



Promises Delivered – The New Airservices

Address by Jason Harfield

CEO Airservices Australia

Good afternoon, ladies and gentlemen.

It is quite a challenge for any conference speaker to be slotted straight after the wonderful Jessica Watson (not to mention just before closing drinks!). It was great to hear her story, and to be reminded that sailors, like aviators, continue to find inspiration in the starry skies above...

As the youngest sailor ever to circle the planet alone, and despite her modesty, Jessica is famous for her solo achievement. The story I want to tell today, however, is one of collective effort and shared results. And it involves everyone here in this room.

When I first spoke at this conference two years ago I was the Acting Chief Executive Officer of Airservices. I will never forget my meeting the day before with Jim Davis, Michael Bridge and Paul Tyrell.

I was given some very blunt insights into how the RAAA viewed the performance of Airservices...and our pricing.

I recall some bracing comments about how much our organization needed to change.

It was certainly a memorable meeting – and a valuable one.

Because it was more than just a frank encounter. There was practical wisdom and generosity of spirit on the part of the RAAA.

The RAAA heard us out, listened to our plans and, importantly, accorded us the necessary time and space to make substantial organisational change.

Last year I came back to this conference with the authority of full leadership, and was able to inform the RAAA of our progress in undertaking a major turnaround. I said that Airservices was on a mission of intense change, striving to become 'match-fit' to serve the needs of the entire Australian aviation industry.

Today, a year later, I am delighted to report to you that we are now delivering in full on that promise. Over an 18 month period, via our Accelerate program, we have moved from an out-dated operating model to become a profitable, sustainable, more customer-focused organisation. That means an Airservices that works better for all of us and, more importantly, better for all of you.

We have put ourselves on a strong and sustainable financial footing. While we had 4.5% growth in annual income last year, we achieved a 15.2% cut in expenses compared to the prior year. We reported annualised savings of \$177 million, a major turnaround in our cost base. And we recorded an underlying net profit after tax of \$59 million.

We increased our productivity significantly, cutting our total cost per flight hour by nine per cent on the previous year. And with a more efficient operating cost-base, we confidently expect our productivity to increase still further.

The key to achieving these results was a dramatic reorientation of our organisation. We got rid of layers of bureaucracy. We have brought into our enterprise more than 300 people with the new capabilities to help us acquire and manage the latest technology more effectively.

The front line you work with every day has top priority, from our 1,000-strong cohort of air traffic controllers to nearly 900 aviation rescue firefighters. Where we had a ratio of five support staff for every four operational workers, we've turned that around too: now

there are four support staff for every five operational workers. Last year there were zero significant safety occurrences, while our firefighters responded to 430 aircraft incidents.

And I am pleased to say that, after flagging a 15 per cent price increase over five years, including an eight per cent increase in the first year, not only did we not raise our service prices after all, but we will also hold these price levels right through to the end of 2019.

At that time, with continuing growth, we will be well-positioned to consider a price reduction, while still delivering on all our service commitments. That means, as a minimum, a price reduction in real terms of around ten per cent for you over the next five years. So you can plan and budget for the future with a sense of confidence and stability about this aspect of your enterprises.

Our mission at Airservices is to provide safe, secure, efficient and environmentally responsible air navigation and aviation rescue fire fighting services for the whole of Australia.

But the environment in which we operate is changing substantially. So we must continue to invest and evolve – and work with you to do so – if our national aviation ecosystem is to remain effective and competitive over the coming years.

Last year Australia's skies were busier than ever

Airservices facilitated four million aircraft movements (up three per cent on the prior year), and an astonishing 156 million passengers. That's equivalent to the entire Australian population nearly seven times over, moving into, out of, or around our country.

Amazingly for a nation our size, Australia has not one but two of the world's fifteen busiest air routes in Sydney-Melbourne and Brisbane-Sydney, and that means we must skilfully manage some of the most crowded airspace on the planet. When we had a technical outage in Sydney in September, the entire network was affected.

It was a reminder of the national significance of the work we do; the vital role aviation plays in our society and community; and also the need for us to keep investing so that Australia's air traffic management system can keep on safely and efficiently supporting Australia's growing air traffic. It's why our ambitious OneSKY program is so important, and I'll say more about this in a moment.

The fact is that we Australians are custodians of 11% of the world's airspace. So at Airservices we need to be able to operate across a vast spectrum – managing areas of maximum global air traffic density, while affordably servicing vast regions with some of the world's lightest air traffic.

Our challenge is always to optimise safety and efficiency, as we support continuing growth in an industry that is so important to the well-being of Australia. The economic numbers are well understood – aviation contributes around \$7 billion annually to the Australian economy and employs nearly 60,000 people. And regional aviation is part of that economic equation. It is quite simply an essential element of the national transport infrastructure.

But I think it's important that we acknowledge here again that regional aviation's significance goes way beyond economics. The regional aviation industry plays an essential role in nurturing health, well-being, connectivity, and opportunities for regional and remote Australians, linking far-flung communities to each other and the metropolitan centres. Regional aviation is about equity and access as much as economics.

That's why Airservices has specific measures in place to protect and promote general aviation.

Currently our charges are waived for low volume general aviation operators up to a value of \$500 per year. This currently applies to around 3700 of our customers.

Fees are only paid by GA aircraft for full-stop landings. Airservices does not charge for take offs, touch-and-goes, air work, or transiting of controlled airspace.

Even if multiple circuits and touch-and-goes are undertaken, only a single charge is levied. To give one example, a Cessna 172 pays \$15.22 for a one hour session of circuit training.

General aviation aircraft are not charged at all for aviation rescue fire fighting (ARFF) services.

And GA aircraft only pay for enroute services when they are flying instrument flight rules (IFR). And the rate for IFR enroute for GA is 90 cents per tonne per 100 kilometres– a fraction of the cost for commercial aircraft.

In general, those airports which are most frequently used by the GA sector are cross-subsidised by the larger airport in that basin area. And Airservices incorporates subsidies in secondary capital city ports charges, only recovering a small proportion of direct services costs from airport users at these locations.

Altogether this means that at least 6 out of 10 aircraft below 5700 kilos are not incurring any charge whatsoever for our services: a clear recognition of the value and importance of the general aviation sector and our mandate to promote and support general aviation in Australia. And the changes we have made through the Accelerate program will only strengthen our capacity to support and nurture your sector.

We know it's important to pass on the savings achieved by our new operating model via lower prices for our regional aviation customers.

But we are equally mindful of the need to fund key investment programs that deliver continuing safety and service improvements. That's how we can optimise the aviation ecosystem for all participants, including regional aviation.

In 2016-2017, we invested \$151 million through our investment programme to make the aviation industry safer and more efficient.

Our OneSKY program will represent a once in a lifetime transformation for Australian aviation management. It may well provide a model for other countries to follow.

OneSKY means Australia's vast air space will be managed as one single flight arena, with common information, data sharing, greater airspace flexibility, greater resilience, and common tools to manage air traffic more effectively.

Combined with our other reforms and technologies, OneSKY will mean that we can smoothly handle all anticipated growth in traffic in capital city airports. Which means service improvements and efficiency gains across the network, and for all our customers.

Two of our major investments will have direct benefits for the safety and efficiency of regional aviation. Last year ADS-B received its final mandate, which means that all aircraft operating under instrument flight rules are required to be ADS-B equipped. At Airservices we are well aware that this has been a costly exercise for general aviation but it does represent a step change in safety and efficiency in our skies. As you probably know, nationwide we have 29 air traffic control towers but 240 aerodromes. With ADS-B technology we will now be able to provide enhanced surveillance at many of our uncontrolled aerodromes, which means greater capacity to manage the airspace in and around those sites in a safe, efficient and structured way.

We have also introduced more than 20 barometric vertical navigation approaches, many of them at regional airports and small aerodromes, adding another level of safety. We are moving quickly to roll these out, and we will have introduced over 100 by 2019.

This coming year we will continue to consolidate our revitalised structure and processes within the new cost base we have established. We will continue to listen to the voice of regional aviation and work closely with you. With our re-energised culture, greater discipline, and a focus on beneficial innovation, we will be diligently looking for further savings opportunities and more ways to bring benefits to you, our customers.

It's been a big team effort, both within Airservices and with the benefit of the RAAA's energetic input.

Airservices is now match-fit for the future. There are strong grounds for optimism about the way ahead.

And we look forward to many more constructive conversations with the entire regional aviation community, and safe, efficient and affordable flying across Australia now, and in the years to come.

Having said that, I think this might be a great time to finish, and make ready for closing remarks and drinks!