Engineers Association
<i>AME</i>	Aircraft Maintenance Engineer
<i>ANAO</i>	Australian National Audit Office
<i>ANZA</i>	Australia New Zealand Aviation
<i>AOC</i>	Air Operator's Certificate
<i>ATSB</i>	Australian Transport Safety Bureau
<i>CARs/CASRs</i>	Civil Aviation Regulations/Civil Aviation Safety Regulations
<i>CASA</i>	Civil Aviation Safety Authority
<i>C of A</i>	Certificate of Approval (may also refer to Certificate of Airworthiness [of an aircraft])
<i>C of R</i>	Certificate of Registration
<i>CAA</i>	Civil Aviation Authority
<i>DTRS</i>	Department of Transport and Regional Services
<i>FIRB</i>	Foreign Investment Review Board
<i>HCRPT</i>	High Capacity Regular Public Transport
<i>ICAO</i>	International Civil Aviation Organisation
<i>ITF</i>	International Transport Workers Federation

<i>LAME</i>	Licensed Aircraft Maintenance Engineer
<i>LCC</i>	low cost carrier (also known as “ <i>value based airline</i> ”)
<i>LCRPT</i>	Low Capacity Regular Public Transport
<i>NZCAA</i>	New Zealand Civil Aviation Authority
<i>SRCRRAT</i>	Senate References Committee for Rural and Regional Affairs and Transport
<i>TTMRA</i>	Trans Tasman Mutual Recognition Agreement

5. Authorship

The ALAEA Senate Submission Committee

Committee Members –

Mr Michael O’Rance

Mr Kevin Dadge

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