

## Chapter 19

## Regulatory services and charges

## 1 Background

1.1 The Commonwealth is involved in the provision of a wide range of regulatory services. The main categories of services are: licensing (pilot, airline, maintenance engineers); examination (pilot, maintenance engineers); certification (airworthiness, aircraft manufacture, supply, maintenance and distribution of aircraft, aircraft components and aircraft materials); registration of aircraft, and the provision of aeronautical information. Charges are levied for some services e.g. commercial pilot examinations, but not others, e.g. aeronautical information bulletins. Regulatory services covered in this chapter are generally those provided in the interests of safe operation of aircraft. The Committee notes that the Department is currently conducting a review of these regulatory services. The other major form of regulation, economic regulation of the aviation industry, is outside the scope of the Inquiry's terms of reference.

1.2 The Commonwealth's responsibility to regulate aircraft and aircrew arises from Australia's commitment to the Chicago Convention. The standards set by the Convention are binding on member States and refer to personnel licensing, the certification of airworthiness, rules relating to the conduct of flights, and a number of other regulatory matters.

1.3 The power to impose charges for regulatory services is embodied in Air Navigation Regulation (ANR) 329. Prior to 1956 no charges were made for regulatory services, and since then nominal charges have been imposed for most services, e.g. commercial pilot examinations, although some services attract charges of up to \$1366, e.g. airline licence renewal.

1.4 Revenue received from charges in 1983-84 was \$338 550 compared to an estimated cost of \$20.9m. This represents a recovery rate of less than 2 per cent. It is estimated that increased charges announced in the 1984-85 Budget will increase revenue to \$441 000 in 1984-85.

1.5 Attempts to increase charges have met with considerable opposition from within the industry. In 1976 the imposition of higher charges was deferred pending further consideration by the Aviation Industry Review Committee, because agreement could not be reached with the industry. In its report the Committee said it '... accepted, in principle, the introduction of fees provided the scale of fees was directly related to the administrative costs associated with the issue of licences'. In 1980, Air Navigation Regulation (ANR) 329 was amended to allow a wider range of charges to be levied, but the proposed schedule of charges was changed following industrial action by the Australian Federation of Air Pilots (AFAP). One of the principal changes was that no charge would be made for aircrew licence renewals. The AFAP restated its opposition to any increased charges both in its submission to the Inquiry and at the public hearings.

1.6 Comparison of charges for regulatory services in selected other countries shows that U.K. charges are higher than Australia's while those in Canada and the U.S.A. are lower. Tables 19.1 and 19.2 present selected charges for comparable and non-comparable regulatory services respectively in overseas countries.

Table 19.1: Examples of comparable regulatory charges — Australian dollars (a)

| Matter  | U.K.             | Aust.    | Can.         | U.S.A. |
|---|------------------|----------|--------------|--------|
| Issue — flight radio telephone operator licence | 33.63            | 6.00     |              |        |
| — private pilot licence                         | 128.10           | 10.00    | 9.15         |        |
| — commercial pilot licence                      | 185.75           | 20.00    | 13.73        |        |
| — senior commercial pilot licence               | 185.75           | 30.00    | 18.31        |        |
| — second class airline transport licence        | 185.75           | 40.00    | 18.31        |        |
| — first class airline transport licence         | 185.75           | 50.00    | 18.31        |        |
| — flight engineer licence                       | 185.75           | 10.00    | 13.73        |        |
| — flight navigator licence                      | 185.75           | 10.00    | 18.31        |        |
| — aircraft maintenance engineer licence         | 33.63            | 6.00     | 13.73        |        |
| Examination for commercial pilot licence in:    |                  |          |              |        |
| — principles of flight                          | 25.62            | 0.75     | (b)          |        |
| — aeroplane performance & operation             | 32.03            | 0.75     | (b)          |        |
| — engines, systems & instrumentation            | 46.44            | 0.75     | (b)          |        |
| — air navigation & flight planning              | 32.03            | 0.75     | (b)          |        |
| — meteorology                                   | 46.44            | 0.75     | (b)          |        |
| Examination for senior pilot in:                |                  |          |              |        |
| — air navigation                                | 46.44            | 2.10     | (b)          |        |
| — meteorology                                   | 46.44            | 2.10     | (b)          |        |
| — flight planning                               | 32.03            | 2.10     | (b)          |        |
| Registration:                                   |                  |          |              |        |
| — aircraft previously not on register           | 22.42–<br>128.10 | 27.00    | 22.88        | 5.95   |
| — aircraft previously had been on register      | 22.42–<br>128.10 | 13.50    | 22.88        |        |
| Supplementary airline licence:                  | 800.64<br>(c)    | 61.00    | 45.77<br>(d) |        |
| Exemption under reg. 203:                       | 800.64<br>(c)    | 61.00    | 45.77<br>(d) |        |
| Issue or renewal of airline licence:            | 3 202.56         | 1 366.00 | 45.77<br>(d) |        |
| Cargo airline licence:                          | (c)              | 341.00   | 45.77<br>(d) |        |

(a) Exchange rates as quoted in Sydney Morning Herald on 27 July 1984. U.K. rate 0.6245, \$Can rate 1.0925, \$U.S. rate 0.8400.

(b) No mention is made of an initial fee. However, an 'examination rewrite' costs \$C5.00 (\$A4.58).

(c) Aircraft Operating Certificates (AOC) depend on weight of heaviest aircraft in fleet. For example, between 2 tonnes and 15 tonnes the charge is U.K. 500 plus 50 for each 500kg over 2 tonne. The U.K. charges separately for an AOC application, AOC variation and AOC annual fee. These charges vary in their base level, but are all calculated on aircraft weight.

(d) Amendments to operating certificates do not currently attract a charge.

Note: Comparisons between countries are not always possible. A charge may exist in one country but not another and items which appear similar may not necessarily be the same (e.g. examination contents). Documents available to the inquiry do not always give an adequate explanation of what a regulatory service entails and so it is not possible to be sure a comparison of like services is being made.

Table 19.2: Examples of non-comparable regulatory services — Australian dollars (a)

| Matter                                       | U.K.             | Aust.  | Can.   | U.S.A. |
|--|------------------|--------|--------|--------|
| Certificate for:                             |                  |        |        |        |
| Distribution of aircraft component           |                  | 68.00  |        |        |
| Manufacture of aircraft                      |                  | 341.00 |        |        |
| Manufacture of aircraft materials            |                  | 68.00  |        |        |
| Maintenance of aircraft less than 5700 kg    |                  | 273.00 |        |        |
| Maintenance of aircraft greater than 5700 kg |                  | 341.00 |        |        |
| Maintenance of aircraft components           |                  | 273.00 |        |        |
| Maintenance of aircraft materials            |                  | 68.00  |        |        |
| Design of aircraft or aircraft materials     |                  | 68.00  |        |        |
| Aircraft dealer                              | 216.20           |        |        | 11.90  |
| Registration of aircraft mortgages (b)       | 40.03—<br>800.64 |        |        |        |
| Aerodrome licensing                          | (c)              |        |        |        |
| Private airport licence                      |                  |        | 22.88  |        |
| Large public airport licence                 |                  |        | 183.07 |        |
| Issue of special registration marks          |                  |        | 45.77  | 11.90  |
| Duplicate certificate of registration        |                  |        |        | 2.38   |

(a) Based on exchange rates quoted in the Sydney Morning Herald of 27 July 1984.

(b) Based on the value of the mortgage and ranging from a minimum of 25 to a maximum of 500.

(c) Varies according to airport activity. A variable charge of 6.24 pence for each arriving passenger in excess of 2000 per month is made.

## 2 Views put to the Inquiry

2.1 Relatively few submissions made reference to cost recovery of regulatory services. In those which did, the common element concerned safety standards and whether safety was a public benefit which should be funded from consolidated revenue or primarily an aviation industry benefit which should be paid for by operators.

2.2 The Department of Finance argued that:

... these [regulatory] services should be fully recovered with no discount or subsidy being available because safety is involved (as occurs at present). The argument here is based on the proposition that if a charge is imposed for safety related documents and services, some former recipients will cease receiving those documents and services, with a consequent diminution in safety standards. In Finance's view, if documents and services are essential to safe aviation, it should be mandatory that they be obtained. A charge in this context would then have no effect on safety standards. If, however, the documents and services are simply desirable from a safety viewpoint (rather than essential), it is clearly a choice for the consumer concerned as to whether he is prepared to pay the price necessary for increased safety.

The Department of Finance believes that making essential services mandatory would overcome the possibility of decreased safety standards resulting from the imposition of charges. This would be so, provided the increased charges were not offset by reduced safety standards in other areas of operation. Mr J. Yates, a former air traffic controller and commercial pilot, argued that increased charges could lead to operators cutting costs elsewhere, e.g. maintenance, which would decrease safety. To overcome such a reaction by operators would require stringent enforcement of other operational standards to ensure safety was not threatened.

2.3 The Bureau of Transport Economics (BTE) put forward the 'principle of avoidability' and the 'test of purpose' to classify costs as either attributable or non-attributable. Applying this approach the BTE suggested that 'sections of the Department dealing with safety matters, which are at present not attributable, should in fact be regarded as attributable costs'.

2.4 In October the Department of Aviation, in response to requests that had been put to it, made available detailed information on the various classes of services and their costs and recommended an approach to cost recovery. This material was most useful to the Inquiry. The Department argued that costs associated with setting standards for services and enforcing those standards should not be attributed. It considered setting and enforcing standards to be to the benefit of the general public rather than to users of the aviation system alone. If costs associated with setting and enforcing standards are excluded then in 1983-84 only \$12.4m of the \$20.9m for providing regulatory services would have been under consideration for recovery.

2.5 One view put to the Inquiry was that the rigorous airworthiness and operational standards imposed by the Department of Aviation were already leading to increased costs through the requirement for facilities of unnecessarily high standards, e.g. runways longer than are necessary. The regulatory system is, according to this argument, imposing additional and unnecessary costs on the industry. Thus the industry is paying for the costs of the regulatory system in an indirect way. The Inquiry is not in a position to assess the adequacy of standards embodied in the regulatory system. If the standards are adequate, then the industry is not being asked to pay any unnecessary costs. If the standards are higher than what the industry or the community requires, then this is an argument for review of the regulations rather than an argument for not imposing regulatory charges. The Committee recommends the establishment of formal consultative processes between the Department and the industry to enable a continual review of regulatory services and standards. The Committee considers it important that all standards should be kept under continuing review.

2.6 Several submissions took the view that the regulatory services benefitted the general public as well as the industry, and argued that only benefits flowing to the industry should be charged. Skywest Airlines suggested that:

The Department itself should be required to define and quantify the benefits that accrue from the regulatory services so that beneficiaries paying for regulatory services have some idea of what they are paying for.

Unless the benefits can be proved and quantified no charge for regulatory services — airworthiness and all other licencing — should be passed [on].

2.7 The lack of educational assistance from the Government for flying training was drawn to the Committee's attention in several submissions. The Australian Flying Training School said:

The Government has refused to accept its responsibility for the education and training of our professional air pilots. The education and training for all other professions and trades is looked after. The Government spends on an average about \$100,000 for the training of one doctor, yet not one cent towards air pilot training ... The existing discrimination in not allocating educational funds for professional pilot training is bad enough, but what makes it worse, is the imposition of Cost Recovery on flying schools. It is like 'taking from the one who serves you', which is, to say the least, a shabby way of shunning responsibility.

The implied argument is that some regulatory services are of an educational nature, e.g. examinations, and so should be funded by the Commonwealth. The

Commonwealth does provide indirect assistance to trainee pilots and maintenance engineers through its contribution to funding educational establishments in the advanced education and TAFE sectors, some of which offer relevant courses, e.g. the South Australian Institute of Technology, but it makes no contribution to the funding of flying time for training. It also does not support private training institutions. The Committee does not believe an allowance should be made for educational assistance in the cost recovery program. The question of subsidies was beyond the Committee's Terms of Reference.

2.8 The Australian Federation of Air Pilots drew the Committee's attention to existing agreements between users of the system and the Department. In particular, it said:

1980 saw an agreement being reached between the Department and the Federation on the question of licence charges. The pilots agreed to pay, first of all an amount on a once only basis for the licences they presently hold, and they also agreed to pay a fee for the initial issue of any new licences they may seek and achieve in the future. This was to be a once only payment for current licence holders and was to be paid at their next licence renewal. An agreement was reached and the pilots certainly do not expect to have to pay again. Any cost recovery proposals in this area must honour the agreement reached.

In the same vein, Mr Dynon, representing the AFAP at the public hearings, said: '... any recommendation that changed the basis of that agreement would be vigorously opposed by my organisation'. (T p.592)

2.9 Several of those making submissions pointed to regulatory activities carried out by the Department which they considered unnecessary and which, if eliminated, could reduce costs. Ansett in its submission gave some examples where savings could be achieved. These include:

- application of endorsement procedures for aircraft new to the Australian scene from a 'zero base' even where the particular aircraft has been certified by a large number of overseas aviation administrations and has achieved long term incident free operations (e.g. B737);
- investigation of overseas airports for operational and safety reasons even when it is clear that no difficulties could arise ...

The list was added to by Mr B. Fernandez, representing the Australian Flying Training School at the public hearings. He said:

Now, we could do away with a tremendous amount of costs; we can reduce the costs and therefore reduce the quantity ... that we are supposed to pay by doing away with 50 per cent of the examining staff in the Department, and giving this to the industry where it could be done to a better standard, with more soul, with more efficiency, and the industry today has the expertise to do this. (T p.513)

2.10 Inconsistency between regions in applying regulations was raised by several submissions. Mr P.C. Newman, speaking on behalf of the Civil Air Operations Officers Association of Australia at the public hearings, said:

... at the moment there are a lot of different interpretations of regulations being taken by various regions. It is causing a number of dislocations. It is also resulting, I believe, in the central office personnel within the Department being a little rudderless at the moment. (T p.346)

This view was shared by Mr C.C. Codd who appeared on behalf of the GAA (Queensland Branch) at the public hearings:

The Queensland region appeared to require different standards, be it whether they are

higher or lower but it was definitely apparent in the flying operations and flying fraternity of Queensland that Queensland region had different views on the overall requirements of the Department. (T p.632)

The Committee notes these criticisms and agrees that regulations should be applied consistently by all regions. However, it was not in a position to pursue the issue any further, nor was it within its charter to do so.

2.11 The GAA brought the Committee's attention to the problem of consistency in enforcement of standards and regulations, and the problem the Department has in policing its regulations. The GAA submission states:

GAA has expressed public concern on many occasions at the apparent inability of the Department to police its own regulations. Many examples of breaches of operational and safety regulations have been reported by the industry but very few prosecutions have been launched or penalties imposed. GAA acknowledges that it is necessary for substantive evidence to be provided before legal action can be commenced but it is the feeling of much of the industry that Departmental inspectors and examiners have in the past found it more comfortable to look for minor paperwork breaches by reputable operators than to pursue illegal and fringe operations.

The Committee, in informal discussions with representatives of general aviation, was told of several instances where the Department did not follow up cases of unsafe practices notified to it. As the GAA has acknowledged, however, enforcement officers have recently been appointed by the Department in an attempt to overcome these problems.

2.12 Submissions from people and organisations involved in the GA sector complained about the volume, necessity and applicability of many publications emanating from the Department. For example, Mr R.J. Hodges said in his submission:

I can't really see why a pilot owner needs the heaps of unsolicited paperwork from the Department; ANO's, VFC, ERS, AIC, ADDGM, FISCOM, VTC's, Mil. LJR's, NOTAMS, Aviation Safety Digests, AAC's and the enormous repetitive update service. These are expensive documents and not really relevant to a lot of everyday flying ... pilots need all the information on one sheet of paper in a common sense layout.

A private publication called Hartingdales Light Aircraft Touring Guide does this very well and includes a lot of additional information besides that needed for landing at a place. It costs only about \$10 for a new addition each year. I'm sure the Department's monstrous version costs 100 times that figure, who can afford to pay that?

Mr S.W. Sheehan agreed that the volume of paperwork is too high. In his submission he said:

An area of DOA that would be looked at, is the extreme volume of amendments of every aspect of aviation. I have received, in less than 12 months, amendments etc., enough to fill a box measuring 12" x 16" x 8". It has become a situation of 'he who cried Wolf once too often'. There is so much that is unimportant and stupid that any information that is important is lost ...

2.13 In attempting to assess the validity of all these views it is necessary to examine the current provision of regulatory services by the Department of Aviation, and instructive to consider practices in other countries.

### 3 Overseas practices

3.1 The stated policy in Canada is similar to that argued for by the Department of

Finance. Government policy there states:

The general cost recovery objective for regulatory services is to fully recover the costs, except for costs to be assumed by the government for the development and enforcement of aeronautics legislation, standards, and procedures, and for such other costs as may be incurred for government objectives.<sup>2</sup>

A working group within Transport Canada developed criteria for determining which regulatory costs should be assumed by the Canadian Government. These criteria 'suggest that, in general, costs for licensing and certification services should be fully recoverable, including aeronautical information services'.<sup>3</sup>

3.2 As can be observed from Tables 19.1 and 19.2 comparing Australian regulatory charges with those of the U.K., Canada and the U.S.A., the actual regulatory charges in Canada are very low and result in low recovery rates. A major overhaul of the regulatory fees was to have been introduced in 1982, but the introduction of an Administered Prices Program by the Government in June of that year led to the increases not being implemented because most exceeded the 6 per cent guidelines of that program.

3.3 The National Business Aircraft Association of the U.S.A. in a policy/position paper argue along similar lines to Skywest Airlines, stating:

... the U.S. Department of Transportation has for some time advocated the imposition of fees on the aviation community for various airmen's certificates, medical examinations, aircraft conveyance fees, airworthiness inspection procedures and miscellaneous other requirements mandated by Federal Aviation Administration regulations ... At fundamental issue is the question of how much governmentally-incurred cost may properly be passed along to the 'user' in the form of a fee or charge. In the power commission case, the [United States] Supreme Court cautioned that a fee structure must take into account that portion of regulation or service which 'can be primarily considered as benefitting broadly the general public'. This conclusion implies broadly that in many cases it would be inappropriate, if not impossible, to construct a fee which could be clearly identified as applicable to the person regulated.

Since virtually all FAA regulations and licensing criteria are enacted to promote and insure safety wholly to benefit the general public, it is obvious that a major share of governmentally-incurred costs should be allocated to the 'public's' account.<sup>4</sup>

The FAA philosophy reflects the judgement of the U.S. Supreme Court. It makes relatively few charges for regulatory services (see Tables 19.1 and 19.2). The above approach requires the quantification of benefits flowing from regulatory services, but neither Skywest nor the National Business Aircraft Association suggests how this could be achieved. The quantification of intangible benefits, and the separation of benefits between the user and the general public, are extremely difficult.

3.4 In the U.K. the Civil Aviation Administration (CAA) provides a wide range of regulatory services and has a policy of full cost recovery. Some of the services relating to aeronautical information publications are recovered through the airways cost recovery program. Although there has been increasing emphasis over recent years to recover the full costs of individual services there are still a few regulatory services, e.g. flight crew licensing, where the recovery rates are low. However, the Government has indicated its intention to recover the costs of such services. As the CAA has a profit target to achieve, there is some cross-subsidisation between regulatory services and the airways cost recovery program. As Table 19.1 shows, nearly all the charges are significantly higher than those in Australia.

Table 19.3: Cost recovery results for regulatory services 1983-84

| Regulatory service category                   | Salaries<br>(\$'000) | Non-salary<br>(\$'000) | On-cost<br>(\$'000) | Total cost<br>(\$'000) | Per cent<br>of costs | Revenue<br>(\$'000) | Per cent<br>recovery<br>rate |
|---|----------------------|------------------------|---------------------|------------------------|----------------------|---------------------|------------------------------|
| Flight crew licensing                         | 2 740                | 286                    | 1 592               | 4 618                  | 22.1                 | 69.9                | 1.5                          |
| Air service licensing and<br>timetables       | 1 643                | 182                    | 960                 | 2 785                  | 13.3                 | 167.9               | 6.0                          |
| Aircraft maintenance<br>engineers licensing   | 1 395                | 66                     | 768                 | 2 229                  | 10.7                 | 2.2                 | 0.1                          |
| Certificate of registration/<br>airworthiness | 1 788                | 42                     | 963                 | 2 793                  | 13.4                 | 43.3                | 1.5                          |
| Operational standards and<br>surveillance     | 4 058                | 278                    | 2 280               | 6 616                  | 31.7                 | 6.2                 | 0.1                          |
| Import permits                                | 114                  | 17                     | 69                  | 200                    | 1.0                  | —                   | 0.0                          |
| Aerodrome licensing                           | 28                   | 9                      | 19                  | 56                     | 0.3                  | —                   | 0.0                          |
| Aircraft noise and emission<br>controls       | 41                   | 2                      | 23                  | 66                     | 0.3                  | —                   | 0.0                          |
| Pavement concessions                          | 14                   | 1                      | 8                   | 23                     | 0.1                  | —                   | 0.0                          |
| Building controls                             | 140                  | 31                     | 90                  | 261                    | 1.3                  | —                   | 0.0                          |
| AIS publications                              | 318                  | 106                    | 222                 | 646                    | 3.1                  | 41.5(a)             | 3.4                          |
| Other publications                            | 280                  | 93                     | 197                 | 570                    | 2.7                  | —                   | —                            |
| Miscellaneous revenue<br>(incl. fines)        |                      |                        |                     |                        |                      |                     |                              |
| <b>Total</b>                                  | <b>12 559</b>        | <b>1 113</b>           | <b>7 191</b>        | <b>20 863</b>          | <b>100.0</b>         | <b>338.6</b>        | <b>1.6</b>                   |

(a) Revenue from sale of AIS and other publications.

Source: Department of Aviation.



#### 4 Current Australian situation

4.1 The majority of regulatory services are performed by the Department of Aviation's Flight Standards Division, although other divisions do perform regulatory functions, e.g. the Domestic Policy Division licenses domestic airlines and approves timetables. The main categories of regulatory services, their costs, revenues and recovery rates are shown in Table 19.3. It can be seen from Table 19.3 that no category achieves better than a 10 per cent recovery rate and only one, air service licensing and timetables, achieves a recovery rate of better than 5 per cent. The most costly function, operational standards and surveillance, cost \$6.6m in 1983-84 and achieved a recovery rate of only 0.1 per cent.

4.2 Charges for regulatory services are levied under the authority of the Air Navigation Act, and are consequently restricted to services provided pursuant to the Air Navigation Regulations (ANRs) and Air Navigation Orders (ANOs). Information supplied to the Inquiry by the Department permitted the approximation of costs per unit of output for some regulatory services. These costs are presented in Table 19.4 along with the range of charges applicable for the relevant category of service. It is evident from Table 19.4 that charges are not cost based and that they result in very low recovery rates.

**Table 19.4: Costs per unit of output for selected regulatory services 1983-84**

| Service  | Approximate<br>cost (a)<br>\$ | Charges(b)<br>\$ |
|--|-------------------------------|------------------|
| Per pilot examination                            | 79                            | 0.00 — 2.10      |
| Per pilot licence                                | 43                            | 0.00 — 50.00     |
| Per air service licence                          | 850                           | 61.00 — 1366.00  |
| Per timetable approval                           | 953                           | nil              |
| Per aircraft maintenance<br>engineer licence     | 11                            | 0.00 — 6.00      |
| Per aircraft maintenance<br>engineer examination | 176                           | nil              |
| Per aircraft registration                        | 300                           | 10.00 — 27.00    |
| Per aircraft import approval                     | 568                           | nil              |
| Per new aerodrome licence                        | 9 300                         | nil              |
| Per pavement concession<br>approval              | 39                            | nil              |

(a) The cost shown may include some setting and enforcement costs. An insufficient breakdown of costs to isolate the implementation component was provided to the Inquiry. Where possible, only services associated with implementing standards have been included.

(b) Charges vary depending on the type of sub-service required within service category, e.g. whether it is a private or commercial licence, or whether it is a renewal or issue of a licence.

Source: Department of Aviation

4.3 Descriptions of the regulatory service categories are set out below:

(i) Flight crew licences and exams

The Department issues pilot licences for all categories of flight crew (student pilot, private pilot, commercial and senior commercial pilot, air transport pilot,

flight engineer, flight navigator and flight radio-operator). Before issuing licences the Department, in accordance with ANR 59, must make sure applicants are of a satisfactory standard. It does this by assessing the applicants' aeronautical backgrounds and by conducting examinations. Charges are made for the issue of all licences except student pilot licences, but no renewal charges are levied. Charges for examinations are only levied on candidates sitting for commercial, senior commercial and air transport pilot licences. Applicants for licences must supply a medical certificate at their own expense.

- (ii) **Air service licensing and timetables**  
The Department must approve operations by aircraft in all categories of operations, except private operation and where an exemption under ANR 203 has been obtained. Once a licence has been granted to an airline, it may only operate in accordance with timetables approved by the Department. Timetable changes may only be refused for safety reasons. Charges are levied for airline licences but not for timetable approvals.
- (iii) **Engineers' licences and examinations**  
ANR 36 requires that certificates for completion of all maintenance carried out on an Australian aircraft shall be made by appropriately licensed aircraft maintenance engineers. The certification of engineers is carried out by the Department and involves licensing and examinations for the five categories of engineers (airframes, engines, electrical, instrument and radio). Licences must be endorsed for each aircraft type. A charge is made for the issue of licences, but not for renewals.
- (iv) **Aircraft registration and certificates of airworthiness**  
ANR 14 provides that a certificate of registration be issued for all new aircraft entering the register. ANR 29 provides that, once registered, an aircraft may be issued with a certificate of airworthiness. A certificate of airworthiness is valid 'until cancelled'. Once cancelled the aircraft should not fly. Charges are levied to register an aircraft but not to grant a certificate of airworthiness.
- (v) **Operational standards and surveillance**  
This function is to set and police the standards by which aircraft operators, aircraft maintenance organisations and flying training organisations must operate. Included in this category is the issue of Airworthiness Directives. A wide range of charges is made for the issue of certificates of approval to carry out activities related to the manufacture, design, maintenance and distribution of aircraft and aircraft components. No charges are made for surveillance functions.
- (vi) **Import and export of aircraft**  
Before importing an aircraft, airframe or aircraft engine the importer must obtain the permission of the Secretary to the Department of Aviation. Similarly, before exporting an aircraft, either assembled or dismantled, the approval of the Department must be obtained. No charges are made for these services.
- (vii) **Aerodrome licensing**  
Under ANR 84 the proprietor of any place wishing to use that place as an authorised aerodrome must gain the permission of the Secretary to the Department. The Department must assess the suitability of the location as an aerodrome, but does not charge for the service.
- (viii) **Noise and engine emission standards and control**  
This is a relatively new function, resulting primarily from ICAO standards.

Aircraft which do not comply with the standards will not be permitted to operate. No charges are levied.

- (ix) **Pavement concessions**  
Each aerodrome is rated for strength of pavements, and aircraft with specifications which require pavement in excess of this rating are not normally permitted to use the aerodrome. The Secretary to the Department may, however, issue a concession to an operator who wishes to exceed the aerodrome pavement rating. No charge is made for this service.
- (x) **Building control**  
The construction of buildings in zones adjacent to capital city airports is subject to height and location restrictions. The Department, as a general rule, must approve all structures in excess of 50 feet in height, but makes no charge for the approval.
- (xi) **AIS publications**  
These publications contain the operational specifications of ANOs relating to pilot procedures. They include maps and charts, visual flight guides, aeronautical information publications (AIP) and the AIP amendment service. Publications are provided free to holders of any pilot licence but other purchasers are charged between \$7 and \$18. Charges were set 10–15 years ago and have not been reviewed since.
- (xii) **Other publications**  
These include airport instructions and building standards, airworthiness advisory circulars, and ANOs issued by Airports and Flight Standards Divisions. No charges are made.

## 5 Cost recovery arrangements for regulatory services

5.1 There are three general issues which need to be considered in an examination of the recovery of costs incurred in the provision of regulatory services. These are:

- (i) Should charges for regulatory services continue to be considered separately from the infrastructure cost recovery program?
- (ii) Should the setting of regulatory charges take account of the safety benefit received by the general public from provision of the regulatory services?
- (iii) What cost recovery target or targets should be set?

Consideration of the third question should also include examination of how the costs involved can be reduced.

### *Separation from cost recovery program*

5.2 Costs of providing regulatory services have no direct link with the provision of the aviation infrastructure. Arguments for under-recovery of the costs of regulatory services are quite distinct from those for under-recovery of infrastructure costs. In addition, apart from the setting of standards and their enforcement, there is, unlike infrastructure cost recovery, little in the way of common costs to make allocation of costs to particular services difficult. Thus, given the availability of relevant data, the identification of costs incurred in providing each regulatory service to each class of user can be a relatively easy task. The inclusion of the costs of regulatory services with infrastructure cost recovery would mean that these advantages would be lost.

5.3 The application of the user pays principle to regulatory services also suggests

that their costs should be recovered separately from other recoverable costs. Most of these services are to the benefit of individual operators or firms, e.g. licensing functions, and to include their costs with attributable infrastructure costs would mean considerable hidden cross-subsidisation between sectors of the industry and between operators. There is, therefore, an equity argument for continuation of the separation of regulatory cost recovery from the infrastructure cost recovery program. This argument is strengthened when international aviation is considered. The Department quoted the general ICAO principle that 'while it is desirable that users ultimately bear their full share of these costs, they should not be burdened with costs which are not properly allocable to them'. It would be inequitable to impose on the international airlines, whose pilots and aircraft are licensed and registered by foreign countries, the costs of providing Australian regulatory services which they do not receive. For these reasons, the Committee is of the view that a separate cost recovery program should continue to be followed for regulatory services.

#### *Allowance for public benefit*

5.4 Regulatory services can be divided into three broad functions, namely setting, implementing and enforcing standards. Setting standards involves determination of required knowledge or specifications to be met; implementing standards involves applying the standards by issuing licences or inspecting facilities; and enforcing standards involves surveillance of operators and facilities to ensure continued compliance with standards and taking corrective action where necessary. The pilot licensing area, for example, comprises determination of what knowledge and abilities are necessary (setting standards); setting, conducting, supervising and marking examinations and issuing licences (implementing standards); and checking whether pilots maintain their ratings (enforcing standards). In determining which, if any, of these functions should not be cost recovered the Committee considered both arguments put to it in submissions and practices in other areas of government regulation.

5.5 The Department of Aviation put forward the view that costs of setting and enforcing standards should not be recovered because these functions are a public benefit. It argued, in correspondence with the Inquiry, that setting and enforcing standards benefitted potential, as well as actual, users of the system and that charging for 'regulatory measures of a "public good" nature would tend to discourage their adoption, to the detriment of the public interest'.

5.6 The Bureau of Transport Economics (BTE), on the other hand, argued that regulatory service costs should be attributable, on the basis that if the industry did not exist the costs would not be incurred. This 'test of avoidability' would appear to make the issue quite clear cut, but when the BTE's second test, the 'test of intention', is applied the decision is less clear. It could be argued that setting of standards is more of a policy function and that enforcement of the standards, as a policing function, has a large degree of public benefit to it. If this argument is accepted the costs of setting and enforcing standards should not be cost recovered. On the other hand, if they are not cost recovered the general taxpayer must meet them. Many taxpayers are not users of the aviation infrastructure and therefore derive no direct benefit from the standards or their enforcement. This is an equity argument for requiring the industry to meet these costs. It could also be argued that efficiency would be improved if these costs were met by the industry. The difficulty here is that, if the industry were required to pay these costs, there would be increased pressure to

reduce the level of enforcement of standards. This could result in the level of compliance with the standards declining to an unacceptable degree.

5.7 Under both of these approaches the cost of implementing standards would be recovered. However, the question of recovering the costs of setting and enforcing standards is less clear. Before deciding whether to recommend recovery of costs associated with setting and enforcing standards the Committee examined other areas of government regulation.

5.8 It is relevant to draw parallels with the sea transport industry. A number of safety-related inspections, which are analogous to the enforcement activities of the Department, are carried out on Australian- and foreign-registered vessels. Control inspections are carried out under international conventions for Safety of Life at Sea 1974, Load Lines 1966 and Standards of Training Certification and Watchkeeping for Seafarers 1978 to ensure that ships of contracting countries have on board the appropriate valid certificates, and that the condition of the ships and their manning are in accordance with convention requirements. These inspections do not attract a charge. Nor do control inspections of tankers or cargo gear to ensure that safety requirements are satisfactory for loading and discharging operations. However, if an inspection of cargo gear reveals defects then the first and any subsequent visits to the ship attract a charge. Fees are charged for surveys and inspections prescribed under marine orders and regulations with a view to full cost recovery.

5.9 In principle there is no reason why aviation should be treated differently from those industries whose normal operations present a potential threat to the community. While society benefits from the operation of aircraft, it is the operation of aircraft which generates a safety risk. Requiring the aviation industry to pay for regulatory services associated with safety is equivalent to requirements imposed on other industries, e.g. emission standards from factories, to meet the costs of protecting the community from potential adverse effects of their operations. In many of these industries it is society which determines what the standards will be and enforces the standards, but only requires the industry to meet the cost of compliance. The cost of setting and enforcing standards is not recovered in view of its public benefit.

5.10 The Committee believes that the arguments supporting the non-recovery of costs associated with setting and enforcing standards are stronger than those for their recovery and therefore recommends that they not be recovered. There are some activities that come under the description of operational standards and enforcement that the Committee believes should not be encompassed by this recommendation. For example, the Department included the following functions in information supplied to the Inquiry:

There is a requirement to inspect navigation aids established on new properties for the purpose of designing flight paths. There are also operational and flight crew approvals granting dispensation from compliance with standards, e.g. aerobatics for film production, low-level flying, acceptance of flight crew despite some physical disability such as loss of limb, poor hearing, age.

These services all have a specific beneficiary. In these circumstances the beneficiary should pay the costs of providing the approval.

5.11 The Committee is of the view that, in general, the costs of implementing standards of regulatory services should be recovered. There are two reasons for this. First, for many of the regulations, e.g. pilot licences, specific beneficiaries within the industry can be identified. Secondly, other regulations are of the kind that ensure

costs that might otherwise be borne by the community in the form of greater risk of accidents are met instead by those that impose the risk. These costs, as discussed earlier, should be met by the industry. The Committee does not believe there is any strong case for increasing the allowance for community benefits above that implied in not recovering the costs of setting and enforcing standards.

#### *Cost recovery level*

5.12 In the previous section the Committee recommended that cost recovery should be pursued for services associated with implementing standards and for other functions which have a specific beneficiary. This section deals with the level of recovery for those attributable costs.

5.13 The major argument made in submissions for not pursuing full cost recovery is that attempting to recover fully all costs will lead to an unacceptable decline in safety standards. This is similar to the argument made in the previous section that adherence to the regulations produces a safer aviation system and is an unpriced benefit to the community. The Committee examined other areas of government regulation where safety is a significant consideration, e.g. ship surveys, prevention of oil pollution and motor vehicle licensing and registration; and found that several factors influence whether the cost of a safety related regulatory service could be fully recovered. These are:

- (i) the level of charges;
- (ii) the user's capacity to pay charges;
- (iii) the enforceability of the charge.

It appears to be these factors, and not the social benefit produced, which determine whether or not the cost of the service is cost recovered. For example, the community would regard motor car registration and driver licensing as being essential in order to allow cars and drivers to use the road safely, but because a workable enforcement system has been developed the costs of providing the service can be recovered without an unacceptable decrease in road safety. It is noteworthy, however, that part of the enforcement system relies on the police force, which is not funded by drivers and owners through licence and registration charges but rather by the community as a whole. This is consistent with the Committee's earlier recommendation that costs associated with enforcing standards should not be recovered.

5.14 Applied to aviation, these considerations suggest that there would be no reason for not recovering the costs of implementing regulatory services, provided an enforcement system can be designed and charges are small in relation to the perceived benefit of complying with the regulatory requirement. In such circumstances there is no reason why safety standards would be compromised.

5.15 The international, trunk, regional and commuter sectors appear to be sectors of the aviation industry where enforcement costs would be relatively low and ability to pay highest. For these sectors passenger goodwill is important to the extent that they would probably maintain high safety standards, even in the absence of any safety regulations.

5.16 GA, however, is in a different category. The large number of operators, and the high degree of competition in some commercial areas, suggest that some operators could be willing to compromise safety standards if the risk of detection were low. Indeed, some GA operators in discussions with the Inquiry claimed that this already happens frequently.

5.17 Unfortunately, although GA is potentially the major source of revenue from regulatory charges, it is also the most difficult sector from which to collect. GA is the sector in which safety is of particular concern because of its weaker incentives to maintain safety standards compared to other sectors. If the chance of successful evasion of a regulatory charge is perceived to be significant there could be a substantial decrease in GA safety standards. Before a definite conclusion can be made on this point, the actual level of charges necessary to recover costs fully would need to be determined in order to see if the charges would in fact be sufficiently high to create a significantly increased incentive to evade a regulatory requirement.

5.18 The imposition of a realistic charge for regulatory services has the advantage of giving the industry and the Department of Aviation a real incentive to review and update regulations to keep pace with the needs of the aviation industry and the community. Many operators complained in submissions about the constant stream of irrelevant and duplicate publications flowing to them from the Department; if the operators were required to pay for these the Department would be under pressure to ensure that each publication was necessary or find some more economical way of disseminating the information. If GA operators were to be exempted from paying the full cost (i.e. continuation of the current system) this 'price pressure' to contain costs would not be created.

5.19 As discussed earlier, the Department of Finance advocates a policy of full cost recovery for all regulatory services. The Department of Finance suggests that it be mandatory to obtain those documents and services essential for safety while it would be optional to obtain the other documents and services. This approach has merit, although there are practical difficulties in applying it to all sectors of the industry. The Committee is concerned that the policy may not be enforceable in the GA sector. There appear to be difficulties in enforcing regulations in the GA sector under present circumstances when only nominal charges are levied. A program of full cost recovery for regulatory services supplied to the GA sector could increase the incentive to avoid compliance unless the enforcement effort were increased. It is possible that the increased enforcement costs required to maintain safety standards may not be fully offset by increased revenue. The Committee has not been able to resolve this issue satisfactorily overall. One area where full cost recovery appears to be feasible is the holding of examinations for commercial pilot qualifications. This is discussed in some detail in Appendix Q.

5.20 An important issue raised during the course of the Inquiry related to the necessity of the Department of Aviation being involved in some services. For example, any person wishing to engage in any stage of design, manufacture, distribution, maintenance of aircraft or aircraft components or the training of candidates for departmental examinations has to be approved for the conduct of these activities. Charges for the certificates in these areas range from \$68 to \$341 depending on the type of certificate sought. Arguably it is not necessary for the Department to be involved in some of these areas because it has control over the quality of the final product. The case of approving an organisation to distribute aircraft components is a good example. Because it has control over the end product (maintenance standards and procedures) it appears unnecessary to keep control over the people distributing components. The fact that maintenance standards are set should be sufficient to ensure that component distributing firms maintain adequate quality control over the components they sell. If not, their clients would have no option but to buy from alternative suppliers so that their aircraft could meet departmental standards.

5.21 The Committee is not in a position to identify all areas where it is unnecessary for the Department to be involved. Earlier in this chapter the Committee recommended improved consultative arrangements between the Department and the industry to review regulatory services and standards. It recommends that this machinery be used to undertake a review of regulatory services to establish which are necessary and which are unnecessary for the Department to be involved in. Where it is considered necessary for the Department to be involved, a distinction should, if possible, be made between services that are essential for all operators and those that are merely desirable.

## 6 Basis, nature and level of charges

6.1 The Committee's sixth Term of Reference requires it to make recommendations on 'the basis, nature and level of charges imposed by the Commonwealth for regulatory services'. In the preceding sections, the Committee has expressed a view that full cost recovery should be pursued except for costs incurred in setting and enforcing standards. Data made available to the Inquiry suggests that full cost recovery may not be feasible in the short term. It would not be possible to raise the recovery rate from around 2 per cent to 100 per cent immediately without adverse effects on the industry. The Committee therefore recommends that the Department construct a plan (by the end of 1985) to achieve full cost recovery within ten years. The plan should place emphasis on reducing costs and devolving functions to private enterprise, and not just raising charges. To reduce the deficit on regulatory services requires attention to cutting costs as well as raising revenues.

6.2 The Committee believes the basis of all charges should be the cost associated with providing services, and the nature of charges should not afford preferential treatment to any one particular category of user. That is, all users should pay the full cost of services they receive. The Committee is concerned, though, at the apparent discrimination between users of similar services. For example, all pilots, except student pilots, pay for the issue of a licence. The Committee does not believe student pilots should receive positive discrimination. This is not the case with licences to drive motor vehicles; in N.S.W., for example, learners are charged \$14 for a permit, \$20 to do a driving test and then pay the \$15 licence fee. By comparison a student pilot pays no charges for a 'learner's permit' or for a flying test and pays only \$10 for a private pilot licence. Also, car drivers pay an annual renewal fee of \$15 for their licence whereas pilots do not.

6.3 The Committee has outlined in previous sections that it does not believe any discounting factor should be granted for safety or community benefit reasons for those services subject to cost recovery. It considers that the industry is the source of potential risks, and that the industry should bear the costs associated with eliminating those risks. Data provided to the Inquiry permitted the estimation of the cost of providing some regulatory services on a per unit of output basis. These estimates are presented in Table 19.4.

6.4 The recommendations of the Committee for the twelve categories of regulatory services are detailed below:

(i) Flight crew licences and exams

In principle, full cost recovery should be pursued in this area. The Committee recognises the industrial relations problems that implementation of this principle may provoke. All pilots, including student pilots, should be charged



for both issuing and renewing licences. Whether these charges should be paid by the licence holder or their employer is beyond the Committee's Terms of Reference. Similarly, all pilots should be charged for sitting examinations. The Committee believes a non-refundable fee should accompany all applications for examinations. This would discourage applicants who do not seriously intend to sit for the examination and help reduce the high 'no show' factor (see Appendix Q). The cost per examination and per licence presented in Table 19.4 should be reduced by further use of computerised systems, and hence the ultimate cost to the user should not be as high as the figure for 1983-84. While full cost recovery may not be possible immediately, candidates should pay at least the avoidable costs. On data available to the Inquiry, this would be approximately \$20.

(ii) Air service licensing and timetables

Full cost recovery should be pursued for these services. By granting an air service licence the Department is admitting an operator into a limited supplier market where a degree of monopoly rent may be achievable. The Committee can see no reason why the full cost of providing such a licence should not be recoverable from the beneficiary. The charge for timetable approval should be set on a sliding scale depending on whether it is the approval of a complete timetable or an amendment. The greater the work required by the Department, the greater the charge should be.

(iii) Engineers' licences and examinations

Full cost recovery should be the target for these services. For licences, at both issue and renewal, the charge required to achieve full cost recovery is about \$11. This would appear to be an acceptable level. For examinations the cost per candidate in 1983-84 was \$176, which appears unacceptably high as a charge. The Committee believes that this cost could be reduced significantly by improved systems and greater devolution of the function to the industry and educational institutions. The Department should be able to set the required standards and then permit the institution conducting the course to also run the examination. If this course is pursued the cost per examination would be cut significantly. In the meantime the avoidable costs of holding an examination could form the basis for setting the fee, i.e. costs of providing premises and supervision should at least be recovered.

(iv) Registration of aircraft and certificates of airworthiness

On data provided to the Inquiry by the Department, the cost of registering an aircraft was estimated to be approximately \$300. The Committee was not in a position to investigate this cost any further, but it does consider it to be unusually high. Compared to motor vehicle registration in N.S.W. and the A.C.T. the cost of registering an aircraft is over three times as high. If the total cost per employee, including on-costs, is assumed to be \$50 000 then the number of persons required to be employed for the \$2.1m cost of running the registration system is forty-two. With an aircraft fleet of 7000 the number of aircraft to be processed per employee per week is only 3.2. The Committee believes that considerable economies can be attained in aircraft registration, and that full cost recovery should be pursued for the more efficient system. The Committee notes that for certificates of airworthiness a thorough examination is only provided for the first aircraft of any new type, and that the operator of that aircraft bears the cost of the examination. Operators of the same aircraft type at a later date do not pay for the certificate of airworthiness because the examination costs associated with approving the aircraft type are borne by the

initial operator. The Committee understands that charging methods for this service are currently under review. It notes the difficulties associated with establishing an equitable charging mechanism, but recommends full cost recovery be pursued for granting a certificate of airworthiness.

(v) Operational standards and surveillance

This category is the highest cost area at \$6.6m in 1983-84 and requires further examination with the view to reducing costs. In general, the Committee recommends that the costs of setting and enforcement of standards should not be recovered. Within the category of operational standards and surveillance are some services for which a specific beneficiary can be identified, e.g. granting of dispensation from compliance with standards. These should be cost recovered. One other example of the functions in this area provided to the Committee is the inspection of overseas airports and air routes operated by Australian airlines or aircraft. The Committee notes that this practice is followed by many overseas regulatory bodies but considers further attention should be given to the possibility of devolving the function to the industry.

(vi) Aircraft import and export approval

Although it recognises there is a need for liaison between the Department and the Australian Customs Service, the Committee considers that it is unnecessary for the Department to be involved in the import or export approval of aircraft under 20 000 kg. If an aircraft is a prohibited import, the Australian Customs Service will not grant approval to import it. If it is not airworthy, the Department can refuse to issue a certificate of airworthiness. Similarly, the Committee considers it unnecessary for the Department to be involved in approving the export of aircraft. If the aircraft, or aircraft parts, are of historic or national importance then they could be classed as a prohibited export and prevented from leaving the country by the Australian Customs Service. The Committee recognises that the Department must retain the function of approving importation of aircraft over 20 000 kg to maintain the two airline policy. In such cases, however, the service is one of economic regulation and not safety regulation, and so should be excluded from the cost recovery program.

(vii) Licensing of aerodromes

Full cost recovery should be pursued for this service. By obtaining a licence the owner is receiving a direct benefit. The Committee believes the owner should therefore pay the cost of issuing such a licence.

(viii) Noise and engine emission standards and control

Costs in this area are associated with setting standards and monitoring compliance. The cost of compliance is borne by the operators. Some standards are a result of Australia's commitment to ICAO (Annex 16 to the Chicago Convention) while others are designed to alleviate noise around airports. This function is one of setting and enforcing standards and so should not be recovered.

(ix) Pavement concessions

The Committee believes that issuing a pavement concession confers a benefit on an operator and that the operator should pay for that benefit. Each operator applying for a concession is seeking an entitlement which he is not normally allowed. The Committee recommends full cost recovery be pursued for the issue of a pavement concession.

(x) Building control

The Committee believes that full cost recovery should be pursued for this

service. It notes that local councils normally charge for building approvals, and can see no significant difference between the Department's service and a council's service which would provide grounds for the Department not to charge.

(xi) AIS publications

The Committee notes with interest that pilots are provided with AIS publications free but members of the general public are charged for them. The general public are charged although, as taxpayers, they have made as much contribution as pilots to costs. This situation is considered inequitable by the Committee. It considers that all users of AIS publications should pay for them. The price for each publication should be reviewed so that it is cost related and not based on postage rates of 10-15 years ago, as the Department has suggested current charges are. The Committee believes that the Department, in consultation with the industry, should classify AIS publications as either essential or desirable. Once this distinction has been made then, in accordance with the Department of Finance suggestions, the purchase of essential publications could be made mandatory. The Department should review the distribution procedures for AIS publications with the view to reducing costs. It is apparent that the current system results in wasteful duplication.

(xii) Other publications

The Committee recommends that full cost recovery be pursued for this area. By charging for publications, the Department will be under pressure from users to make sure publications which are essential are kept to minimum cost and those that are unnecessary will be discontinued.

## 7 Summary and recommendations

7.1 The Committee endorses the principle of full cost recovery for those regulatory services which are not associated with setting or enforcing standards, but acknowledges that such a target may not be attainable in the short term. When costs associated with setting and enforcing standards are excluded, the attributable cost of regulatory services in 1983-84 was \$12.4m. A full cost recovery target will provide an incentive for the Department to promote efficiency within areas providing regulatory services, to assess which services are essential and also which services could be provided by the private sector.

7.2 Until the Department can reduce some of its costs it may be necessary to charge only the avoidable costs associated with providing a service, e.g. pilot examinations. In the long run, though, all users should be required to pay the full cost of each service. For practical reasons it may be necessary to charge each user an average cost, but the Committee believes that the myriad of regulatory services will enable a sufficient breakdown of categories so that users of each category will be relatively homogeneous. For example, pilot licensing can be broken down into student, private, commercial, senior commercial and air transport pilot. Candidates for an air transport pilot licence will have already been required to pay the cost associated with lower grade licences. This approach is a practical way of approximating an incremental cost approach.

7.3 The Department, in consultation with the industry, should construct a plan (by the end of 1985) to attain full cost recovery of attributable regulatory services within ten years. The plan should provide for reducing departmental costs as well as

increasing charges. To construct such a plan will require more information than was available to this Inquiry. As mentioned earlier, the objective of full cost recovery may need to be moderated if the level of charges and enforcement costs required to achieve this target is impracticable.

7.4 The Committee recommends that:

- Regulatory services should continue to be separated from other attributable costs.(R101)
- Formal consultative processes should be established between the Department and the industry to permit continual review of regulatory services and standards for applicability and necessity.(R102)
- Costs associated with setting and enforcing standards for regulatory services should not be recovered.(R103)
- Full cost recovery should be pursued for costs associated with implementing standards for regulatory services.(R104)
- Where practicable, the Department of Aviation should devolve responsibility for regulatory services to the private sector.(R105)
- The Department, in consultation with the industry, should construct a plan (by the end of 1985) to attain full cost recovery of regulatory services, other than those associated with setting and enforcing standards, within ten years.(R106)

#### Notes

- 1 Sir Lenox Hewitt (Chairman), *Industry Review Committee on Civil Aviation Services and Facilities Provided by the Department of Transport*, Second Report, October 1976, p.26.
- 2 Transport Canada, *Proposed Revisions to Regulatory Fees*, June 1981, p.2.
- 3 *ibid.*, p.2.
- 4 National Business Aircraft Association, *Policy/Position Paper — Administrative User Fees*, 1979, p.1.