

WAYPOINT 2014 — CEO ADDRESS

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4 SEPTEMBER 2014

Good morning

On behalf of all of us at Airservices, welcome to Waypoint 2014.

Let me start by also acknowledging the Ngunnawal people who are the traditional custodians of this land, and pay respect to their elders, past and present.

I am delighted to see so many familiar faces from a broad cross section of our industry here.

We are very lucky to be part of an industry that is so passionate about what it does and is so committed to working together.

Over the next few hours you will hear from a number of my leadership team. They will talk to you about our performance **over the past 12 months and our current focus.**

You will also hear about how we will work to continue delivering our services to our customers in ways that helps meet the challenges and opportunities that lie ahead.

Most of all we want to hear from you. We value your input, not only today, but throughout the year.

I think that is the real value of our forums and working groups and day to day feedback that our operational staff have with your people.

The bottom line though, is that at Airservices we have one over-riding mission and that is the **safety and integrity of Australia's air navigation system.**

I don't believe there has been a time in recent history where air safety and security have been so high on the public agenda around the world. Recent events have demonstrated that safety transcends borders.

We are facing the challenges of a truly interconnected world, almost unbelievable technological advances and heavy traffic growth. Compounding those three challenges is the fact that we live in extremely volatile times.

Change is hard at the best of times. But managing change through a period like this, as **Donald Rumsfeld so famously said.... there are known knowns and then there are unknown unknowns.....**

But having said that, I believe Australian aviation continues on a transformational journey that is shaping the way we operate, regulate and contribute to society for decades to come.

If we all participate in this journey, we can all benefit.

We can benefit from more efficient use of one of our scarcest resources...air space.

From fuel savings

From a more sustainable industry

From technological innovation and investment

And from making a safe system even safer

In thinking about the transformational journey that is ahead of us, let's remember that this year marks the 100th anniversary of commercial flight.

It's just over 60 years since the first passenger jet went into service and just over 40 years since the 747 made its debut on the New York – London route.

Of course some things never change. At the time many critics said the 747 would never succeed because it was too big for most airports.

In Australia – our air pioneers include a magician!

While Colin Defries and Fred Custance vie for the honour, we can't escape the fact that Harry Houdini was one of the first in a biplane he had brought home from France.

But it was in the aftermath of World War One, when aviation took off in Australia. When we think of the archetypal Aussie soldier the image of an aviator isn't the first that comes to mind, but it was the trained pilots coming home from Europe at the end of the First World War who lit a fire under our industry.

These men and others like them returned to Australia after the war, and the industries that fuelled the war effort now turned their eye to commercialising what they'd learnt. Thus, aviation came to Australia in earnest.

In 1920 the *Air Navigation Act* was passed and laid the groundwork for our organisation, providing for the licensing of aerodromes, pilots and maintenance personnel and rules of the air.

As engineering know-how increased over the next decades it brought new, more capable aircraft. Commercial aviation operations flourished in Australia, and the need for a ground organisation to support these operations became apparent.

In 1938 the Department of Civil Aviation was formed, and continued to operate and provide air traffic management services through the majority of the Twentieth century.

Airservices Australia split from the Civil Aviation Authority in 1995 – in response again, to the changing dynamics of the industry and the impact of technology.

Our organisation was given responsibility for airspace management, aeronautical information, aviation communications, radio navigation aids and aviation rescue fire fighting services.

Today, we manage more than four million flights every year and own and operate air traffic control and landing infrastructure at more than 700 sites around Australia.

We employ more than 4000 people, including 1000 air traffic controllers, over 800 aviation fire fighters and 280 technical officers.

Our staff are responsible for the almost 770 thousand flights that come in and out of Australia's four major airports: **Sydney, Melbourne, Perth and Brisbane**, each year, and for the aviation fire services that protect Australia at one of the most vulnerable points in its transport infrastructure.

Today, Australia has one of the **best aviation safety records** in the world, including one of the **lowest loss of separation occurrence rates** attributable to civilian air traffic control in the world.

Nationally the aviation industry contributes more than **2 point 6 per cent of GDP** (Gross Domestic Product) which is equivalent to more than **32 Billion dollars**. The sector supports over **312 thousand jobs** and directly employs over **149 thousand people**.

And globally, our industry has never been more influential – to trade, to economies, national infrastructure, defence and social and political well being.

World wide the aviation industry carries **3 point 3 billion passengers**, is made up of **23 thousand aircraft**, provides **57 million jobs** and adds **2 point 2 trillion dollars** in economic activity.

And today, like in times past, it feels like we are on the cusp of enormous change.

Nothing has sharpened this view more than the lives lost in the past few months on **flights MH370 and MH17**.

Aviation safety and security remains central to all of us – and I have seen and heard this constantly in my discussions with you, with the government and globally.

There are many challenges:

- Cost pressures and profit margins are squeezing our industry like never before. This has been sharply brought into focus once again over the past week.
- The Qantas announcement of a **2 point 84 billion dollar loss** and Virgin Australia with a **355 point 6 million dollar loss** has implications for many of us across the industry.
- Excess seat capacity has impacted revenues
- Passenger volumes are putting higher demands on airport infrastructure.
- Urban infill and the demand for near airport development continue to challenge the protection of airspace.
- The cost of fuel has eroded margins, renewing ageing fleets is making more demands on companies' capital than ever before.

Each of you is aware of these issues and others; some faced by your organisation alone, and some by all of us.

As an industry we are not resting on our laurels.

At Airservices we are listening and working hard to reduce the burden of these challenges to our customers and stakeholders, wherever we can.

My team will go through many of the initiatives during the course of the conference but I would like to mention a few initiatives that, I believe, are a part of a new wave of transformational change.

(Metron-Harmony)

We've reduced airborne holding times at **Melbourne Airport** by implementing the Metron-Harmony ground delay program, this follows the successful implementation at **Sydney, Perth and Brisbane**, further reducing fuel burn for our customers.

(Airport Capacity Enhancement)

We've implemented Airport Capacity Enhancement programmes, ACE as it is known, at **Brisbane, Melbourne and Perth airports**, resulting in reduced runway occupancy times and easing pressure on capacity.

At **Brisbane Airport** runway occupancy time is now **41 seconds**, making it one of the world's best performing airports for single runway operations.

(Skysafe)

We've established **Operation Skysafe**, a special taskforce to review the way in which air routes are structured to improve safety outcomes. This has not only included air route analysis but has also included examining human factors, training and technology. We have already identified ways to potentially reduce loss of separation occurrence rates.

For example in the last month we duplicated the route between **Melbourne and Cairns** due to the growth in traffic. The new off-set route guarantees a higher level of safety.

Another outcome of Operation Skysafe is enhancement to the **Eurocat technology** which will allow for greater conflict detection.

We've led the delivery of an **international Runway Safety Program** and signed a memorandum of cooperation and exchange of safety information with Indonesia.

(Automatic Dependent Surveillance Broadcast)

We've continued our engagement to promote ADS-B satellite-enabled aircraft surveillance for Australia's major airlines and operators, including international and regional airlines, as well as promoting its benefits with the travelling public. To date, **97 per cent of aircraft flying at or above 29 thousand feet** have been fitted with ADS-B technology, and more than **72 per cent of Australian registered business jets** compliant, further increasing our ability to ensure safety.

(SmartPath)

This year we've commissioned **GBAS or SmartPath** as we call it, a **ground-based augmentation landing system at Sydney Airport**—the first of its type in the southern hemisphere. The technology uses satellite navigation to position and guide aircraft into the airport for a precision landing. Its accuracy also provides an additional level of safety to our customers while reducing maintenance costs. I would like to acknowledge once again the partnership with **Honeywell, Qantas and Sydney Airport** in delivering this project.

(Integrated Tower Automation Suite)

In March we commissioned the new air traffic control tower in **Melbourne**, our **fourth new control** tower, which also includes the new integrated tower automation suite or INTAS. This means that our controllers now have four large touch screens that give them simultaneous access to integrated radar feeds, weather data, airport information and control electronic flight data.

(The Environment)

The aviation industry's impact on the environment remains a critical component of all our operational activities.

Today I am pleased to officially release Airservices revised **Environment Strategy**. This strategy provides the vision for the organisation to achieve excellence in environmental management.

The strategy focuses on proactively and collaboratively reducing our environmental impact, implementing innovative solutions and advancing the principles of sustainability.

Key changes to the new **Environment Strategy** include:

- a greater emphasis on achieving excellence in environmental management
- better alignment to Airservices **Corporate Strategy 2014-2019**
- key environment focus areas including aircraft noise, aircraft emissions and the natural environment.

A copy of the new **Environment Strategy** has been included in your conference bag.

(INSPIRE)

Our environmental efforts are winning international acclaim. We participate in the joint **Arabian Sea Indian Ocean Air Traffic Services Coordination Group** and the **Indian Ocean Strategic Partnership to Reduce Emissions** – which if any of you missed it spells INSPIRE.

On March 3rd of this year, participants in INSPIRE were awarded an **IHS Jane's Air Traffic Control award**, recognising the User Preferred Route geographic zone in the Indian Ocean.

It is estimated that more than **320 flights a week** will take advantage of this initiative and that each flight will save an average of **740 kilograms of fuel**, reducing **CO2 emissions by an estimated 19 000 tonnes per year**.

Our ongoing efficiency efforts are also continuing to deliver emissions reductions by lowering fuel burn.

In December, **Emirates and Airservices** marked the **10th anniversary of Flextracks** in Australian airspace.

A Flextrack is designed to enable an aircraft to change from a fixed route and use winds to its advantage. By doing this, an aircraft can improve flight time, reduce operating costs and deliver environmental benefits.

Emirates estimate using **Flextracks** has saved more than **38 hundred tonnes of fuel** and reduced CO2 emissions by more than **12 thousands tonnes**.

Airservices now manages 17 Flextracks between Australia and airports in Asia and the Middle East, which are used by an average of **31 flights a day**.

We know there is more to do to address the challenges.

(Modelling Air Transport Efficiency)

We understand the crucial importance of fuel efficiency to our customers.

In the past financial year alone, fuel costs accounted for some **27 per cent of operating costs for our two major customers** – the cost ranging from **1 point 1 to 4 point 5 billion dollars**. We know that fuel is now one of the largest components of operating costs for all major airlines.

Airservices has formed a working group to help our customers reduce fuel burn, emissions and operating costs – by measuring these factors before and after implementation of **Air Traffic Management efficiency initiatives**.

The **Modelling Air Transport Efficiency or MATE** program has the potential to accurately measure and help reduce our customers' fuel burn, emissions, flight times and operating costs. It will do this by converting surveillance data into fuel burn, emissions and cost data.

(Technology)

The ongoing application of technology, automation and innovation will be the real driver of transformational change in our industry.

OneSKY

Airservices plans to invest over **1 billion** in the next **five years**. The jewel in our investment is **OneSKY**, a project we are working on alongside the **Royal Australian Air Force**.

Jason Harfield, our Executive General Manager for Future Service Delivery, will run a detailed session on **OneSKY** next, but let me set the scene for you.

Our existing air traffic management system, **TAAATS** was developed and commissioned in the **mid to late 1990s**. **TAAATS** of course was the acronym for **The Australian Advanced Air Traffic System**.

Back then, things were a little different to today.

The internet was only just emerging. It was only used for emails and basic websites. Less than **four per cent** of households had access to it.

Today the average person spends more than an hour on mobile internet devices watching videos, movies, on-line shopping and connecting with family and friends on social media.

Back in 1999, around the time we were introducing TAAATS, only **13 per cent of Australians** owned a mobile phone. Today more than **65 per cent** own a smart phone and the average Australian adult owns **2 point 2 smart phones and 1 point 6 tablet devices**.

And finally back then we were all bragging about our **Pentium Pro computers** with a massive one gigabyte hard drive, lightening fast **33 Megahertz processor** and **28 point 8 megabit modem**.

Obviously times have changed and technology has evolved.

Today we still use TAAATS as our air traffic management system. We have extended, upgraded and reprogrammed it. We have gone just about as far as we can go - so it's now time to look to the **next 20 years**.

Our new **OneSKY** system is part of that evolution. We are building one team, one system and **OneSKY**.

It will enhance navigation and communication capabilities that will allow us to keep abreast of global changes in aircraft technology, maximise safety performance and cost efficiency.

Some people ask me when we will start to feel the first benefits of the **OneSKY program**.

The fact is that as we ready our systems and infrastructure and capability for **OneSKY**, we are already delivering benefits.

ACE and **Metron Harmony** are examples of lifting our business as usual capacity and air traffic management systems to make sure we are **OneSKY** ready.

ACE and **Metron Harmony** are delivering quantifiable cost and efficiency gains for our customers today.

Our **collaboration with Defence** has seen the optimisation of airspace with civil aircraft providing greater access to military airspace when it is not required operationally.

OneSKY will happen in a phased transition between **2018–2021**...

And we are one track in its development!

We have completed the tender evaluation and we will soon enter the contract negotiation phase. We will source and select the preferred technology in the **first quarter of next year**.

Beyond that, we intend to move into the advanced system design stage and we aim to start building by the **end of next year**.

OneSKY is part of an overall plan to deliver a harmonised national system which will enable a new level of operational and cost efficiency and safety:

- a single flight information region
- a true national solution to **ATM infrastructure** and systems
- seamless air traffic management services provided by **Airservices and Defence**
- a system capability to maximise the design and use of more flexible airspace and maximise flight routes for example the greater use of **User Preferred Routes or UPRs**
- **integration of new Global Navigation Satellite Systems (GNSS) technologies**
- **Automatic Dependent Surveillance Broadcast (ADS-B)** surveillance and maximise the use of new aircraft avionics developments

- improved system resilience and contingency response
- enhanced business continuity capability
- a nationally accredited and capability-focused workforce and;
- alignment with future international standards and procedures as defined by the International Civil Aviation Organisation–ICAO.

The eyes of world aviation are on us!

We want to ensure that Australia is recognised not just for its impeccable safety record, but for providing world class efficiency for those using our airspace.

And we want to assist **you in meeting your organisation's goals** – cost efficiencies and customer expectations.

This year we launched a program to change the culture of our organisation. This program, titled '**Our people, our future**', aims to build a foundation that puts customers at the heart of everything we do, ensuring we understand and respond to their changing needs while continuing to hold safety as our highest priority.

We want to **remove red tape** wherever possible, **streamline our service delivery** and ensure we have the systems to support **efficiency and the ability to respond to our customer's priorities**.

In conclusion

In talking to you about our recent activities I've covered **14 different projects** each with their own name or acronym – **Metron Harmony, SmartPath, ACE, ADS-B**.

These all have enormous meaning and represent enormous effort for us all.

My favourites are **MATE, INSPIRE, Skysafe** and **OneSKY** – they represent what we should leave the conference with.

It has been one hundred years since the first commercial flight and a lot has changed.

Those of us in this room have already recognised the need to step up and be ready to change again.

I am very confident that together we can continue to build a **resilient, sustainable and prosperous Australian aviation industry** – we will do this with technology and working together and never wavering from our focus on safety.

I hope you enjoy Waypoint 2014 and welcome your participation in our future.