

RESTRUCTURING TOWARDS COST SAVING AND EFFICIENCY OF THE MALAYSIAN CIVIL AVIATION INDUSTRY

Presented to:

Council of Eminent Persons (CEP)



by:

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TECHNICAL OVERSIGHT

ECONOMIC OVERSIGHT

POLICY MATTERS

Before 2016

**Department of Civil Aviation
(DCA)**

**Ministry of Transport
(MOT)**

After 2016

**Civil Aviation Authority
of Malaysia (CAAM)**

**Malaysian Aviation
Commission (MAVCOM)**

(MOT)

- 1) Civil Aviation Act 1969
2. Civil Aviation Authority of Malaysia Act 2017
3. Civil Aviation Regulations 2016
4. Civil Aviation (Aerodrome Operations) Regulations 2018
5. Civil Aviation (Fees and Charges) Regulations 2018

- 1) Malaysian Aviation Commission Act 2015
2. MAVCOM (Aviation Service Charges) Regulations 2018
3. MAVCOM (Code of Conduct) Regulations 2018
4. MAVCOM (Regulatory Service Charges) Regulations 2018
5. Malaysian Aviation Consumer Protection Code 2016

Civil Aviation Act
1969

States of the industry...

TECHNICAL OVERSIGHT

ECONOMIC OVERSIGHT

POLICY MATTERS

**Department of Civil Aviation
(DCA)**

**Ministry of Transport
(MOT)**

Budgetary costs to Government

Moderate (DCA + MOT)

Cost of doing aviation business by industry players

Low (DCA charges & fees)

Malaysian civil aviation efficiency

Meet min int'l requirements

**Civil Aviation Authority
of Malaysia (CAAM)**

**Malaysian Aviation
Commission (MAVCOM)**

(MOT)

Budgetary costs to Government

High (CAAM + MOT + MAVCOM)

Cost of doing aviation business by industry players

High (CAAM + MAVCOM fees)

Malaysian civil aviation efficiency

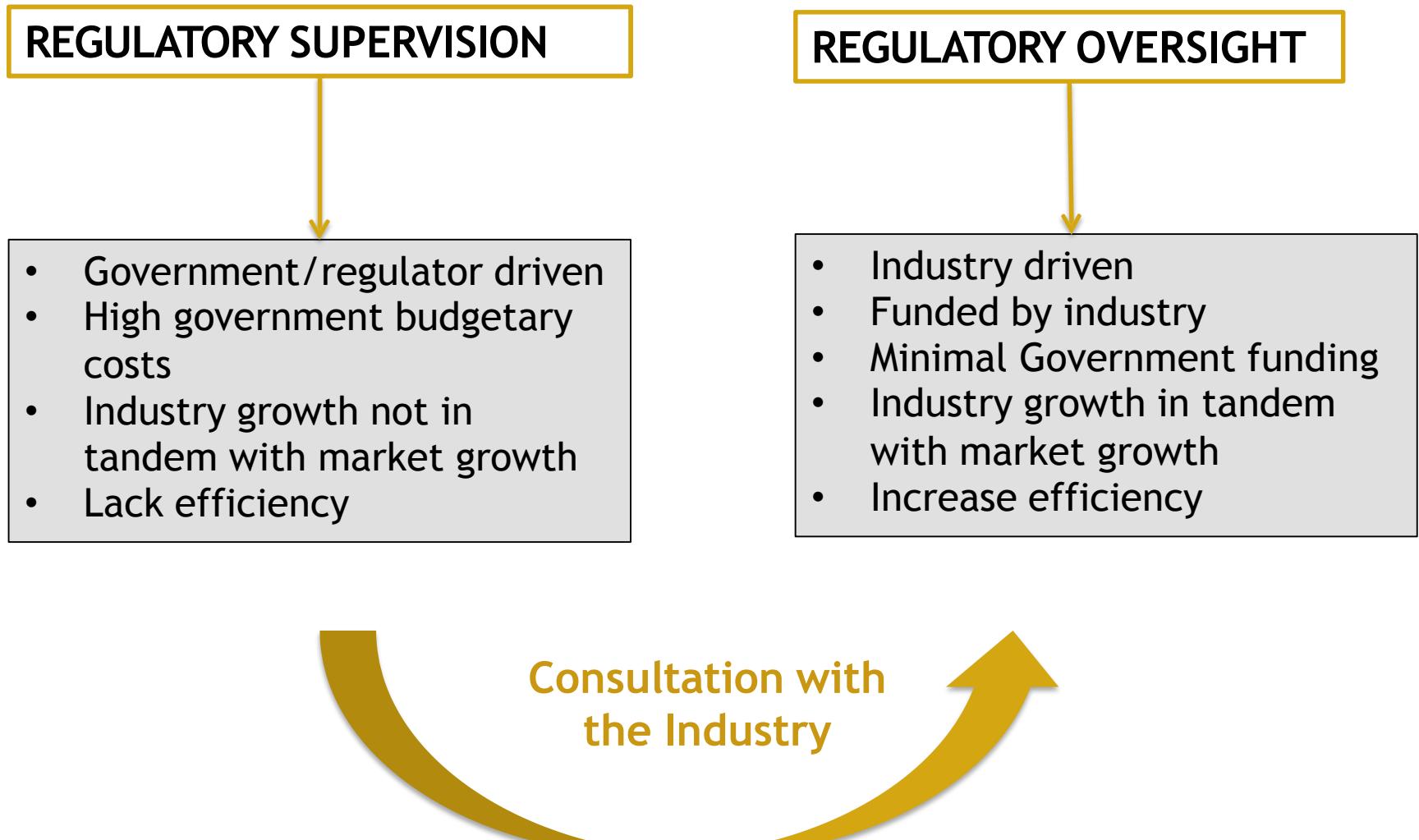
Meet min int'l requirements

REGULATORY SUPERVISION

- Government/regulator driven
- High government budgetary costs
- Industry growth not in tandem with market growth
- Lack efficiency

REGULATORY OVERSIGHT

- Industry driven
- Funded by industry
- Minimal Government funding
- Industry growth in tandem with market growth
- Increase efficiency



Consultation with
the Industry

Industry restructuring milestone

- Industry-led organization for the benefit of the industry & the nation

(2020-2022)
Establish
Malaysian
Civil Aviation
Organization
(MCAO)

- Transfer economic regulatory functions back to CAAM & MOT

(2019-2020)
Strengthen
CAAM into
lean
regulator

- Privatization of ANSP, FCU & MAVA

(2018-2019)
Define clear
functions
between
CAAM & MOT

- CAAM - technical and economic
- MOT - policy matters

Phase I: Abolish MAVCOM (2018)

Re-alignment of legal framework

- 1) Civil Aviation Act 1969
- 2. Civil Aviation Authority of Malaysia Act 2017
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Malaysian Aviation Consumer Protection Code 2016

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Government policies and consumer protection

Technical and economic regulatory oversights



TECHNICAL & ECONOMIC

Safety, security and environmental protection oversight

Economic and commercial oversight on civil aviation industry

Processing all civil aviation application and advising the MOT on policy issues

Handle consumer complaints and forward to MOT matters that are related to Government policies

POLICY MATTERS

Ratification of international conventions on safety, security and environment

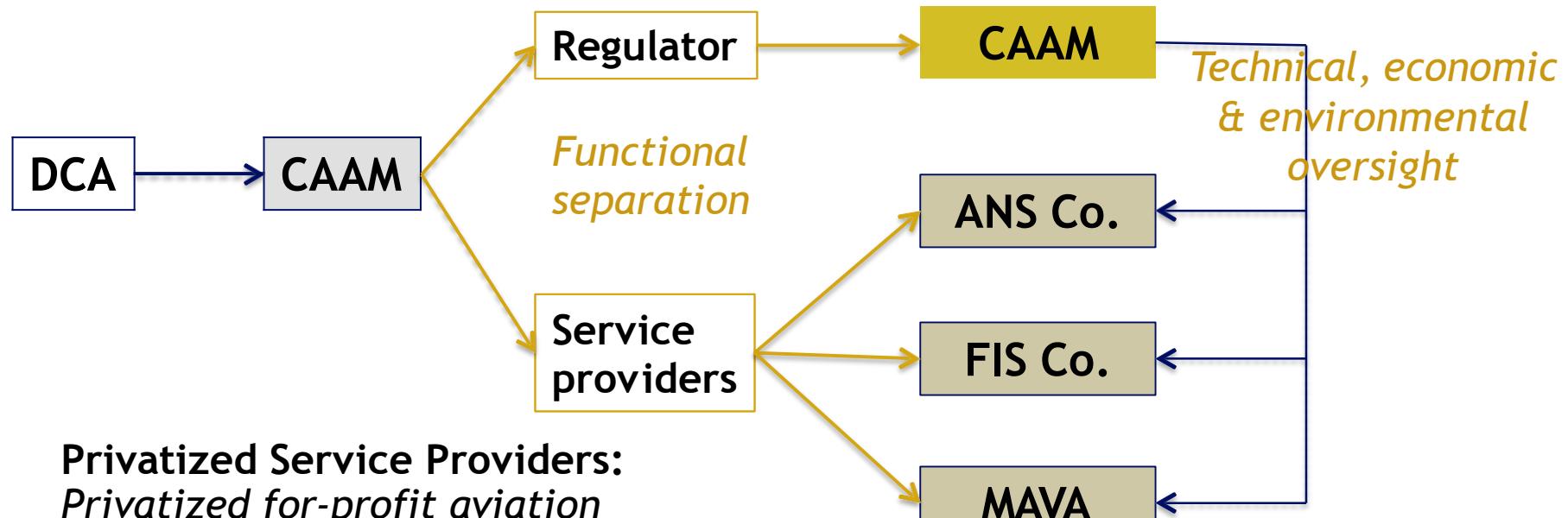
Government policies on economic and commercial matters including air service agreement, fees and charges

Give approval to civil aviation applications that are related to the Government policies

Caretaker of Consumer Protection Policy and Regulations

CAAM as Regulator:

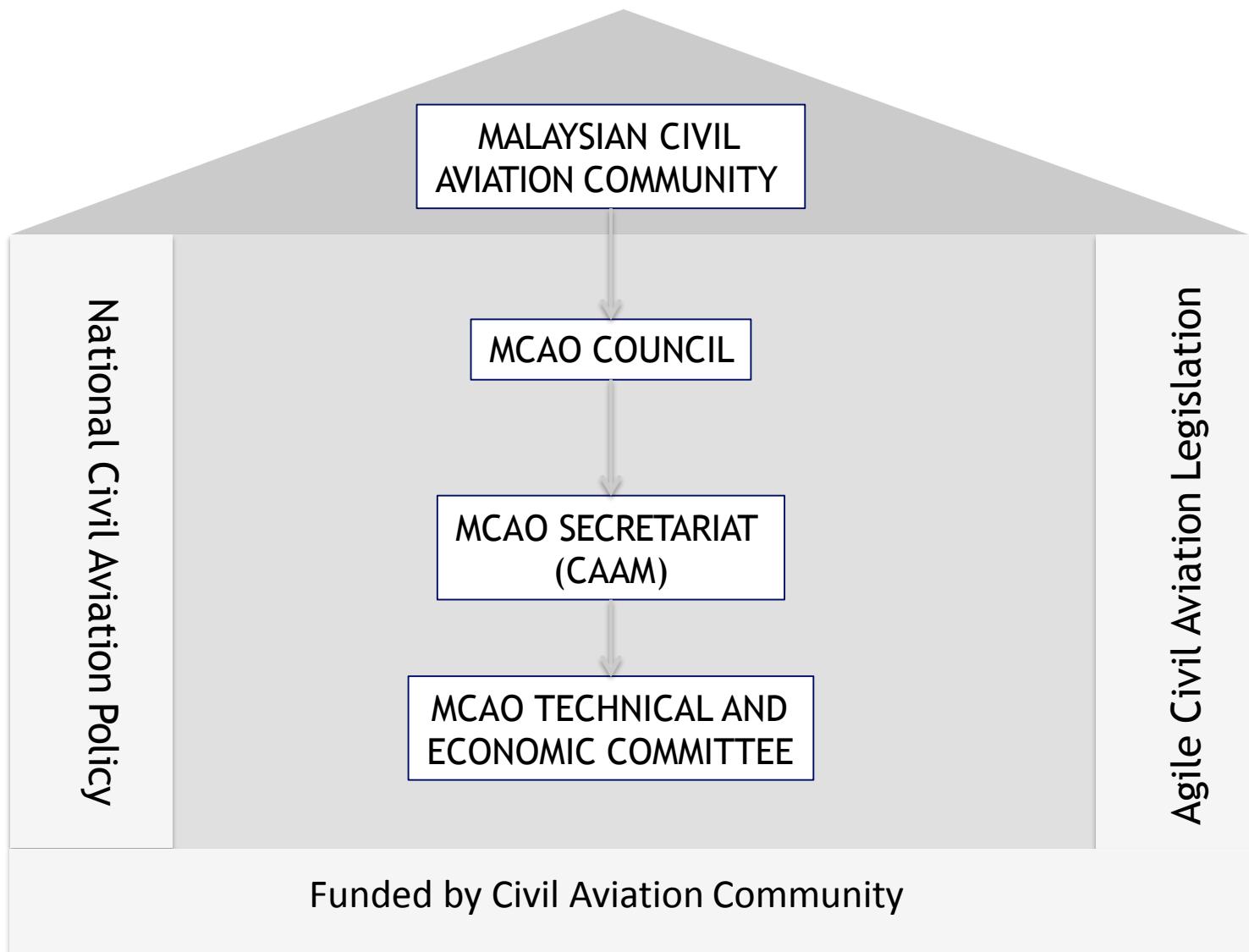
Focus on technical, economic and environmental oversight of the civil aviation industry

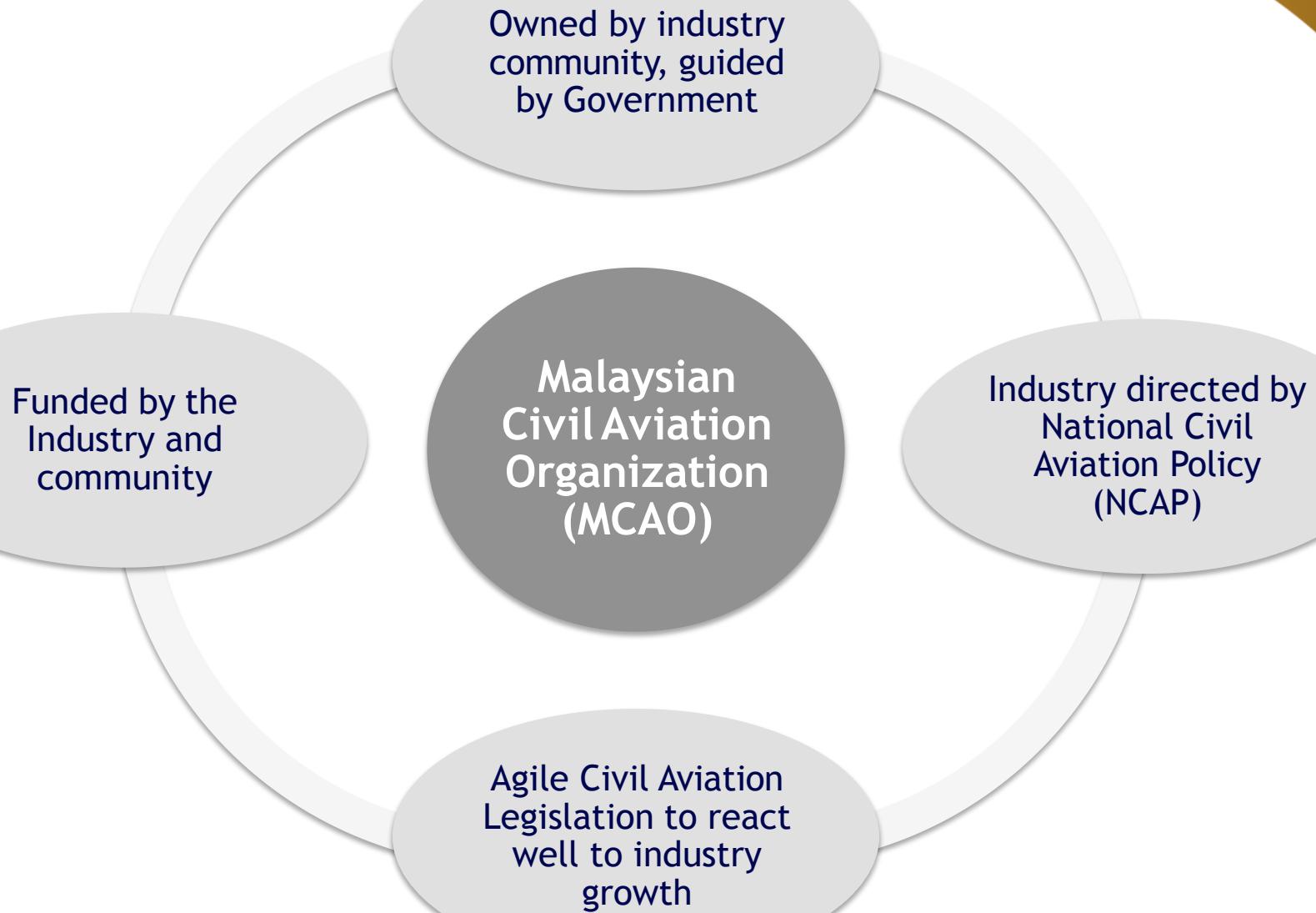


Privatized Service Providers:

Privatized for-profit aviation companies subject to technical, economic and environmental oversight

Phase IV: Malaysian Civil Aviation Organization - MCAO (2020-2022)





The MCAO components



- ✓ Membership of all industry players
- ✓ General Assembly every 2 years
- ✓ Set strategic direction, elect Council Members, approve budget



- ✓ Carry out Assembly resolutions, prepare work programs, prepare bi-annual budget, endorse industry decisions
- ✓ Composed of representatives of industry elected based on Membership Category (Cat 1, Cat 2 and Cat 3)



- ✓ The CAAM steer and regulate the operations of MCAO
- ✓ Guide MCAO through advice and oversights
- ✓ Activate Technical & Economic Committee as required

The MCAO funding (annual)

RM192 mil
+ RM6x
+ RMy



Civil Aviation Fund
(Civil Aviation Act 1969)



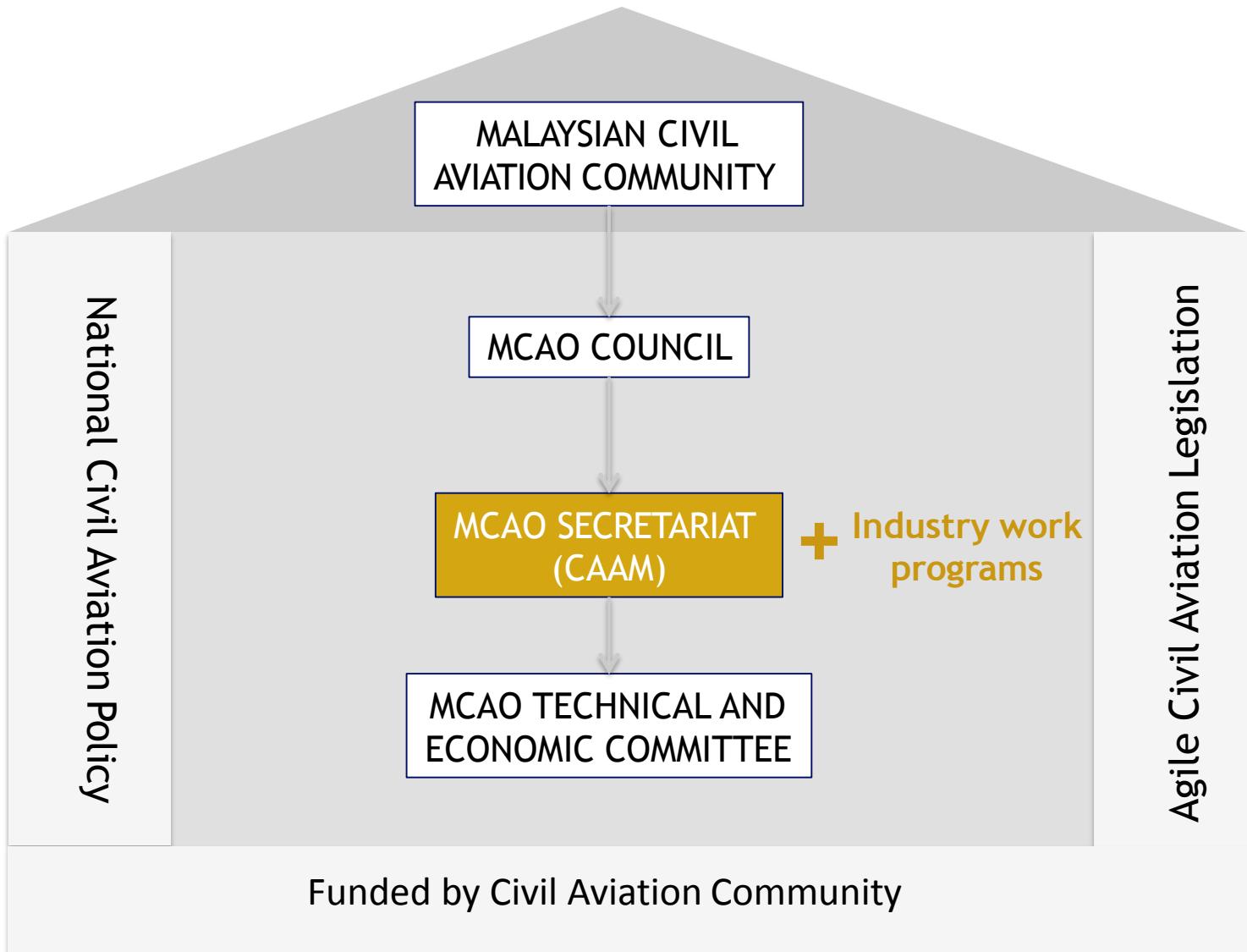
MPPA - 80 mil
40% International; 60% domestic
(32 mil @ RM3) + (48 mil @ RM2)
= RM192 million

MCAO Membership in 3 Categories
Cat 1 = 3x
Cat 2 - 2x
Cat 3 - x } Total = RM6x

MCAO Annual Fund req = RM???

Government Funding = RM?? - RM192 mil - RM6x
= RMy

Where the funding goes?



Government funding & operational efficiency

Phase	Cost to Government	Industry Efficiency
Present	CAAM + MAVCOM + MOT (Aviation Div.) RM390 mil + RM30 mil + RM2 mil = <u>RM422 mil/year</u>	Restrictive economic and commercial efficiency
Phase I	CAAM + MOT (Aviation Div.) RM270 mil + RM2 = <u>RM272 mil/year</u>	Review of economic regulations will increase industry efficiency
Phase II & III	CAAM (excl. 3 service providers) + MOT RM75 mil (est.) + RM2 mil = <u>RM77 mil</u>	Review of economic regulations will increase industry efficiency
Phase IV	CAAM (funded by MCAO) + MOT RM0 + RM2 mil = <u>RM2 mil</u> <i><u>Note:</u> Residual Government funding will be minimal.</i>	Industry owned and funded by Industry will reach its full efficiency

Future benefits

- ◎ Industry working towards industry's excellence - clear industry direction
 - ◎ Government supervises the Industry with minimal costs
- ◎ Regulator as guidance and advisor through regulatory oversight
 - ◎ Cheaper costs of doing aviation business
- ◎ Creating NextGen aviation personnel through cross secondment with no cost
 - ◎ A total civil aviation system that is internationally competitive



and many more...

The first in the World, setting an example of a total aviation system in tandem with Malaysia's Membership in the Council of the International Civil Aviation Organization (ICAO)

Status quo

- High costs of doing aviation business
- Government/regulator driven
- High cost to Government
- Bureaucratic regulator-industry relationship

Way forward

- Lower costs of doing aviation business
- Industry-driven
- Significant cost saving
- Regulator-industry collaborative relationship



RESTRUCTURING TOWARDS COST SAVING AND EFFICIENCY OF THE MALAYSIAN CIVIL AVIATION INDUSTRY

Thank you

