

ADVISORY INFORMATION 01/2024

7th February 2024



RESPONSE TO CAN 01/2023 - NOTICE OF PROPOSED RULEMAKING: THE CONSULTATION DOCUMENT ON THE RATIONALISATION OF FEES AND CHARGES BY THE CIVIL AVIATION AUTHORITY OF MALAYSIA (CAAM)

1 Introduction

- 1.1 This document is published as a response to all submissions received from various stakeholders on CAAM proposal set out in CAN 01/2023 - Notice of Proposed Rulemaking: The Consultation Document on The Rationalisation of Fees and Charges by The Civil Aviation Authority of Malaysia (CAAM).
- 1.2 The consultation period ended on 31st October 2023 and a total of 246 submissions was received from various stakeholders.
- 1.3 All the submissions received which includes all type feedback, comments, and questions was then analyzed and reviewed by CAAM which also had been carefully considered in determining our final proposal of the new fees and charges which schedule to be implemented from 1st January 2025.

2 Submissions

- 2.1 As of 31st October 2023, a total of 247 submissions was received from 176 stakeholders. The breakdown of the stakeholders which had provided their submissions is as follows:

Involvement in the Aviation Industry	Number of stakeholders	Numbers of submissions
Aerodrome operators	2	5
Unmanned Aircraft Systems / Drone	11	52
Airlines	3	9
Approved Training Organisation / Flying School	1	1
General Aviation	3	24
Maintenance Organisation	1	1
Air Traffic Control Services	154	154
Airline Representative organization	1	1

- 2.2 The highest number of submissions, with 154 submissions was received from stakeholders coming from Air Traffic Control Services which is mainly among the Air Traffic Controllers. This is followed by 52 submissions which provided feedback on Unmanned Aircraft System (UAS) related fees and charges.

3 Responses to Submission

- 3.1 Aerodrome related charges (Application for renewal of certificate of aerodrome and aerodrome security charges)

3.1.1 Summary of Submissions:

- a) One respondent stated that the proposed revision of fees and charges for Application of Renewal of Certificate of Aerodrome will impose a substantial financial burden to airport operator. This will add to increase of cost of operating an airport that could lead to airport operator reducing services and raising their fees.
- b) The same respondent also stated that the new increment is not justifiable and too high, and would have a negative impact on airport operators, the aviation industry, and the Malaysian economy as a whole.
- c) The current proposal does not account for the differentiation among domestic airports. There are four categories but the proposed charges do not consider these distinctions. Airports, which are medium and low volume of aircraft movement and often unprofitable, should not have the same charges as bigger airport. Besides that, STOLports currently pay no certification charges, and introducing a RM30,000 fee would be burdensome for these STOLports that typically serve remote communities and operate primarily based on corporate social responsibility. Most of STOLports are not making a profit. Imposing higher charges on these STOLports would add to their financial burden, potentially leading to operational challenges or even closures.
- d) The same respondent also pointed out their disagreement to the introduction of Aerodrome Security Charges which proposed to be implemented starting from 2027. This due to the fact that charges intended to cover all aerodrome security oversight related cost is already in place where Passenger Security Service Charge (PSC) is being collected from each passenger departing Malaysian airports.
- e) One respondent from Helideck Operators request for a reconsideration of the proposed fees increase since they believe that such an increase could have a detrimental impact on their operation. Other respondent also stated that the increment to the Helideck Operators is unnecessary because the yearly inspection is done by third party not CAAM personnel as per for other aerodromes.

- f) These are among the recommendations submitted by respondents:
- i) Gradual increment, with lower percentage in increase to provides airports with greater financial predictability and the opportunity to adapt to changing economic conditions over time.
 - ii) Reevaluate the new proposed charges to ensure it adequately covers CAAM's oversight costs while remaining affordable for airports and STOLports, especially those operating under corporate social responsibility principles. Request for no fee for STOLports aerodrome certification.
 - iii) Differentiated charges based on airport categories of traffic/aircraft movement. This would ensure that struggling airports are not burdened with excessive fees while larger, more profitable airports contribute their fair share. Tiered system proposed according to number of runway and yearly aircraft movement at the airport. Fees and charges based on aircraft movement at the airport
 - iv) Extending the aerodrome certificate's validity to a fixed duration of five years similar to Singapore and Indonesia. Currently, certificates are valid for up to four years, causing uncertainty due to instances of airports/ heliport receiving only 1 to 2 years of validity because of non-compliance issues.

3.1.2 Our Responses:

- a) The approach adopted in the development of the new proposed charges is consistent with the principle of cost recovery which is in line with the plan set out by Ministry for CAAM to be self – financing entity, without the continued reliance to funding by the Government. While it is acknowledged that any increase of fees will have an impact to company operational cost, CAAM is in the opinion that the implementation of the proposed increase is justified and timely. With this understanding, the implementation of the new fees and charges will only be going to take effect from 1st January 2025. Hence the early information to all stakeholders in order to help them in their financial planning.
- b) The new proposed rate has also considered differentiation of charges based on numbers of runway. The more runways an airport has, the higher the fees. As for the smaller aerodrome such as STOLports and heliport/helideck, the fees is set to be much lower. CAAM do understand the view which stated the new proposal does not account for differentiation among the domestic airports, especially those medium and low volumes of traffic and most likely, often unprofitable. However, certification and safety oversight activities for those airports is required to be performed with the same regulation and standard, with certain amount of resources and efforts from CAAM. Nevertheless, CAAM will put forward this specific concern to the Ministry for careful consideration before finalization of the fees.

- c) CAAM is also mindful with the opinion expressed by respondents on the introduction of new fees for Aerodrome Security Charges (RM 0.25 per passengers) which argue that such charges for the purpose of security is already collected from passengers via Passengers Service Charges. CAAM will relook at the proposal before any decision on its implementation which was planned to take effect in 2028.
- d) The rationalization of fees and charges by CAAM is crucial for CAAM to enable the performing of its function as the sole safety and technical regulator for aviation industry. CAAM has strengthen its client charter, thereby contributing to the improvement of services and overall value to the aviation industry. CAAM has enhanced stakeholder knowledge and made information readily accessible with the publication of Civil Aviation Guidance Material (CAGM) and Civil Aviation Directives (CAD), fostering a more informed and engaged aviation community. Additionally, CAAM has also ensured that stakeholders are informed through regular updates and announcements with Advisory Information (AI), Safety Information (SI) and NPRM on the website. Consistent communication helps maintain engagement and keeps stakeholders informed about relevant developments. Investments in new technologies, software, or digital infrastructure require additional funding. Adjusting charges will help cover the costs of implementing and maintaining these technological enhancements.

3.2 Route Air Navigation Charges

3.2.1 Summary of Submissions:

- a) A respondent coming from airline operator stated that they acknowledged that CAAM current fees for Route Air Navigation Charges (RANS) is among the lowest in the region. However, they also stated that the proposed revisions in this charge would dramatically increase their cost of operations, especially due to the high volume of its flights outbound & inbound Malaysia versus the other operators.
- b) One other respondent, which is also a major airline in the country stated that they understand the needs for CAAM to increase its fees, but stressed that they are more rooms for CAAM to improve its service delivery in assisting airlines with its process improvement initiatives.
- c) Request for CAAM to review the proposed quantum of increase as lower percentage of increase along with improvements and efficiencies in services will be amenable for them.
- d) One respondent voiced out that the proposed fee increases of 297% by 2025, 454% by 2028, and 566% by 2031 would be unsustainable for a small Flight Training Organisation (FTO). This is because as they continue to recover from the financial impact of the pandemic, the implementation of propose increase would threaten their viability. To mitigate the impact, they will need to raise their

course fees. Request a deferral of fee adjustments until a forum can be convened to discuss the proposed increases, considering the unique challenges faced by small and large industry players.

- e) The below is some of the recommendations included in the submissions:
- i) Suggest for charges based on flying travel distance instead of the proposed model.
 - ii) Shorter departure and arrival procedures to ensure minimal track miles that will result in fuel savings from the planning stages, efficient utilisation of aircraft and improved On-Time Performance.
 - iii) Adoption of Arrival Route Efficiency (A.R.E) metrics to measure airspace efficiency and sustainability impact of airspace management.
 - iv) Deploy all the existing Point Merge System (PMS) that will enable the operators to plan the arrivals according to the inbound direction.
 - v) Adapt RNP AR (Required Navigation Performance Authorisation) Required as the primary instrument procedure at major domestic airports
 - vi) Enhancement on departure clearance process and quick departure clearance issuance from Air Traffic Services (ATS) Lumpur Delivery.
 - vii) Revenue coming from fee increase in RANS shall be translated into airspace improvement management, hence the need to see the improvement plan by CAAM for the industry to see the saving.
 - viii) Higher charges should be imposed on foreign airlines that do not operate or land in Malaysia.

3.2.2 Our Responses

3.2.2.1 From internal assessment made by CAAM during development of the new pricing, three key challenges were observed, as follows:

- a) Absence of comprehensive framework:
- i) The current mechanism for the fees and charges for Air Traffic Service that does not take into consideration the cost and effort required in providing services;
 - ii) The absence of a comprehensive framework limits the ability for CAAM to justify any future increase in fees and charges as required when the effort to provide the services increases; and
 - iii) While there have been engagements with industry stakeholders, a formal and periodic methodology of engagement has not been implemented, which has resulted in ineffective communication with the stakeholders in the past.
- b) Under charging
- i) Due to the lack of a comprehensive framework, the fees and charges have not been adjusted to reflect the cost structure or market rates; and

ii) Consistent under-charging of fees is not commensurate with the growing costs of providing services, preventing CAAM from reaching financial self-sufficiency.

c) Revenue gap

i) Due to consistent under-charging and growing operational costs, CAAM has been dependent on Government grants to cover its operational expenditures;

3.2.2.2 The new fees and the implementation schedule have been developed as a response to the above challenges together with the fees structure that will enable CAAM to produce sufficient revenue to exceed all direct and indirect operating costs and so provide for a reasonable return on assets. The implementation of new fees that will only going to take effect on 1st January 2025 will also provide ample time for all the airlines and other effected parties to prepare. The timing of the implementation is also in consideration of the assumed industry recovery from COVID19 pandemic as forecasted by IATA.

3.2.2.3 On the specific feedback highlighted the concern from Flight Training Organisation (FTO), CAAM is mindful on the impact of this new fees to those FTOs. This will be carefully deliberated internally before the finalization of our proposal considering the unique challenges faced by the FTOs. However, it is important for CAAM to fully recovered its cost associated in providing the services.

3.2.3 RANS Fees Comparison

3.2.3.1 Below is the comparison of the proposed charges and current charges.

Description	Current Charges	Proposed Description	Proposed Charges
Each flight through airspace within the boundaries of Kuala Lumpur and Kota Kinabalu Flight Information Regions for an aircraft with maximum certificated take-off mass of –	Charges per Nautica Mile	Each flight through airspace within the boundaries of Kuala Lumpur and Kota Kinabalu Flight Information Regions for an aircraft with maximum certificated take-off mass of –	Charges per flight
a. 0kg - 2,500kg	a. 0.10	a. 0kg - 2,500kg	a. 139
b. 2,501kg – 5,000kg	b. 0.20	b. 2,501kg – 5,000kg	b. 198
c. 5,001kg – 45,000kg	c. 0.30	c. 5,001kg – 45,000kg	c. 284
d. 45,001kg – 90,000 kg	d. 0.40	d. 45,001kg-90,000 kg	d. 405
e. 90,001kg – 135,000kg	e. 0.50	e. 90,001kg-135,000 kg	e. 446
f. 135,001kg or more	f. 0.60	f. 135,001kg-200,000kg	f. 490
		g. 200,001kg-300,000kg	g. 539
	Minimum Charge of RM 10	h. 300,001kg or more	h. 593

3.2.3.2 Based on the above, direct comparison merely based on the rate between the two (current vs proposal) is not appropriate due to the difference in pricing model. Currently, RANS charges are based in distance travel whereby the new proposal will be charge per flight. Such direct comparison will not provide accurate representation of the actual. Hence, the comparison is as follows:

3.2.3.2.1 1st Example:

Aircraft type : Airbus A320
 Certified take-off mass : 75 500 kg

Travel Distance (Nautica Miles)	Current Pricing (RM)	Proposed Pricing (RM)
350	90	405
500	300	405
750	300	405
1000	400	405

3.2.3.2.2 2nd Example:

Aircraft type : Boeing 787
 Certified take-off mass : 250 000 kg

Travel Distance (Nautica Miles)	Current Pricing (RM)	Proposed Pricing (RM)
350	140	539
500	300	539
750	450	539
1000	600	539

3.2.3.2.3 3rd Example:

Aircraft type : Airbus A350Neo
 Certified take-off mass : 272 500 kg

Travel Distance (Nautica Miles)	Current Pricing (RM)	Proposed Pricing (RM)
350	140	539
500	300	539
750	450	539
1000	600	539

- 3.2.3.3 From the above examples, it shows that airlines will require to pay more than what they are currently paying for RANS. However, this very much depends on the travel distance, where the percentage of increase between current and proposed pricing will be smaller, the longer the travel distance. CAAM acknowledged the impact of the new pricing to the airlines but CAAM maintains our position that this continue under charging need to change. Additionally, substantial disparities exist between our existing revenue and the costs associated with delivering services, necessitating a shift in the current model.
- 3.2.3.4 CAAM has also considered the potential impact that the new pricing might have on passengers. We expected the impact, to cost per passenger will be somewhere between RM0.50 to RM4.13 per passengers. For example, for an Airbus A320 carrying 180 passengers, if they are flying 500nm in Malaysian Airspace, their RANS fee according to the new pricing will be RM405 and divided with the number of passengers on board, it will cost RM 2.25 per passenger. With current pricing, the RANS fee for that same flight will be at RM200, or RM1.11 per passengers. The difference in cost per passengers will be at RM1.14. Nevertheless, this may not necessarily impact airfare pricing, as the majority of both domestic and international airlines employ dynamic pricing methods to establish their airfares where price setting is based on demand and market conditions. The higher demand for scheduled flight service and the perishable nature of scheduled flight services would result in an increase in airfares.
- 3.2.3.5 CAAM do realised the importance for CAAM to be cost conscious in order to maintain our operational cost since the uncontrolled increase in our cost will indirectly burden the industry. One major initiative already in motion is to implement multi – rating for Air Traffic Controller. This effort was put in place to reduce the need for CAAM to employ new additional new controllers whereby our current staffing level will be fully optimized. This will contribute greatly towards CAAM cost control effort.
- 3.2.3.6 CAAM remains committed to continuously enhance its services offerings that will benefits the industry. There are multiple initiatives undertaken by CAAM, which include service enhancements and infrastructures improvements, to provide a positive experience for all stakeholders, and especially all airlines.

3.2.4 New Kuala Lumpur Air Traffic Control Centre

- 3.2.4.1 The new KLATCC features state-of-the-art technologies and facilities that improve flight safety, increase aircraft movement capacity, reduce flight delays and improve the Search and Rescue capabilities. This also include the redesign of new airspace which comprises of:
- a) Upgrade of new airspace with introduction of newly establish Area Navigation (RNAV) routes.
 - b) Revision the existing Air Traffic Services or RNAV routes.

- c) Realignment of Danger Area WMD421 for military use.
- d) Increase 7 sectors to 14 sectors
- e) Introduction of Southern and Northern Point Merge System (PMS) entry.
- f) Average Track Shortening – 32NM per Standard Arrival Route
- g) Increased Required Navigation Performance – Authorisation Required (RNP-AR) approach frequency providing precisely defined arrival and approach, reduced fuel burn, and reduced block variance.

3.2.4.2 The initiative is projected to provide a fuel saving of USD74 per minute and an average of approximately eight minutes of time saved per flight. This translates to cost saving for flights that receive the track shortening support

3.2.4.3 CAAM also continuously listens to all input and feedback and additional initiatives is already in progress with some has been rolled out.

- a) Implementation of 2 PMS (East and West) as default setting starting from 1st September 2023 to cater the traffic demand and also to reduce the controller's workload.
- b) Study on the feasibility of default RNP AR will be done on smaller airport prior to major domestic airports. This is on-going initiatives that CAAM will look into.
- c) CAAM currently doing airspace study in collaboration with BOEING to address the issue of longer routing due to congestion in KLIA.
- d) CAAM currently working with METMalaysia for the establishment of Air Traffic Flow Management (ATFM) dan Meteorological Service for Terminal Area (MSTA) to cater for the smooth ATFM implementation which will improve capacity management especially during adverse weather.
- e) Integration and linking up of CARES (CAAM Aviation Reporting System) with airlines safety reporting system is already in plan for roll out by June 2025.

3.3 Airworthiness related charges (Application for renewal for certificate of airworthiness (CoA) and Application for renewal of certificate of approval of organisation relating to continuing airworthiness management, maintenance of aeronautical product and maintenance training)

3.3.1 Summary of submissions

- a) One respondent stated that the proposed quantum of the increase for the CoA renewal applications (i.e. 200%) is high. They are amenable to an increase in the CoA renewal fee but at a lower percentage.
- b) One other respondent also highlighted their opinion that the new fees represent % increment of 50% (2025), 95% (2028) and 134% (2031) from current renewal fees rate. they will be paying RM58,500 (2025), RM76,050 (2028) and RM 91,260 (2031) vs. current RM39,000 for Part 145, whereas for Part 147 they will

be paying RM27,000 (2025), RM35,100 (2028) and RM 42,120 (2031) as compare to current RM18,000. 134% increase within 8 years period (or 13% yearly) is considered a steep increase for MRO in Malaysia. The same respondent also would also like to know the benefit the increase brings to the industry and asked whether will there be shorter response time to Approved Maintenance Organisation approval application, either new or extension. They also asked whether they are going to be improvement to current waiting time for our foreign Technical Handler's application that could reach 6 months.

- c) There is a proposal by one respondent among the Approved Maintenance Organisation for CAAM to impose charges based on EASA fees structure which is based on number of staffs as this indicate the surveillance manhour required for such activity.
- d) One respondent proposed for CAAM to review the current AMO (Part 145) classification of ratings, e.g. B737-600, B737-700, B737-800, B737-900 are currently being considered as individual ratings whereby they should be considered under one single rating of B737-600/700/800/900.

3.3.2 Our responses

3.3.2.1 With the rationalisation of fees and charges, the structure of the fee will have new calculation scheme. Currently, the method to calculate the rating is based on the single/specific type of aircraft. With the new scheme, the calculation of the rating will be determined based on the group and series of aircraft types as reflected in the Type Certificate Data Sheet (TCDS). This method is in line with other authorities practices and implementation.

3.3.2.1.1 For example: -

Present Calculation

Each application for one rating and location = RM 1000

Each additional rating or category = RM 500

If the organisation has seven (7) aircraft types such as:

- i. Boeing 737-300
- ii. Boeing 737-400
- iii. Boeing 737-500
- iv. Boeing 737-800
- v. Airbus A319

- vi. Airbus A320
- vii. Airbus A321

The calculation of charges will be as follows:

Each application for 1 rating + 1 location	RM 1000
Each additional rating or category (500 x 7 aircraft types)	RM 3500
Total	RM 4500

3.3.2.1.2 New Calculation

Each application for one rating and location = RM 1500

Each additional rating or category = RM 750

If the organisation has seven (7) aircraft types such as:

- i. Boeing 737-300
- ii. Boeing 737-400
- iii. Boeing 737-500
- iv. Boeing 737-800
- v. Airbus A319
- vi. Airbus A320
- vii. Airbus A321

The calculation of charges will be as follows:

Each application for 1 rating + 1 location	RM 1500
Each additional rating or category (750 x 2 aircraft types as determined by TCDS)	RM 1500
Total	RM 3000

3.3.2.2 There will be a reduction in the organisation fee, however it will not lower the level of CAAM's surveillance onto the organisation. CAAM will embark on Risk Based Oversight Framework where the method of surveillance will be determined based on the risk, criticality and area of greater concern. Implementation of Compliance Questionnaire (CQ) and introduction of e-AMS (Audit Management System) which planned to be fully be implemented by Q4 of 2024 will greatly improve our oversight and surveillance system.

3.3.2.3 CAAM will focus more on aircraft Certificate of Airworthiness (CofA) activity. As more aircraft will be registered and in operation, hence our surveillance onto the aircraft will have to be more tightened yet efficient. More effort and manhour will be allocated for

the CofA activity to ensure aircraft is safe to fly. Furthermore, the current calculation is standard to all types of aircraft, but with the new scheme, it will be based on the MTOM of the aircraft which will be a relief for small operator using light aircraft.

3.3.2.3.1 Present calculation:

For each 1000kg = RM 200

Therefore, Airbus A320 with MTOM is 68,000 kg, the fee will be RM 13,600.

3.3.2.3.2 New calculation

Aircraft with MTOM between 15,001 kg to 150,000 kg, for each 1000kg = RM

600 Therefore, Airbus A320 with MTOM is 68,000 kg, the fee will be RM 40,800

3.4 Unmanned Aircraft System / Drone (UAS)

3.4.1 Summary of submissions

- a) Some respondents have pointed out that introducing new fees and charges related to Unmanned Aircraft Systems (UAS) is premature given the industry's current immature stage. They argue that fees should only be implemented once the industry has fully matured. This viewpoint is supported by the ongoing efforts of the International Civil Aviation Authority (ICAO) in finalizing safety oversight frameworks, standards, and regulations for UAS activities.
- b) A respondent emphasized that the UAV/UAS industries are still in their infancy, grappling with regulatory uncertainties and a lack of Standard Operating Procedures from relevant departments and agencies. Consequently, they believe it is unfair for the Civil Aviation Authority of Malaysia (CAAM) to impose fees without conducting thorough studies and considerations.
- c) This was further highlighted by a response received which requested for detailed clarity would be required in the future with regards to the size of operators. This is because drone operations can vary significantly, and the measurement criteria should encompass a broad spectrum of factors. For example, size of operators should not be solely defined by fleet size, as it could also take into account various aspects such as the geographical location of operations, the purpose of drone use and the frequency and complexity/scope of operations.
- d) The majority of respondents have requested CAAM to review the proposed pricing. One major industry player highlighted that the suggested costs are notably high and may not be sustainable for the industry.

- e) One of the respondent's concern was on enforcement as there are plenty of RP who fly their drones illegally and it is unfair advantage to those who pays the legal fees.
- f) Another respondent raised his/her query with regards to application for initial/renewal UA for a UA Operator and what are CAAMs commitment in providing the service level.
- g) A respondent also stated the introduction of new fees and charges for UAS would essentially halt the progress of industry. With the new fees, the cost to send an item using drone is going to be a lot higher comparing to other modes of transport. As an example, the charges per km in the Class G airspace is not proportionate if it were to compare with the airline airways usage. For airline, the navigation fee (RANS) can be passed on to passenger easily by dividing the navigation fee to the aircraft capacity. For example, for an Airbus A320 carrying 180 passengers, if they are flying 1000nm in Malaysian Airspace, their navigation fee is at RM0.40 per nm, totalling at RM400 divisible by the number of passengers on board. Which results in not more than RM2 per passenger. Putting that into the UAS context, sending a parcel at a 10km distance, before incurring capital/operating expenditure, together with the support to advance mission, it would cost at least RM10+RM2 for 1 mission. In order for the business to sustain, the regulatory cost would have to be passed on to the passenger. This makes the drone delivery not competitive as compared to ground transportation
- h) One respondent noted that the implementation of the proposed fees is said to become a major drawback for agricultural sector since the use of drones is one of the game changers for the agricultural sector which contribute to the increase efficiency. Request for CAAM to review the proposed pricing and come up with different set of fees for agricultural related UAS activities which cannot be group together with other category of UAS activities.
- i) Many respondents are seeking more clarity on the charging mechanism and expressed the need for comprehensive documentation to reference. Some respondents suggested that CAAM should defer the implementation until proper guidance and documentation are published.

3.4.2 Our response

3.4.2.1 ICAO Standards and Member State Regulation

- a) ICAO primarily focuses on creating standards and recommended practices applicable to international certified operations that involve higher risks. It's crucial to note that for domestic unmanned aircraft systems, Member States retain the authority to regulate. It is up to the Member States to regulate the domestic unmanned aircraft system category. The proposed fees are essential to facilitate the development and maintenance of this regulatory environment, ensuring the highest standards of safety and operational integrity.

3.4.2.2 Industry Maturity and Regulatory Framework

- a) Industry maturity is indeed subjective and varies across different companies and regions. Malaysia boasts companies that are globally ahead in terms of readiness, expertise, and capabilities in the UAS sector. CAAM acknowledges the importance of fostering growth and providing the necessary guidance, facilitation, advice, and consultation to further develop the industry domestically. This commitment requires significant resources, especially in terms of human expertise. To ensure that industry needs are met, CAAM must invest in the training of inspectors to certify and approve UAS operations. The number of inspectors trained will be aligned with industry demands, emphasizing CAAM's dedication to supporting the growth of the UAS sector.
- b) In essence, the proposed fees are integral to supporting CAAM's role in facilitating a robust regulatory environment for UAS operations in Malaysia. The financial investment required is not only for the development and implementation of regulations but also for ensuring that the necessary expertise is available to guide and support industry players. This, in turn, contributes to the overall safety, efficiency, and sustainability of the UAS sector within the country.

3.4.2.3 Cost Considerations

- a) We understand the concerns about the perceived high costs associated with the proposed fees. It's crucial to highlight that the fees are not arbitrarily set; they are based on a thorough analysis of the operational costs, safety considerations, and the need for robust infrastructure to accommodate the growing UAS activities.
- b) Benchmarking Against International Practices: Chief Executive Officer
 - i) When developing the proposal for fees and charges, CAAM conducted a thorough analysis that included benchmarking against international practices. Specifically, CAAM examined proposals from ENAV, the current UK CAA structure, and existing fees and charges structures. This comparative analysis allowed CAAM to align its proposed fees with international standards, considering operational costs, safety considerations, and infrastructure requirements.
- c) Consultation with Ernst and Young (EY) for Civil Aviation Authority of Malaysia
 - i) CAAM sought financial sustainability guidance by enlisting Ernst and Young (EY) to review and propose a fees and charges structure. The published fees resulted from EY's comprehensive review, emphasizing CAAM's need to reduce reliance on government funding and attain financial self-sufficiency. The Executive Summary of EY's Consultancy and Advisory Services underscores the imperative for CAAM to identify a new pricing structure and optimize operating costs. These efforts aim

to balance affordability for industry players while addressing the crucial need for CAAM's financial independence

3.4.2.4 Comparison with other Modes of Transport

- a) We acknowledge the comparison made between UAS and traditional airline airways usage. However, it's important to note that UAS operations involve unique challenges and requirements, such as the need for specialized airspace management and safety measures. The proposed fees aim to cover the costs associated with providing a secure and efficient regulatory environment for UAS, ensuring their integration with other modes of transport.
- b) Enforcement Challenges
 - i) Unlike traditional modes of transport, UAS are versatile and widespread in their applications, making frequent enforcement crucial. The dynamic nature of UAS usage requires continuous monitoring and regulatory oversight to ensure compliance with safety standards. The proposed fees account for the resources needed for effective enforcement efforts, including the deployment of personnel and technological tools to manage the diverse landscape of UAS activities.
- c) UAS Traffic Management (UTM) System
 - i) UAS operations necessitate a comprehensive management system to address the complexities involved. CAAM envisions the UAS Traffic Management (UTM) system as a one-stop center that streamlines the approval process based on the risk category. This centralized approach ensures alignment among relevant agencies, facilitating efficient and secure UAS operations. The development and maintenance of such a system require significant investments, and the proposed fees contribute to funding this critical infrastructure.
- d) Evolving Regulatory Landscape
 - i) The UAS industry evolves rapidly, demanding frequent adaptations to regulations, policing strategies, directives, and guidance material. To ensure the relevance of regulations and the safety of UAS operations, CAAM commits to ongoing efforts in updating and refining regulatory frameworks. This dynamic environment necessitates continuous allocation of resources, both in terms of human expertise and the implementation of supportive tools and systems. The proposed fees are integral to sustaining these efforts, allowing CAAM to stay at the forefront of industry developments and respond effectively to emerging challenges.

3.4.2.5 Clarity and Documentation

- a) We understand the need for clarity and comprehensive documentation on the charging mechanism must be in line with the proposed of the amended Civil

Aviation Regulations. We are committed to providing detailed guidelines and documentation to assist stakeholders in understanding the whole framework of the Regulations in due time. Another exercise of the Noticed Proposal of Rule Making will be issued in near future.

b) Importance of Accurate Data for Fee Optimization:

CAAM recognizes that accurate data is fundamental to proposing a well-calibrated fees and charges schedule. By deferring the implementation until a specified time and gathering sufficient data, CAAM aims to optimize the fees and charges related to UAS TMS. This strategic approach ensures that the industry benefits from a fair and sustainable financial model.

c) Lowering Costs with Increased Usage:

CAAM believes that with a higher volume of people using the UAS TMS, economies of scale can be achieved, leading to a potential reduction in costs. This, in turn, may translate into lower fees and charges for operators. CAAM is dedicated to monitoring the growth and usage of the UAS TMS and will consider adjustments to the fees based Deferred Implementation of UAS TMS Fees:

d) Deferred Implementation of UAS TMS Fees:

In alignment with our commitment to collaboration, CAAM understands the importance of accurate data in proposing an optimal fees and charges schedule. Therefore, CAAM has decided to defer the fees and charges related to the Unmanned Aircraft Systems Traffic Management System (UAS TMS) until a specified time established by the Minister of Transport and when there is sufficient data available.

e) The schedule items that will be deferred are as follows:

- i) E-Identification and Tracking
- ii) Application for initial registration and application for registration renewal of Unmanned Aircraft Operator
- iii) Support to Mission (open category)
- iv) Support to advance mission (specific and certified category)
- v) Advice and guidance (per person per hour)
- vi) Application for airspace usage for unmanned aircraft in open category
- vii) Application for airspace usage for unmanned aircraft in specific and certified category.

3.5 Cargo Security Charges

3.5.1 Summary of submission

3.5.1.1 A respondent shared their disagreement with the imposition of the charges since currently all operator manage all the costs involved for the handling of cargo. They

are requesting for current arrangement in relation with cargo handling to be maintained.

3.5.2 Our responses

3.5.2.1 CAAM is in the opinion that the introduction of this new fees is justified since CAAM is required to recover its costs that associated with the performing of the oversight activities. As stated in ICAO Doc 9082 – ICAO Policies on Charges for Airports and Air Navigation Services, costs directly related to oversight functions (safety, security and economic oversight) for airport services may be included in the airport's cost basis, at the State's discretion. With the introduction of this charges, CAAM will remove all existing aviation security related charges as listed: 1st March 2023

- a) Application for approval of security programme
- b) Application for variation of approval of security programme
- c) Application for renewal of approval of civil aviation security training programme
- d) Application for approval of contingency plan by aerodrome operator
- e) Application for variation of approval of contingency plan by aerodrome operator
- f) Application for certificate as security screener
- g) Application for renewal of certificate as security screener
- h) Application for certificate as instructor of civil aviation security training
- i) Application for renewal of certificate as instructor of civil aviation security training
- j) Application for variation of certificate as instructor of civil aviation security training

3.6 Application for renewal of air operator certificate (AOC)

3.6.1 Summary of submissions

- a) One respondent stated that the propose increase for the AOC renewal applications is extremely high (approximately 38% increase) and they are amenable for an increase at a lower percentage.

3.6.2 Our response

- a) The setting up of the new pricing under the rationalization process was made to enable CAAM to recover its costs associated in providing the services and also to align with change in the aviation sector. CAAM acknowledged that the increase of percentage might be seen as high but this was the result of continued under charging whereby the last price increase which was implemented April 2016 did not managed to solve the deficiency where the fees and charges have not been adjusted to reflect the cost structure. With the new rate, it will also put a significant importance to the AOC itself which reflects the value associated in

getting it approved. CAAM maintains our proposal for the rationalisation of this fees.

- b) As part of our effort in services improvement, CAAM will embark on Risk Based Oversight Framework where the method of surveillance will be determined based on the risk, criticality and area of greater concern. The introduction of e-AMS (Audit Management System), scheduled for full implementation by the fourth quarter of 2024, will indirectly improve our operational efficiency and methods of working.



DATO' CAPTAIN NORAZMAN BIN MAHMUD

Chief Executive Officer
for Civil Aviation Authority of Malaysia
07th February 2024