

**Address by Jason Harfield**

**Chief Executive Officer**

**Airservices Australia**

**RAAA**

**21 October 2016**

**'The new Airservices - supporting  
regional aviation'**

Ladies and gentlemen, good afternoon.

Before I begin, I'd like to acknowledge the Wonnarua people who are the traditional custodians of this land and pay respect to their elders, past and present.

One year ago, when I spoke to you at this conference, I was the Acting Chief Executive Officer of Airservices.

I spoke about the importance of regional aviation to Australia and its integral role in our industry.

I acknowledged the RAAA's concerns and its priority areas for our industry and the challenges many of you face.

I also recognised that this Association is frank and forthright about where and how it and its members thought Airservices could do better.

Ultimately, what I hope you took out of my presentation last year was that we recognised that Airservices had to change.

We couldn't go on as we'd done in the past.

My clear commitment to all of you then, was that we were going to get 'match fit', match fit for the future.

Match fit means that Airservices is in the best possible position to meet the challenges our industry faces, and assuring that industry a solid and sustainable future.

Underlying my perception of match fit is that we will deliver the services our customers expect and value, and deliver the benefits for the aviation industry as a whole.

Today, I'm back before you again ... and I'm pleased to report that a lot has changed.

And it's changed at a significant pace.

For one, the 'Acting' is gone.

Dropping one word does make a difference.

It meant I could lead the organisation without even the slight incidences of reluctance or reticence that adding "Acting" to a title can bring.

My knowledge of, and confidence in, Airservices as an entity, its personnel, its role and its responsibilities to our industry gave me the firm foundations for the new Airservices ... the match fit Airservices.

That match fit Airservices serves our entire industry, without differentiation.

To us, the regional operators are as important as the major domestic and international operators.

We acknowledge the role regional Australia plays within the nation of Australia.

The vast distances of our nation, and the distances between our nation and the markets for our nation's output ... particularly from regional Australia ... mean that aviation is a vital part of regional Australia and those who live in the regions.

Underpinning the integral role of aviation in regional Australia is Airservices.

And we aim to enhance the delivery of our services to you through change within our organisation.

When I was appointed as CEO of Airservices in March, I'd already commenced our comprehensive and unprecedented program to deliver change.

With the "Acting" gone, I could really drive the program of change.

Since March we've streamlined our management structure and reduced the numbers.

Change had to begin from the top, and no area was immune.

We've increased responsibility and accountability across the business and, through our new operating model, we've actually refocused the entire business to meeting our customers' needs.

We've begun ... but we haven't finished.

There is more efficiency to come as we transform our project and asset management and improve our use of technology.

Change, for us, will be evolving.

### **Past Year Achievements**

In taking you through what's in essence has been a very rapid transformation, I'd like to give you a snapshot of the many significant operational achievements we've made at Airservices in the past year.

To me, reporting to our stakeholders and the people we serve is important.

We have to keep you informed of what we're doing in a transparent and constructive way.

Organisations such as RAAA are both stakeholders and customers and we have a real responsibility to keep you informed about what we're doing and what we intend to do in the future.

We also seek your engagement and input.

We also don't shy away from any criticism you may make.

And this Association has never been backward in that.

We're proud of where we are ... and where we're going.

Our reputation and performance as one of the world's leading air navigation and aviation rescue fire fighting organisations remains first class.

At our core, keeping the aviation industry, and its customers, moving safely through Australian airspace is what we do.

In the past 12 months, we've handled, with improved safety and efficiency, more than four million flight movements, carrying over 140 million passengers safely to their destinations.

Directly benefiting regional aviation has been a 20% reduction in tower loss of separation events, building on the improvements in en-route and terminal airspace.

Whether you are travelling to Brisbane or Ballina, operators are benefiting from improved efficiency - with a continued improvement in the average airborne delay across the entire national network during peak periods of just 4 minutes and 5 seconds now, down from 4 minutes 20 seconds.

In black and white words that may not sound like much, but it is an indication of where improvements are already a reality, and a benefit.

Our customers, especially those operating in regional areas have also benefited in the past year from the increased take-up of Automatic Dependent Surveillance Broadcast technology.

With more than 70 ADS-B ground stations commissioned, we have 100 per cent of commercial jet operations and overall nearly 9 out of every 10 instrument flight rules flights, equipped.

We also now see over 60% of all instrument flight rules flights operating below 10 000 feet equipped.

As well, although not covered by the ADS-B mandate, over 380 aircraft operating under visual flight rules have self-equipped to access the safety benefits offered by ADS-B technology.

This means, at all levels of aviation, we're reaping the safety and efficiency benefits of the most extensive surveillance coverage this nation has ever had.

When I see organisations like the Royal Flying Doctors recognising the benefits this technology plays in ensuring they can operate more efficiently and safely, and VFR operators voluntarily equipping their aircraft, I feel proud to be part of an organisation that's helping to achieve significant improvements, especially in remote and regional areas of Australia.

Meanwhile, our Aviation Rescue Fire Fighting Service now safeguards 95 per cent of the aviation travelling public.

In the past 12 months, our ARFF Services were called on more than 7000 times, saving nine lives.

Nine lives saved will always be a headline number.

However, the many unseen responses where our fire fighters may have quickly stopped a tug fire on the tarmac or put out a blazing taxi in the car park get little recognition.

Such actions may not attract headlines but they play a key role in keeping our airports open for business and aircraft in the air.

It's just part of what we do—keeping the traveling public in safe hands.

### **Case for Change**

While our service delivery has not faltered, our supporting business structures haven't been operating as efficiently as they could have.

Taking our eyes off efficiency resulted in a cost structure that was forecast to exceed revenue growth.

That was a situation both unsustainable and untenable.

Today, I'm pleased to be able to update you on the positive and rapid progress we've made to address this over the past 12 months.

I want to make it abundantly clear that our focus is to be a more efficient and valued service provider for all our customers and stakeholders without, as I've said, any differentiation.

Recently we published our Annual Report and Corporate Plan.

The former clearly lays out why we needed to rebuild Airservices while the Corporate Plan details the key priority areas and initiatives we're taking to reposition ourselves to be the business the industry needs – the business you need.

Air traffic had contracted during 2014-15 and we saw weak traffic growth in the last year in some international markets, with a slow recovery of the domestic market.

In stark contrast, our staff numbers had grown rapidly, mainly in response to the resources boom, but we didn't have the ability to appropriately adjust as the market contracted.

It was clear to all we were not operating as efficiently as we should, and, as a result, our underlying financial performance remained flat in 2015-16 with an underlying net profit after tax of \$1.8 million.

This was the turning point for us, as a provider of essential services, to fundamentally restructure our cost base to minimise the cost burden on Australian aviation.

For Airservices our transformation had to be real, because where we were heading was on a path that was losing relevance to the industry.

That's what our Accelerate Program is about – rapidly getting Airservices into the shape we need to be in, to demonstrate to our customers that no other business could do what we do, and no one could do what we do more efficiently or effectively, now or into the future.

What we've achieved over the past 12 months is significant, and on a scale not seen before at Airservices.

This transformation is crucial to position us for the opportunities of the future – and we're laying the foundations for that potential right now.

There is still much to do for the aviation industry to realise the true benefits of the new Airservices.

But, rest assured, the ambitious program of change I promised is now well underway.

### **Accelerate Program**

Accelerate is a rapid, yearlong program, to get us 'match fit'.

It focuses on three specific areas that help us change gears on our longer-term transformation agenda, which includes delivery of major projects like OneSKY.

So those three focus areas are a new operating model, which:

- puts our Air Navigation and Aviation Rescue Fire Fighting Services back at the heart of everything we do,
- has a project and asset refocus, which will ensure we apply commercial standards to deliver a return on investments, and,

- has a clear technology focus to cut unnecessary paperwork and process, and to make better use of our systems so our people can get things done more efficiently.

The new operating model has been in place since 1 July.

It features less senior management roles, and those that remain have greater clarity of responsibility and accountability.

The reduction of senior management and non-operational staff is essential if we're to become the more efficient and agile business we've promised our customers.

As of the end of September, 580 people had left Airservices and just over 700 will have left by years end. By 30 June next year our staffing footprint will have reduced by about 20% or 900 full time equivalent staff.

Rest assured that during this change process, we are continuing to safely perform our critical air navigation and aviation rescue fire fighting roles and effectively serve, you, our customers.

Of that, there is no question.

Much of the Accelerate Program's immediate focus is about us getting our own house in order.

What it will achieve, and achieve quickly, is a redirection of Airservices towards a sustainable future.

While we beginning the implementation of our Accelerate Program, I made the key decision to put our Long Term Pricing Agreement on hold.

In recent years—you, our customers and stakeholders—have tightened your belts significantly and it was not fair to expect you to pay for our inefficiencies.

Our forward financial projections see us return to sustainable levels of profitability, this year, and deliver an average 6% return on assets over the next five years.

This outcome is underpinned by cost base reductions of approximately \$155 million per annum that is being delivered in this financial year through the Accelerate Program.

And, it represents an annualised reduction of our cost base of 15%.

It will also allow Airservices to continue to deliver and enhance our services, including the delivery of the OneSKY Program, with no real increase in prices to our customers going forward.

## **The future – repositioning the New Airservices**

Our business transformation is being done in a way that lays the foundations for us to provide enhanced-value services to you.

To this end, we're starting to shift our focus to the other two areas where Accelerate will redefine how we deliver services.

We can make a difference to our customers through our people and our operating model – but we can also make a difference through the quality and performance of our assets and technology.

Our assets and projects refocus is a significant area for improvement.

It's clear in this area that our approach, especially in developing new projects, hasn't been working, and, something needed to change.

Assets and projects are at the core of how we deliver existing and new services to you.

But they can contribute significantly to our costs.

And, we need to manage these and extract the highest rates of efficiency.

In the coming year, our Accelerate Program will introduce a consistent, disciplined and commercially responsible approach to assets.

Assets will be acquired and managed by our areas closest to the customer, with new policies in place and enhanced training for personnel with asset responsibilities.

We are also improving how we manage projects by bringing together project expertise in some of our key areas, along with a much greater focus and accountability for outcomes.

The final area of focus, but by no means the least important, is our transition to a technology-driven organisation.

At present, we simply have too many manual processes in the way we work.

This has to change, as we're not taking advantage of tools to simplify and streamline everyday work.

A range of activities, led by our Chief Information Officer, will improve technology around key business functions.

Our CIO is responsible for a whole-of-enterprise future technology strategy as well as overseeing our existing systems.

The outcome envisaged will allow us to concentrate more on delivering effective customer focused services.



We're also laying the foundation for a customer information management capability, a critical step in our long-term strategy to be the recognised leader in air navigation services.

All these changes will help us focus on the activities that matter to you and deliver even greater value.

### **Recognising the needs and challenges of regional aviation**

While significant, ultimately what do these changes mean for our general and regional aviation customers and stakeholders?

For a start, we will continue to assist general aviation operators by not charging you for ARFF services.

We will also continue our commitment to not impose any en-route charges for VFR aircraft.

And, we will continue the \$500 charging threshold for GA that currently assists 3700 of our customers.

This means that at least six out of 10 aircraft below 5700 kilos do not incur any charge for our services.

For the RAAA and its members, I am fully aware of and understand the Navigation Rationalisation Project is a point of contention.

Here, we all need to recognise that industry supported the NAVAID Rationalisation project and understood the reasons for a reduction of ground based NAVAIDs.

That said, we clearly understand some operators are feeling the impact when operating in the regions, particularly in relation to carrying fuel for their required alternate, sometimes sacrificing payload.

It is a significant change and one that requires operators to adjust.

We can't forget, however, the ultimate benefit of a 50% reduction of NAVAID's means we do not have to invest in a substantial replacement program, reducing the impact on our Capital Investment program, reducing ongoing maintenance, and ultimately reducing our costs.

And any reduction in our costs is a benefit to you.

### **Forward Strategic Initiatives**

Just as we are improving our in-house operations, we're also clarifying our strategy to meet your needs—articulating and prioritising customer-focused service delivery initiatives.

These initiatives will allow Airservices to continue to show the value-add we provide to the industry every day.

We are committed to promoting and supporting regulatory reform activities in the provision of air navigation and aviation rescue fire fighting services.

Like you, we understand how rigid the current regulations are, especially when it comes to establishing new services, services that are not cheap to build or run.

Like the RAAA, we will continue to work with government in this important area and contribute to outcomes that recognise the differing impacts on industry.

Another key initiative is the Airport Collaborative Decision-Making, or A-CDM.

This is a great example of industry collaboration as it includes participation from airports, airlines and Airservices.

At its core, A-CDM will leverage data to create greater operational efficiency at airports during peak periods.

When we all work together to achieve greater airport efficiency, regional aviation will quickly reap the benefits.

The value of this project was reinforced by analysis conducted last year by Deloitte.

This showed that, once implemented, A-CDM would provide savings in reduced operating costs to airlines alone, in net present value terms, of \$76 million over a 10-year period.

In the next year we will go to market for an A-CDM capability solution and secure industry endorsement for an operating and governance framework.

Our air navigation initiatives will also extend this year to Long Range Air Traffic Flow Management.

Here, the potential benefits are new and more efficient services to airspace users by shifting any airborne delay for long-range flights from the arrival phase of flight to the en-route phase.

This year we will contract a provider to jointly deliver the Long Range Air Traffic Flow Management process and trial the capability to begin network integration of domestic and international traffic into one program.

Not surprisingly the OneSKY Australia program remains one of our top priorities.

This revolutionary program will shape our future and that of the aviation industry through the new Civil Military Air Traffic Management System or CMATS.

With OneSKY transition activities beginning in 2018, the primary focus for the program over the next year is mobilisation to ensure we, along with our Defence partners, are ready for the necessary contractual execution and operational delivery of CMATS.

It's a complex project, but the benefits our industry will experience from OneSKY are simple ... but wide ranging.

It will put airlines in the driving seat.

Greater system capacity will give controllers greater predictability, allowing more aircraft to operate safely on any given route or airspace volume, opening up previously unavailable routes.

It will deliver more efficiency at airports.

The new system will feature specialist technology to ensure optimal arrival and departure flow of traffic to maximise the use of runways.

And, it will deliver our industry financial and environmental savings - more efficient routes mean airlines will spend less flight time in the air, saving millions in fuel costs and significantly reducing carbon emissions.

### **Conclusion**

So, ladies and gentlemen, you can see in the 12 months since I addressed you last, the change at Airservices has been significant.

You could say unprecedented for a government organisation.

What we haven't changed, and won't change, is our focus on the safe delivery of air navigation and aviation rescue fire fighting services, 24-7 to the industry.

We will continue to do what we do best while simultaneously implementing a comprehensive business transformation program, accelerating Airservices to become the effective and efficient organisation we promised and that you expect and deserve.

Government organisations are often criticised for being change adverse.

That's not the case at the business I lead and I haven't shied away from making the tough calls to significantly streamline Airservices.

As I've outlined today, these necessary changes will quickly return us to a sustainable position as we maintain our safety focus and deliver the more efficient and agile business we need to be to serve our industry, our customers and our stakeholders.

People like you.

That's who we serve.

And as our customers and stakeholders, you will soon see the benefits of these changes and outcomes of our key strategic initiatives.

What we do, and what we do well, is deliver air navigation and aviation rescue fire fighting services to the aviation industry.

We are adopting a lean approach to our business so we can deliver to you the new Airservices.

The new Airservices will be a more efficient and effective Airservices, delivering all the valuable services you, the industry, pay for.

We strongly value our ongoing relationship with peak industry bodies like the RAAA.

To Jim Davis, Mike Higgins and team, I want to acknowledge your very important role in our industry.

I always appreciate your honesty and direct approach and unyielding commitment to driving the needs of your members.

I look forward to continuing our work together to achieve even better outcomes for regional aviation.

And regional aviation, and your role within it, is vitally important to our nation.

Regional growth and prosperity underpins Australian growth and prosperity.

And RAAA is one of the pillars of regional growth and prosperity and, by us working with you, we can enhance that growth and prosperity.

Today, I've laid out to you details of how, and where, we're changing ... and why we're changing.

To grow Airservices to meet the demands and challenges of our industry is necessary and fundamental for the growth of our industry.

And, our industry will grow.

Of that, there is no uncertainty.

Thank you.