

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

Presented to:

Council of Eminent Persons (CEP)



by:

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States of the industry

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
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Department of Civil Aviation (DCA)	Ministry of Transport (MOT)
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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)
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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)

(2018)
Abolishment
of MAVCOM

- Transfer economic regulatory functions back to CAAM & MOT

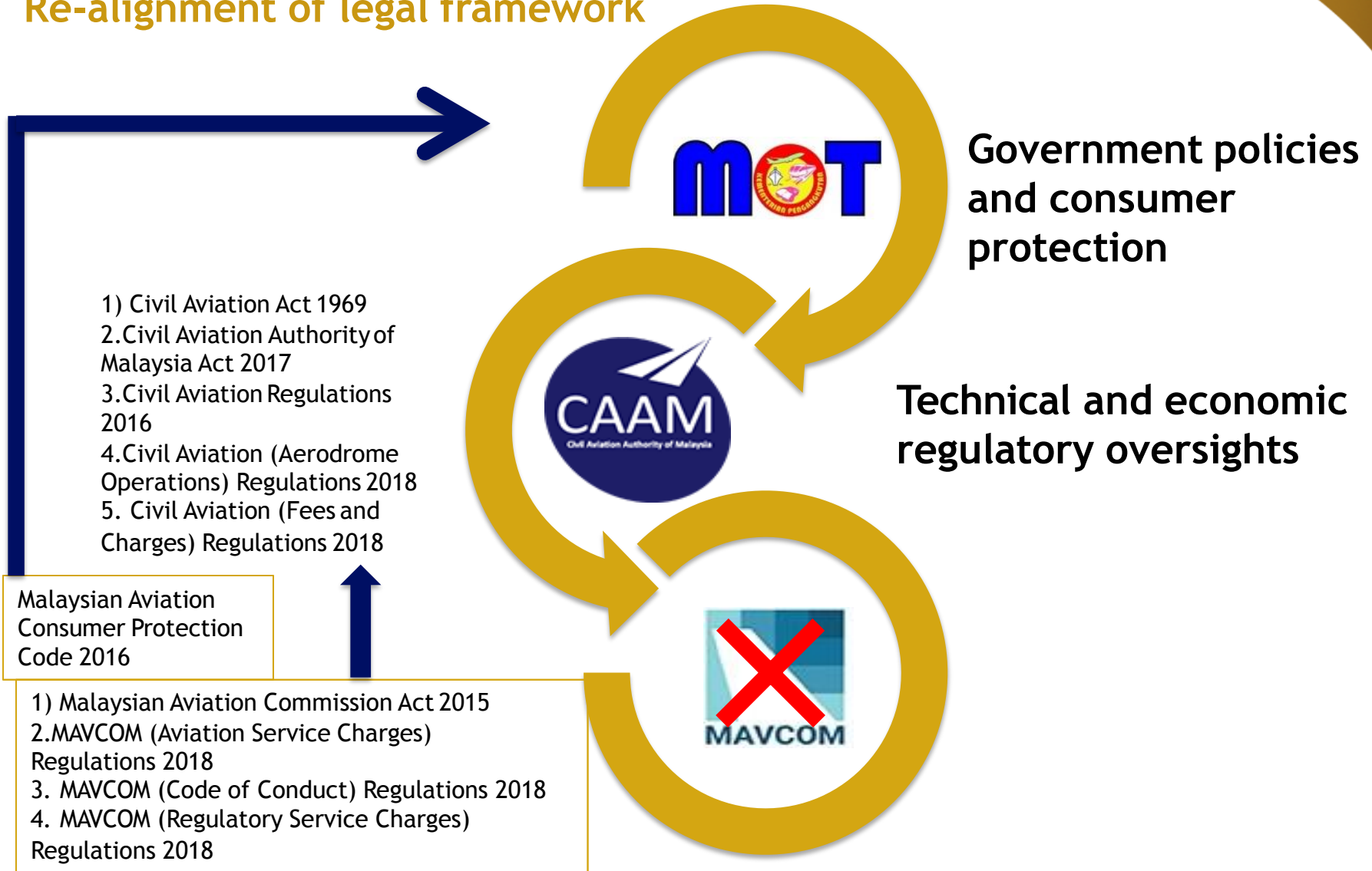
(2019-2020)
Strengthen
CAAM into
lean
regulator

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

- Privatization of ANSP, FCU & MAVA

- CAAM - technical and economic
- MOT - policy matters

Re-alignment of legal framework





TECHNICAL & ECONOMIC

POLICY MATTERS

Safety, security and environmental protection oversight

Ratification of international conventions on safety, security and environment

Economic and commercial oversight on civil aviation industry

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

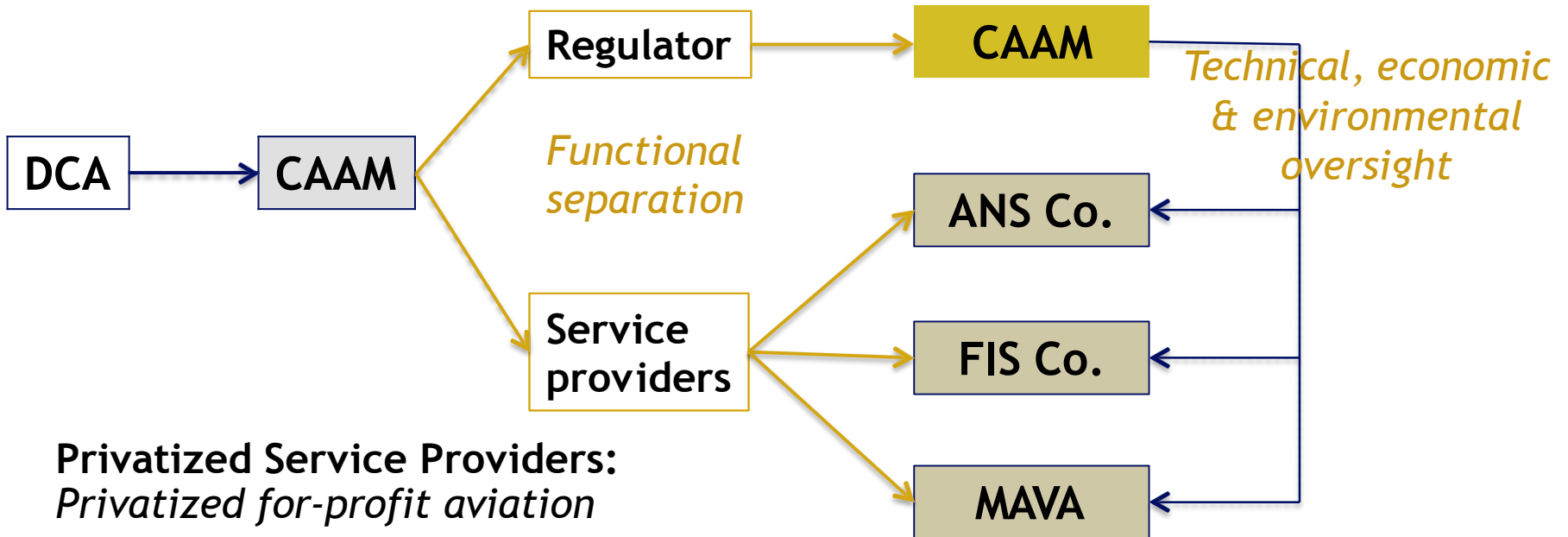
Processing all civil aviation application and advising the MOT on policy issues

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

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

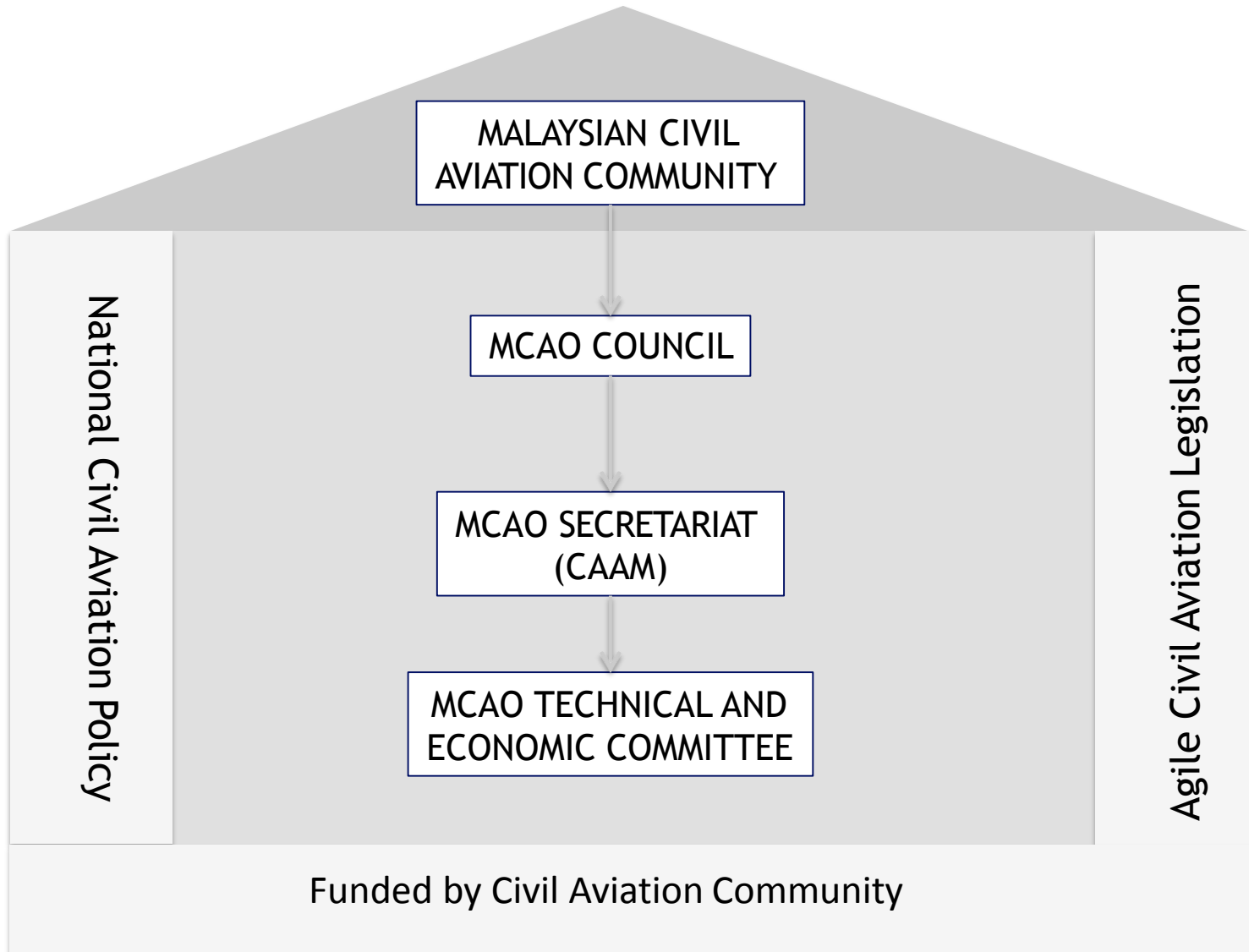
Caretaker of Consumer Protection Policy and Regulations

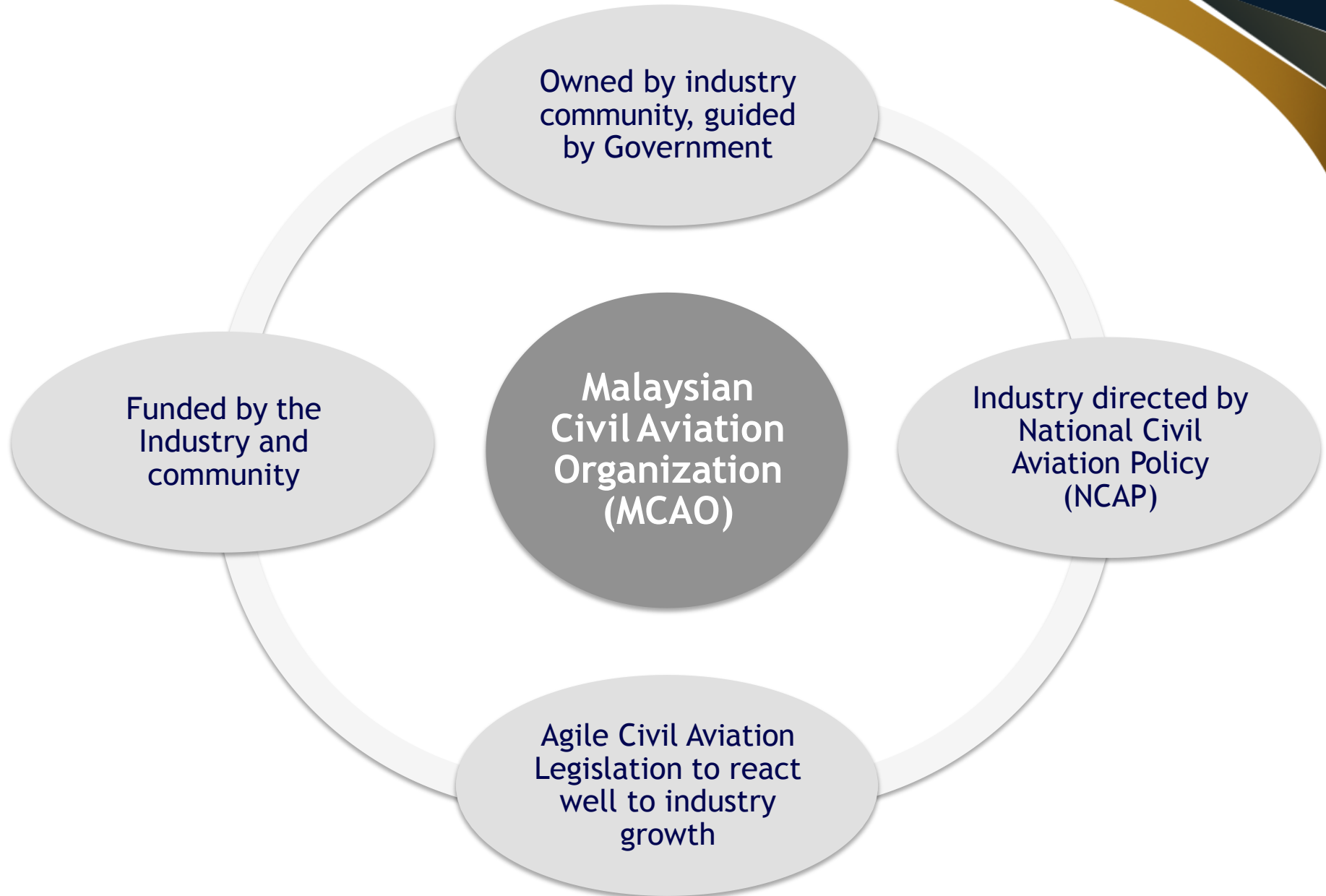
CAAM as Regulator:
Focus on technical, economic and environmental oversight of the civil aviation industry



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

MCAO COMMUNITY

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

MCAO COUNCIL

- ✓ 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)

SECRETARIAT (CAAM)

- ✓ 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
+RM_y



Civil Aviation Fund
(Civil Aviation Act 1969)

Passenger
Service
Charge (PSC)

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

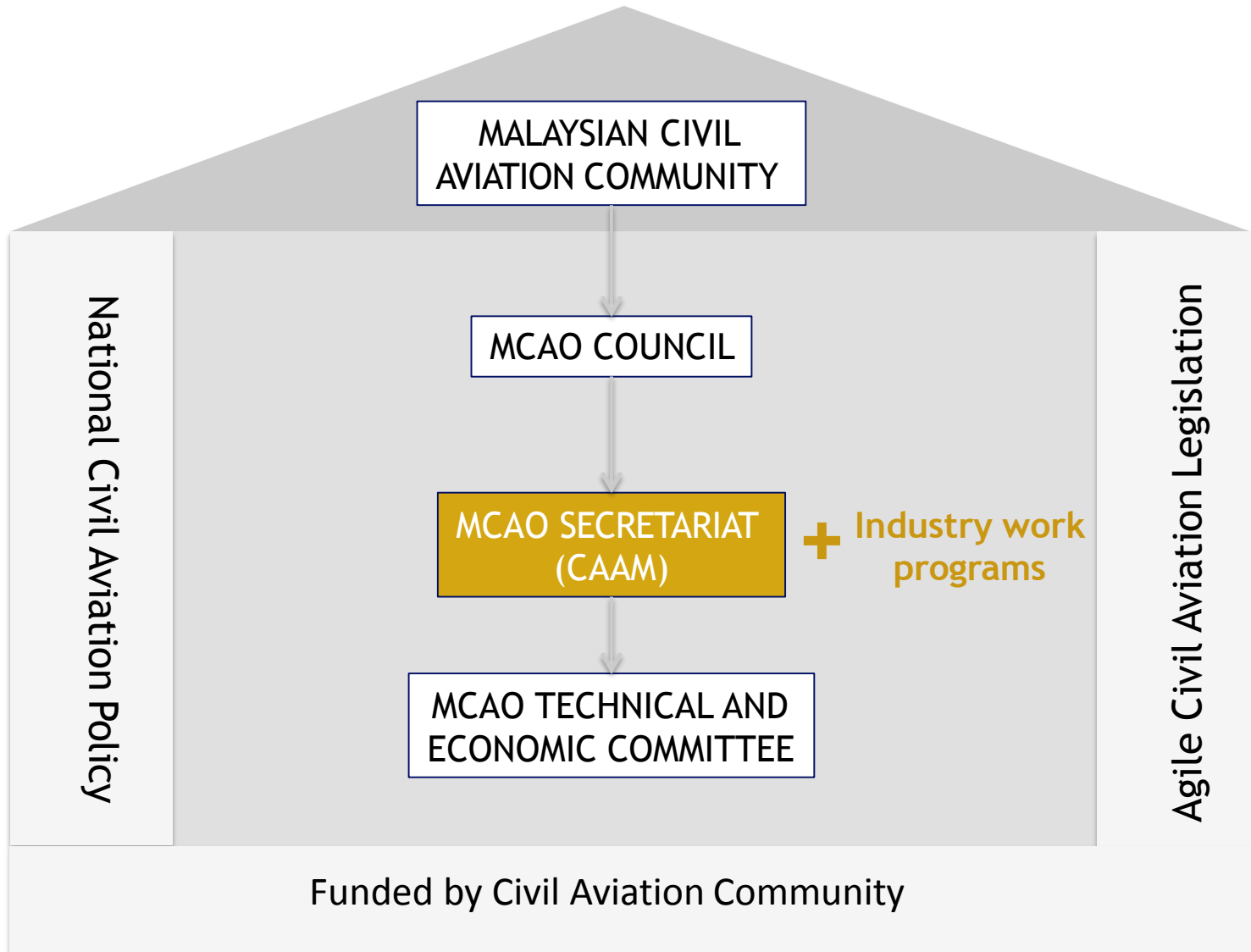
MCAO
Membership

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

Government
Funding

MCAO Annual Fund req = RM???
Government Funding = RM?? - RM192
mil - RM6x
= RM_y

Where the funding goes?



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>Note: 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



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Thank you

