

Civil Aviation Authority of Malaysia
CIVIL AVIATION NOTICE (CAN)



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Related Reg: Civil Aviation (Fees and Charges) Regulations 2016	
Issue: 01	

**NOTICE OF PROPOSED RULE MAKING:
THE CONSULTATION DOCUMENT ON THE RATIONALISATION OF FEES AND
CHARGES BY THE CIVIL AVIATION AUTHORITY OF MALAYSIA**

1 INTRODUCTION

- 1.1 This consultation document outlines proposed revisions to the existing Civil Aviation (Fees and Charges) Regulations 2016, which are scheduled to come into effect on 1st January 2025.
- 1.2 The Civil Aviation Authority of Malaysia (“CAAM”) believes that our proposal would strike a fair balance in terms of charging, taking into account the ongoing impact of Covid-19 and recognizing the significant role played by CAAM in the industry's recovery. We welcome positive feedback on these proposals, particularly from those that will be directly impacted by the proposal.

2 BACKGROUND OF OUR PROPOSAL

- 2.1 CAAM is a Federal Statutory Body under the jurisdiction of the Ministry of Transport, and has a dual role as both an aviation safety technical regulator and an air navigation service provider for Malaysia. CAAM's financial support primarily comes from two sources: Government Grant and revenue generated from its core business activities. Currently, over 60% of our operational expenses are covered by Government Grant, and this is an aspect that requires adjustment.

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- 2.2 While CAAM has historically relied on government funding to meet its financial needs, it has become essential for CAAM to take measures to decrease its reliance on Government Grant and attain financial self-sustainability.
- 2.3 CAAM collects approximately RM120 million per year (pre – COVID19) from fees and receives around RM300 million to RM350 Million in grants from the government for its upkeep which includes staff salary and Air Traffic System maintenance.
- 2.4 To be self-sufficient, CAAM would need to increase revenue from its operational and regulatory activities, which may include refining navigation fees and further diversifying its revenue streams. The Route Air Navigational Service (RANS), which is CAAM’s biggest source of income within its core business has been revised only one time between 1970 and 2021. The only time these charges were revised was in 2016, 46 years after their initial introduction. Without periodic review and revision of these charges, aviation regulation and air navigation services may not be funded in proportion to the growth of resources needed to provide these services, and to meet the accompanying demands of a fast-growing industry.
- 2.5 It is of great significance for CAAM to attain financial autonomy, enabling greater flexibility in managing human resources, a pivotal element in addressing personnel shortages, particularly in terms of adequately qualified technical staff for regulatory oversight. Improved planning for the Air Traffic Management System can be realized through investments in new technologies and systems, reducing the need for government funding.
- 2.6 CAAM does not currently generate sufficient revenue to cover the costs of its operations. Many of CAAM’s service-related fees and charges are significantly below regional rates. In view of the challenges faced by CAAM, there is a critical need for CAAM to identify new pricing structures and to optimise its operating costs.
- 2.7 For this purpose, a study on the rationalisation of the CAAM fees and charges was initiated in 2021 where Ernst & Young had been appointed to perform the study which focused on evaluating current fees, making comparisons, conducting scenario analysis, and creating a plan for implementation. Additionally, input from industry stakeholders was gathered through interviews, discussions, and surveys.

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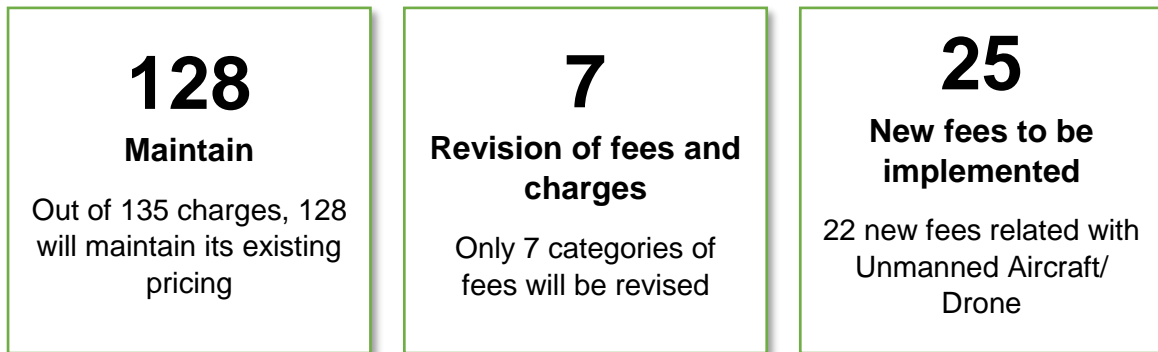
- 2.8 As a response to this required change in line with outcome of the study, the Government is adopting the user-pay principle as the approach to fund the operation of CAAM, in accordance with the principle set out by International Civil Aviation Organization (ICAO). This will be a significant shift in CAAM's financial paradigm transitioning from state-sponsored to a "cost-recovery" model (financed by the industry). Any increase of fees will be implemented gradually, over time, to ensure value growth in tandem with increases. The gradual increase which is planned to commence from 2025 would provide the stakeholders, especially all the airlines with ample time to prepare.
- 2.9 Despite of the fact that this rationalisation of fees and charges will only be implemented in 2025, CAAM remains fully committed in continuously improve our services. Alongside substantial capital investments made in modernizing and upgrading of Air Traffic Management systems, numerous other initiatives have also been implemented, as outlined below:
- 2.9.1 Airspace optimization – seven (7) sectors to fourteen (14) sectors for increase monitoring and safety;
 - 2.9.2 Increase capacity in KLIA from 68 movements per hour to 108 movement per hour;
 - 2.9.3 Short Standard Instrument Departures (SIDs) and Standard Terminal Arrival Routes (STARs) – optimum aircraft flight path resulting in shorter flight times;
 - 2.9.4 CAAM (ANSP) Stakeholder Engagement Committee;
 - 2.9.5 Implementation of new Civil Aviation Directives (CADs); and
 - 2.9.6 Implementation of CAAM Safety Reporting System (CARES).
- 2.10 We believe these suggestions represent a fair approach to funding our regulatory duties which take into account the challenges posed by the current economic situation, and our efforts to prepare for future changes in the aviation industry driven by innovations.

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3 THE PROPOSAL

- 3.1 Currently, there are a total of 135 fees and charges categories under the Civil Aviation (Fees and Charges) Regulations 2016. This revision as part of the rationalisation of CAAM's Fees and Charges will be implemented in stages with first revision in 2025, second revision in 2028 and third revision in 2031.
- 3.2 CAAM acknowledges the considerable economic repercussions that the COVID-19 pandemic has inflicted upon the aviation and aerospace sector since March 2020. Taking these factors into consideration, the following is the breakdown of CAAM's proposed adjustments to fees and charges:



4 FEES AND CHARGES PROPOSED FOR REVISION

- 4.1 The following are the seven (7) categories of fees and charges to be revised:
- a) Application for renewal for certificate of airworthiness;
 - b) Application for renewal of certificate of approval of organisation relating to continuing airworthiness management, maintenance of aeronautical product and maintenance training;
 - c) Application for renewal of air operator certificate;
 - d) Application for renewal of technical approval to undertake any of the ground handling services;
 - e) Application for renewal of certificate of aerodrome;
 - f) Air Traffic Controller license (examination); and
 - g) Route Air Navigation Charges (RANS).

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Please see [Appendix 1](#) for the details on the fees and charges revision proposal.

5 NEW FEES TO BE IMPLEMENTED

5.1 CAAM is introducing 25 new fees to be implemented starting from 1st January 2025 with the breakdown as the following:

- a) 22 new fees under the Unmanned Aircraft / Drone;
- b) 1 new fee for Air Traffic Controller Personnel Licensing
- c) 1 new fee for Cargo Security Charges
- d) 1 new fee Aerodrome Security Charges (to be implemented in 2028)

Please see [Appendix 2](#) for the list of the new fees to be implemented.

6 IMPLEMENTATION DATE

6.1 CAAM proposed for the rationalization of the fees and charges which include both revision and new fees and charges to only be implemented starting from 1st January 2025. It is hope that with this early information, it will give sufficient time for all the industry players to plan in terms of budgeting of their cost and revenue.

7 HANDLING OF FEEDBACK FROM STAKEHOLDERS

7.1 CAAM invite comments on all aspects of the proposals, including the fee structure and the fee levels. To provide your input, please utilize the [online submission form](#). The consultation period will commence from 2nd October to 31st October 2023.

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- 7.2 At the end of the response period, all submissions will be analyzed, evaluated and considered by CAAM. Subsequent to the closing date for feedback, an Advisory Information responding to all submitted feedback will be prepared and published in the CAAM website.

A handwritten signature in black ink, appearing to read "Norazman", is written over a horizontal dotted line. The signature is enclosed in parentheses on both sides.

(.....)

DATO' CAPTAIN NORAZMAN BIN MAHMUD

Chief Executive Officer

Civil Aviation Authority of Malaysia

2nd October 2023