

**SUBMISSION TO THE
SENATE STANDING COMMITTEE ON RURAL AND
REGIONAL AFFAIRS AND TRANSPORT**



***INQUIRY INTO THE ADMINISTRATION OF THE
CIVIL AVIATION SAFETY AUTHORITY AND
RELATED MATTERS***

Terms of Reference

Noting the Government's announced intention to release a National Aviation Policy Green Paper in the latter half of 2008 and the importance of maintaining Australia's strong aviation safety record, the Committee will conduct an inquiry into the administration of CASA and related matters:

- *To assess the effectiveness of administrative reforms undertaken by CASA's management since 2003;*
- *To examine the effectiveness of CASA's governance structure; and*
- *To consider ways to strengthen CASA's relations with industry and ensure CASA meets community expectations of a firm safety regulator.*

Background

On 25 November 2003 the then Minister for Transport and Regional Services, the Hon. John Anderson MP, furnished the new incoming Chief Executive Officer (CEO) of CASA, Mr Bruce Byron AM, with a Charter Letter setting out the strategic directions that the then Government expected of CASA as it entered its new governance arrangements.

This Charter Letter also served to provide the CEO and the Authority with not only the Government's strategic direction but also an accountability and relationship framework in which the Government expected both the CEO and the Authority to operate.

This was of particular significance given that the Government, through amendments to the *Civil Aviation Act 1988*, had abolished the CASA Board and created the new role of CEO of the Authority. This was a significant change and the Charter Letter was intended to provide the new CEO with guidance and specific direction on how the Government expected this new role to interact with the Minister, the Secretary of the Department, other Government bodies and industry.

The Charter Letter further stipulated that the then Government expected that CASA would:

- be a firm but fair regulator that focussed on core safety related functions in a way that ensured that industry met its safety obligations, while at the same time permitted the development and growth of Australia's aviation sector;
- communicate and consult extensively with stakeholders;
- provide consistent and predictable decisions that were based on a transparent processes and demonstrate fairness, good judgement and be flexible and responsive to the changing environment;
- be effective, efficient and timely in its operations and accountable for its actions;
- continue with a reform agenda that further developed a simple-to-follow regulatory system and established a new and improved organisational culture, including the Standards Consultative Committee and the Aviation Safety Forum; and

- play an essential role in Australia's participation in the activities of the International Civil Aviation Organisation (ICAO), be responsible for a number of ICAO Annexes and maintain its commitment (under an MOU with both the Department and Airservices Australia) to assist in administering Australia's ICAO responsibilities.

By its very nature and tone this Charter Letter was very explicit in the expectations of then Government with respect to CASA's strategic direction and the priorities and objectives of the Authority into the future.

The Effectiveness of Administrative Reforms Undertaken by CASA's Management since 2003

Virgin Blue believes that the administrative reforms undertaken since 2003 have seen CASA become a more industry facing body, with processes and procedures that are more transparent to industry and more responsive to the needs of Australia's growing aviation industry.

It is the view of Virgin Blue that the Charter given to the new CEO of CASA by the then Minister, was instrumental in setting a strategic framework for not only the administrative direction of the Authority but also its operational activities and interaction with stakeholders.

The administrative reforms that have occurred since 2003 have included:

- the abolition of the Board and the creation of the position of a Chief Executive Officer;
- a restructure of the management and operations centres of the Authority; and
- the cooperative interaction between the CEO of CASA with the Secretary of the Department.

Virgin Blue believes that these reforms, in a holistic sense, have been effective in the administration and operation of CASA.

However, it should be noted that it is Virgin Blue's belief that whilst the management restructure of CASA has been beneficial in an overall sense it has had a detrimental effect on the pace of regulatory reform undertaken by the CASA.

Additionally, Virgin Blue believes that these reforms have not filtered down effectively to the "front line" of CASA and further work is required to ensure the industry interface is consistent with management's intent.

To ensure the ongoing effectiveness of the administrative reforms undertaken since 2003, CASA should adopt, address and invest in the issues identified in the recently published *An Assessment of Trends and Risk Factors in Passenger Air Transport* report.

Virgin Blue believes that this document captured the appropriate strategic issues that require close monitoring and strategic planning into the future by CASA.

One issue of specific significance that was highlighted within the report related to Safety Management Systems (SMS). In fact CASA stated in the report that it intended to give *“increased priority to the introduction of safety management systems into passenger carrying operations.”*

Virgin Blue would encourage CASA to actively prioritise the further integration of principles and practices associated with the SMS into its administrative framework. Virgin Blue believes that the adoption of such fundamental principles will further increase the effectiveness of the administrative reforms undertaken since 2003 while at the same time strengthen the relationship of CASA with the broader industry.

If CASA were to fully accept the principles of SMS and apply them within its organisational structure, Virgin Blue believes it would allow CASA to more accurately apply the very same principles and philosophies within the industry. In Virgin Blue’s view such an approach would be entirely consistent with the current Charter of CASA and would have the broad support of the RPT sector of the aviation industry.

Virgin Blue believes that the administrative reforms were necessary to ensure the success of the much need change management program.

The Effectiveness of CASA’s Governance Structure

In general Virgin Blue believes that the current governance structure under which CASA and its CEO operate is effective.

Virgin Blue is of the belief that the management restructure undertaken by the CEO was necessary to ensure the appropriate personnel and structures were in place to ensure that the Regulatory Reform Program (RRP) progressed in an efficient and effective manner.

It would be fair to say that CASA is currently in a period consolidation with respect to its new organisational structure and with the manner in which it engages with industry. However, Virgin Blue believes that CASA is committed to working effectively and efficiently with industry.

Virgin Blue notes that it is the stated policy of the new Government to reintroduce a Board to oversight the management and operations of CASA. Virgin Blue believes there may be some merit in this policy, in so far as ensuring that the Authority remains focussed on implementing SMS and delivering on the RRP.

However, it is felt imperative that should a Board structure be reintroduced, then members considered for appointment should possess experience and have demonstrated expertise relevant to the stewardship of CASA in the context of the challenges that it faces. This is especially applicable to the RRP and the overall management of this by the Standards Consultative Committee.

Virgin Blue also considers it vital that any change in the governance arrangements of CASA do not adversely affect the pace of the RRP or unnecessarily affect the organisational structure of CASA.

Virgin Blue believes that should a Board be ultimately reconstituted to have governance oversight of the operations and administration of CASA, then the Government should ensure that the Board is committed to ensuring that CASA remains an industry facing body and that the RRP is a key priority.

Ways to Strengthen CASA's Relations with Industry

Since the changes in the governance arrangements of CASA, it is Virgin Blue's view that CASA has progressively improved its relationship with the industry.

Virgin Blue believes that CASA could further improve its relations with industry via a number of avenues, including regular briefing sessions between industry executives and CASA executives, the continued adoption of SMS and a greater determination and focus on completing the RRP.

In addition to the continued active adoption of SMS, Virgin Blue believes that CASA could further strengthen its relations with industry by acknowledging that most high capacity RPT operators in Australia are responsible and mature and that in most cases have invested significant resources in implementing and developing SMS to drive positive safety outcomes.

Hence a more rapid and enthusiastic implementation of SMS within the administration and operations of CASA would be seen by industry as a proactive step and would undoubtedly facilitate more efficient and effective interactions between the regulator and industry.

However, ultimately the interaction between CASA and industry is primarily based around the regulatory and subsequently operational issues. Therefore Virgin Blue believes that the relationship between CASA and industry will be further significantly enhanced once the RRP is finally completed.

CASA should actively prioritise the RRP and allocate all necessary resources (or where appropriate make representation to Government for additional resources) to ensure the timely completion of RRP projects. Only approximately 30-40% of the Rule Sets have been completed, and Virgin Blue believes it is fair to say that these represent, from an AOC operational perspective, the "low hanging fruit".

Most of the larger of the Rules Sets, namely:

- CASR 91 - General Operating and Flight Rules;
- CASR 119 - Air Operator Certification;
- CASR 121 - Air Transport Operations - Large Aeroplanes; and
- CASR 142 - Training and Checking Organisations

have been in a draft format since the end of 2004. Virgin Blue believes that an integral part of the relationship between CASA and industry is the timely progression of the RRP and the phased and coordinated introduction of the new Rule Sets.

Therefore, Virgin Blue believes consideration should be given by CASA to a review of the process by which the remaining Rules Sets are crafted by the Office of Legal Drafting. Consideration should be given to assigning a specialised and dedicated group of legislative drafters within the Office of Legal Drafting to facilitate a more expedient and coordinated process for the drafting of the remaining Rule Sets.

Virgin Blue would actively encourage management of CASA to primarily focus on the RRP and to this end reconstitute and adequately resource the Standards Consultative Committee so that more timely redrafting, promulgation and implementation of the new Rules Sets can be achieved.

As previously stated the primary interaction between CASA and industry is based around the regulatory relationship. Therefore CASA could enhance the existing relationship between itself and industry by actively delivering on industry's priorities, foremost of which is the regulatory reform.

Virgin Blue also believes that the CASA-industry relationship could be further enhance is industry perceived that CASA was more open to learning from other overseas rule-making bodies and using such knowledge in the timely development and formulation Australia's regulatory framework.

Transparency is a strong priority in any commercial relationship. Virgin Blue believes that whilst considerable consultation was carried out between CASA and the industry prior to the introduction of the new cost-recovery program, under which CASA now charges commercial rates for some of its regulatory services, an audit of the cost-recovery program should be undertaken to ensure continued value for money and service delivery standards are being met. The results of any such audit should also be made publicly available.



30 June 2008

Committee Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Ms Radcliffe

I refer to your correspondence to Mr Brett Godfrey of 5 June 2008 and your invitation to make a submission to the inquiry being conducted by the Senate Standing Committee on Rural and Regional Affairs and Transport into the administration of the Civil Aviation Safety Authority (CASA) and related matters.

Virgin Blue has prepared the attached submission for the information and consideration by members of the Committee.

I hope that the views expressed above in Virgin Blue's submission are of assistance to the members of the Committee and sufficiently inform them of Virgin Blue's views on this matter.

Virgin Blue is willing to appear before the Committee to further articulate our views and/or to answer any questions that Committee members might have. I can be contacted on either (07) 32955079 or 0403 046474.

Yours sincerely

Mike Thomas
Manager – Government Relations
Virgin Blue, Pacific Blue and Polynesian Blue Airlines Pty Ltd



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COST
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2004
& 2005