



Helicopter Association of Canada

**HELICOPTER-AOC
INDUSTRY SELF-MANAGEMENT
FEASIBILITY STUDY**

(Final Report)

June 15th 2007

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EXECUTIVE SUMMARY

The Canadian Government Management Board, a function of Treasury Board, has established a new management framework based on program affordability, cost-effectiveness and sound resource stewardship. To reach those goals the Board advocates expanded partnerships with not-for-profit organizations in the design and delivery of services that reflect the needs and priorities of citizens rather than the internal structures of government organizations.

The Government Management Board policy is reflected in Transport Canada Civil Aviation (TCCA) strategic planning. *Flight 2010* encourages the exploration of opportunities for transferring tactical responsibility and accountability for safety to industry, while TCCA concentrates on strategic management of the system.

In 2003, the Minister transferred standardization, certification and oversight of business aviation to the Canadian Business Aviation Association (CBAA). CBAA members praise the Association's safety management for both its stringency and efficiency. The program has allowed TCCA to redirect substantial resources to more productive oversight activities.

Perceiving a similar potential for helicopter industry self-management, TCCA proposed the Helicopter Association of Canada (HAC) consider taking over management of the H-AOC Program. This led to the creation of an HAC/TCCA task force mandated to examine the feasibility and possibly the methodology of transferring responsibility and accountability for helicopter air operator certification and oversight to HAC. The Helicopter-AOC Management Modernization Task Force Terms of Reference task the Association with conducting a feasibility study, in consultation with the industry.

To date, the study concludes that:

- Industry Self-management has nothing to do with de-regulation or self regulation;
- Industry Self-management is a concept that recognizes the positive link between safety, service and profit.
- in statistical terms the Canadian safety oversight system has been cruising steadily for about 15 years.
- H-AOC industry self-management could be like installing a hybrid engine that would increase the cruise speed of the system and considerably improve its efficiency.
- the helicopter industry is a distinct, well-defined, homogeneous facet of aviation, with a highly representative and respected association;
- the vast majority of helicopter industry customers are sophisticated, industrial contractors who hire helicopter services on an exclusive-use basis and who are, themselves, very demanding in terms of service and safety;
- in this context, well-maintained aircraft and suitably trained personnel are not only essential to safety, they are the basic ingredients of service reliability, which is crucial to

- customer satisfaction;
- since competitive imperatives demand that every operator invest equally in safety programs, under industry self-management, pressure from the majority of operators could impose enhanced safety oversight on any operators who's safety culture is deficient;
 - HAC, under the supervision of its Board of Directors/membership, could replace TCCA as the organization responsible for establishing commercial helicopter service operational standards and for the issuance/cancellation of AOCs, amendments, operations specifications, approval of manuals, and the management of audits and SMS;
 - if HAC were to become H-AOC manager the Association would be: accountable to the Minister for H-AOC management in compliance with the Aeronautics Act, subject to administrative monetary penalties, and in extreme circumstances the Association's certification could be suspended/cancelled.
 - under industry self-management operator issues relative to H-AOCs could be resolved entirely within the Association while TCCA issues relative to any operator's AOC could be resolved between the TCCA headquarters and the Association;
 - taking on that role of H-AOC Manager would in no way change the mission, goals and other roles of the Association. The Association could continue to advocate for the helicopter industry and represent operators in all matters of concern to them.
 - the Association would remain totally independent of TCCA and would not be responsible to TCCA for the day to day management of the program;
 - sharing of responsibility for safety management could promote dialogue and greater mutual respect between HAC and TCCA, thus enhancing the Association ability to advocate in favour of the Canadian Helicopter Industry;
 - TCCA would continue to be responsible for establishing and enforcing regulations while the Association could continue to represent members who have a legitimate defense;
 - mandating the helicopter industry as a whole to direct powerful market forces toward more stringent oversight, combined with operator Safety Management Systems (SMS) would amount to SMS²;
 - in spite of the potential benefits, opponents of H-AOC management modernization are likely to contend that industry self-management would be detrimental to safety. Similarly somber predictions were made in opposition to Economic Regulatory Reform (ERR) in the 1980s. Since then the safety record of the Canadian air transportation system has actually improved;
 - competitive dynamics explain the contradiction between the somber predictions for ERR and the subsequent improvements in aviation safety and thus lend support to the hypothesis that H-AOC industry self-management could have a positive affect on safety;
 - although transfer to an industry self-management model would require transitional funding from TCCA and continued financial support for independent auditing, taxpayers would rapidly recoup the investment and reap sustained dividends thereafter;

- operating cost for industry self-management could be recovered through modest charges, that must be highly counterbalanced by savings on fees operators presently pay TCCA for AOC services, operating efficiencies and other ensuing benefits;
- although consultation with industry confirmed that the resolution of needs, issues and concerns must be fleshed out clearly before industry will buy into changing the safety oversight model, no obviously insurmountable obstacles to Industry Self-management were raised.
- considering the Government Management Board objective for modernizing safety management, if HAC does not embrace Industry Self-management some other, less representative organization, may be called upon to do so.

At the 13th Annual AGM, in Vancouver, April 16th 2007, the HAC Membership passed a resolution mandating their Board of Directors to proceed with further exploration of the concept outlined by the H-AOC Industry Self-management Feasibility Study on condition that should continued discussions with Transport Canada lead to a tentative agreement for the Transfer of H-AOC management to HAC, such agreement shall be submitted to the members for ratification.

I. INTRODUCTION

In response to Canadians' changing expectations the Government Management Board, which is a function of Treasury Board, published *RESULTS for CANADIANS: A Management Framework for the Government of Canada*. To attain the objectives of affordability, cost-effectiveness and sound resource stewardship, the Management Board advocates the design and delivery of services that reflect the needs and priorities of citizens rather than the internal structures of government organizations.

Based on the principle that citizen-focused management can be achieved by taking advantage of every opportunity to expand partnerships with not-for-profit organizations, executive management throughout government has been mandated by to pursue, not just partnerships in the design but also in the co-delivery of services.

Government Management Board policy is reflected in Transport Canada Civil Aviation's (TCCA) *Flight 2010: A Strategic Plan for Civil Aviation*, which charts the way for modernization of aviation safety management. At the same time, the plan seeks to achieve a balance between the Government Management Board's objective of creating systems that encourage initiative, innovation and a common sense approach to management and the maintenance of rigorous accountability for safety.

Applying the Government Management Board's "one-size-~~cannot~~-fit-all" approach to modernizing the government of Canada, *Flight 2010* specifically proposes the amalgamation of safety management systems and good business practice, so that industry can operate at the maximum level of delegation possible.

In 2003, TCCA transferred standardization, certification and oversight of business aviation to the Canadian Business Aviation Association (CBAA). The CBAA Private Operator Certificate (POC) Program espouses the precept that with the advent of systemic safety management, industry as a whole has a vested interest in guiding the over-riding safety culture of its members.

The program has since confirmed that, collectively, peers are well equipped to oversee the manner in which individual operators manage safety issues. By pushing the boundaries of accountability and responsibility beyond individuals to encompass business aviation as a whole, the CBAA Program has demonstrated the potential for every "accountable executive" to become his brother's keeper, through a collective safety management system (SMS). Combining the oversight of industry associations with operator safety management systems offers what could be termed SMS².

Encouraged by the success of what has become a well-established CBAA POC Management Program, TCCA proposed that the Helicopter Association of Canada (HAC) join it in exploring the concept of H-AOC industry self-management. This gave rise to the creation of the Helicopter-AOC Safety Management Modernization Task Force, which will examine the feasibility and possible methodology of transferring to industry the responsibility and accountability for helicopter air operator certification and oversight.

The Task Force Terms of Reference (ToRs) require that information be shared in a timely manner and that needs/issues/concerns be addressed as they arise. In keeping with the methodology used

in the concept development stage of the CBAA Program, the ToRs mandate HAC to conduct a concept feasibility study, in consultation with industry. The primary objective of the study is to identify, and substantiate needs, issues and concerns arising from the prospect of an industry/government partnership in H-AOC management and to propose an industry self-management concept that addresses those needs, issues and concerns.

At the 13th Annual AGM, in Vancouver, April 16th 2007, the HAC Membership passed a resolution mandating their Board of Directors to proceed with further exploration of the concept outlined by the H-AOC Industry Self-management Feasibility Study on condition that should continued discussions with Transport Canada lead to a tentative agreement for the Transfer of H-AOC management to HAC, such agreement shall be submitted to the members for ratification.

The Task Force will therefore further review the feasibility and methodology of transfer. Should the Task Force deem the concept feasible and likely to positively affect safety, the concept will be subjected to a formal risk assessment. If the potential to positively affect safety is confirmed, the concept will then be presented for Ministerial consideration.

In the event that the Minister decides to proceed with program changes based on the concept of H-AOC industry self-management, TCCA is committed to extensive external and internal consultations with regard to all aspects of any proposed program and to seeking supplementary Ministerial approval at each stage of the process.

In the event that TCCA and HAC reach a tentative agreement for the transfer of H-AOC management to the Association the said agreement will be subject to prior membership approval.

II. BACKGROUND

2.1 Canadian Helicopter Industry

Canadian registered helicopters range from small, single-engine, piston helicopters, to a limited number of multi-engine commuter class rotary wing aircraft. Most commercial helicopters are single-engine, light turbine-powered, aircraft. Commercial helicopter operations are conducted under the auspices of *Canadian Aviation Regulations (CARs) Part VII*.

The general public rarely uses helicopter services: only one helicopter Air Operator offers publicly available, regularly scheduled service, while recreational and tourism flights are a very small sector of the industry.

The vast majority of helicopter users are sophisticated, exclusive-use, industrial contractors who are well-informed about helicopter operations and very demanding, both in terms of service and safety. For the most part, commercial clients use helicopters in a variety of air taxi and aerial work operations while Emergency Medical Services (EMS) and offshore logistics engage a modest number of commuter class helicopters.

The safety record of Canada's helicopter industry compares favorably with the results of other constituencies. For example, Canada's helicopter EMS industry has never had an accident in its over 30 year history, whereas in the USA, EMS has an unenviable accident record. Contrary to operations in the Gulf of Mexico, the Canadian offshore industry has not registered any human losses. Accident statistics relative to Canadian air taxi and aerial work operations are as good as or better than international averages; this in spite of facing some of the most challenging operational environments in the world.

If the accident rate for the Canadian helicopter industry could be expressed in terms of takeoffs and landings from airports, it would probably compare quite favourably to results obtained by the airline industry. Unfortunately, given the high number of take offs and landings per hour and the often extreme operational parameters, helicopter statistics cannot be compared to that of aeroplanes.

Although the combined effect of Transport Canada safety management and competitive dynamics have fostered a solid safety culture and a comparatively positive safety record, Canadian safety statistics have ceased to improve over the last 15 years. The traditional safety management model having reached the limits of its effectiveness, a modernized H-AOC management model could be the springboard to enhanced safety. The combined benefit of individual operator SMS and industry association SMS would amount to SMS².

2.2 The Helicopter Association of Canada

The Helicopter Association of Canada (HAC) was incorporated in 1994 with the mission of "Bringing the Canadian helicopter industry together".

The Associations principle goals are:

- ensuring the viability of the Canadian Helicopter Industry;
- educating government and public about the industry;
- promoting the enhancement of flight safety;
- developing expanded utilization of helicopters;
- exchanging best practices among members.

HAC's roles include:

- identifying problems;
- searching for solutions;
- advocating for industry;
- representing individual operators;
- organizing an annual convention and trade show to facilitate communications with and within the helicopter industry.

The Association's membership now includes nearly 70% of Canada's H-AOC holders, an astounding achievement for a voluntary membership organization. As a result of its success in attracting operator membership the Association has also enrolled 90 helicopter industry suppliers as Associate Members and 15 Corporate Sponsors including: [ACROHELIPRO](#), [AgustaWestland](#), [AON Reed Stenhouse](#), [Bell Helicopter Textron Canada](#), [Benfield Corporate Risk](#), [Eurocopter Canada](#), [HELICOPTERS Magazine](#), [Honeywell](#), [Pratt & Whitney Canada](#), [Marsh Canada](#), [NAV CANADA](#), [Rolls-Royce](#), [Standard Aero](#), [Turbomeca Canada](#), [Willis Global Aviation-Canada](#).

While the main thrust of the Association's advocacy is oriented toward operational issues, HAC is involved in every aspect of helicopter industry. In addition to being, by far, Canada's most representative commercial aviation association, HAC nominates one of the members of the NAV CANADA Advisory Committee, is a member of the International Federation of Helicopter Associations and is part of the International Helicopter Safety Team (IHST) whose goal is to eliminate helicopter accidents worldwide.

Within the context of the IHST the Association, in conjunction with TCCA, the Canadian Transportation Safety Board, helicopter manufacturers and its membership has taken on a leadership role in establishing the Canadian Joint Helicopter Safety Analysis Team (JHSAT-CAN) and the Canadian Joint Helicopter Safety Implementation Team (JHSIT-CAN).

The JHSAT-CAN is mandated to conduct in-depth causal analysis of Canadian helicopter accidents, evaluate potential interventions, develop reports and recommendations for each accident category. JHSAT-CAN will also propose interventions strategies that have the highest leveraged payoffs, recommend metrics by which interventions might best be evaluated, and summarize methodology used and lessons learned from their work.

The JHSIT-CAN is mandated to develop implementation strategies and Action plans for JHSAT-CAN recommendations, based on a rigorous cost-benefit analysis for implementation strategies; coordinate implementation strategies with responsible organizations; create performance measures using Level of Plan Compliance, Predicted Effectiveness, and Risk Management indicators for each project.

Jointly JHSAT-CAN & JHSIT-CAN are responsible for the ongoing assessments of effectiveness of accident prevention strategies, determining progress in meeting major milestones and reporting to IHST progress toward helicopter accident prevention in Canada.

2.3 Regulatory Framework

Beyond *Part VI - General Operating Rules*, operations conducted by helicopter air operators are subject to *Canadian Aviation Regulations (CARs) Part VII* and incorporated *Commercial Air Services Standards (CASS)*. Unlike private aircraft, maintenance of helicopters used in a commercial air service must be performed by an Approved Maintenance Organization, regulated under *Part V* of the CARs. Canadian helicopter operators will soon be required to implement Safety Management Systems (SMS).

2.4 TCCA Functions

Transport Canada presently has three basic H-AOC safety management functions:

- establishing regulations and standards governing certification, operation and maintenance;
- issuing licenses, permits accreditations, certificates, authorizations, approvals and other documents; and
- monitoring and enforcing compliance with the rules and standards.

2.5 CBAA Experience

2.5.1 POC Industry Self-Management

Since 2003, the CBAA has been the organization responsible for establishing private operator standards for turbine-powered, multi-engine aeroplanes carrying more than six passengers and turbo-powered aeroplanes. CBAA also issues, amends and audits Private Operator Certificates (POC). Private helicopter operators are not obliged to participate in the program, however, some do so, on a voluntary basis.

2.5.2 Operator Evaluation

When polled on the subject of the POC Program, CBAA helicopter operator members responded in very similar terms.

1. They praised CBAA service, noting that what sometimes took TCCA months to do was completed by CBAA in a few days.
2. They consider the price of CBAA services to be quite reasonable given the quality and rapidity of service.
3. They view CBAA auditing to be more stringent than TCCA audits, while being less intrusive and less time-consuming.

2.5.3 Technical Feasibility

The CBAA experience has established that:

- technically competent personnel are available to support industry self-management;
- a small OC management team can provide effective, efficient, consistent and timely services;
- industry managed safety programs can produce more stringent oversight;
- long term costs of industry self-management can be held to reasonable levels, especially considering the benefits; and
- sector focused industry self-management can produce safety data and analysis that outperform traditional data analysis programs.

2.5.4 Stewardship Impact

The TCCA/CBAA partnership in POC management allowed Transport Canada to re-profile significant resources into areas of greater risk, thus improving TCCA resource stewardship, while enhancing service delivery.

III. NEEDS/ISSUES/CONCERNS

3.1 Conflict of Interest Concerns

Intuitively, uninformed observers perceive the profit motive to be in conflict of interest with safety objectives, while persons having a vested interest in opposing safety management modernization insist that industry self-management would be detrimental to safety.

ANALYSIS & RESOLUTION: Interestingly, in the 1980s many persons had similar intuitive concerns over Economic Regulatory Reform (ERR). Self interested opponents of ERR predicted operators would skimp on maintenance and training in order to gain an advantage in the new system of unbridled competition. In fact the post-ERR safety record of the Canadian air transportation system actually improved.

Contrary to intuitive and interested predictions CBAA industry self-management program also controverts the conflict of interest theories. Opponents of industry self-management insist that the profit motive of the commercial helicopter industry remains a major disincentive to investing in improved safety management. The corollary argument being that the absence of the profit motive explains the success of the POC Self-management Program

While it is true that safety is contingent upon good maintenance and good training, so is commercial success. Aircraft that are not properly maintained are unable to serve customers in a timely manner. Poorly trained personnel cannot get the job done to the satisfaction of customers. In a highly competitive market, poor service drives customers directly to competitors who adhere to maintenance and training practices that ensure reliable/safe service. Inextricably linked, “safety” and “service reliability” are primordial to commercial success (see figures 1 & 2, p.17).

The link between safety and commercial success explains the contradiction between the results predicted by opponents of change and the improved safety record, post ERR. It also offers good reason to believe the H-AOC industry self-management could have an even greater positive effect than that achieved by the business aviation self-management program.

In sharp contrast to the intuitive distrust of the profit motive, safety is actually an investment that pays dividends to commercial operator, while in the context of business aviation investing in safety provides no monetary return. On the contrary, when financial difficulties arises business aircraft are often the first to fall victim to cost cutting initiatives. Under constant pressure to be a useful tool rather than an expendable burden, business aviation flight departments are extremely cost conscientious. The lack of profit motive in business aviation should therefore have a negative effect on safety. Nonetheless, the CBAA program has engendered positive results, which augur well for even greater success within the commercial helicopter industry where investing in safety actually increase profits (see figures 1 & 2, p.17).

The connection between safety and service reliability is particularly powerful in the helicopter industry. The helicopter market is composed, almost entirely, of long-term charters, by very well informed, demanding customers. Unsatisfied helicopter industry clients do not slowly empty a seat here and there, they empty entire helicopters, in one fell swoop and for long periods of time.

In the helicopter industry, more than any other sector of aviation, less than optimum maintenance and training is a recipe for commercial failure. In the Canadian helicopter industry, “profit” is synonymous with “safety”. The profit motive, far from being a detriment to safety, could very well be the key to improving safety after 15 years of stagnation under strictly government supervision (see figures 1 & 2, p.17).

Under government or industry supervision some operators will occasionally attempt to gain a competitive advantage by taking unacceptable risks. Such conduct is alarming to competitors not only because of the increased operational risk but also because it unbalances the competitive playing field. Individual short-term profit from skimping on safety comes at the expense of competitors whose investment in safety is sustained.

Under the traditional, resource intensive, regulatory oversight, TCCA has often been the last to find out about unsafe operating practices. On the other hand, air operators are usually the first to know about unfair/unsafe practices by their competitors. Under H-AOC industry self-management they would also be the first to demand their association take prompt and effective action to rebalance the competitive playing field by imposing strict adherence to safety standards.

Beyond the competitive imperatives favouring good maintenance and good training the commercial incentives to sound safety management include such direct financial benefits as lower insurance rates, saving deductibles and preserving revenue streams. Small operators are particularly sensitive to the cost of an accident because the financial impact directly affects the day-to-day livelihood of their families.

In summary, enlightened analysis reveals that contrary to the adage about *the fox in the hen house*, commercial imperatives tend to encourage enhanced safety performance.

3.2 Consumer Needs/Issues/Concerns

Consumers want access to the largest possible inventory of safe, effective and efficient helicopter transport services.

ANALYSIS & RESOLUTION: Whereas good business practice on the part of both helicopter operators and their customers already engenders a positive safety culture, the TCCA/HAC partnership in AOC management could not only further enhance safety, it would produce efficiencies that competitive dynamics would pass on to consumers.

3.3 TCCA Needs/Issues/Concerns

Flight 2010 seeks to enhance safety and resource stewardship while rigorously ensuring stringent accountability for safety and public confidence in the system.

ANALYSIS & RESOLUTION: Transferring H-AOC service delivery to HAC would release substantial TCCA resources for re-profiling into areas of greater risk and/or increased safety benefits, including more vigorous management of helicopter safety objectives under the emergency and enforcement provisions of the *Aeronautics Act* (Articles 6.9, 7, 7.3 & 7.7).

Notwithstanding the transfer of basic oversight responsibilities to industry, TCCA could occasionally inspect and/or audit helicopter air operators for the purpose of system evaluation and when exceptional circumstances, such as accident investigation demand, direct government evaluation. However, findings from TCCA AOC inspections would be channeled through the Association where they will be attuned to helicopter industry imperatives before being imposed on operators.

Transfer of responsibility and accountability for tactical implementation and management of SMS to HAC could make SMS goals more readily achievable in many small and medium size companies, at less cost to taxpayers. To maintain a level competitive playing field, the majority of operators who embrace SMS would demand that the Association stringently apply the same standards as everyone.

All in all, a TCCA/HAC partnership in H-AOC management represents a multiplication of tools offering more rigorous and stringent accountability for safety, at less cost to the taxpayer.

As for the perception that the public might be concerned with the principle of industry self-management as applied to helicopters, it is noteworthy that while the public reacted strongly to Cranbrook, Dryden, Arrow Air, Swiss Air Flight 111, Skylink and Wapiti, no helicopter accident has ever engendered a commission of inquiry. A news paper article on the subject of industry self-management, published nationally and in several major local news papers, generated little or no reaction from the public, in spite of having erroneously described the concept as deregulation and/or industry self-regulation.

There is therefore no reason to believe that public confidence in the air transportation system would be adversely affected by helicopter industry self-management.

3.4 Helicopter Operator Needs/Issues/Concerns

Helicopter operators are concerned that they are being prevented from reaching their full potential by regulations & standards that are not attuned to the imperatives and realities of the helicopter industry and which are not always enforced consistently. Operators are also worried that HAC could go from being the solution to being part of the problem; and are skeptical about the cost/benefit of industry self-management.

ANALYSIS & RESOLUTION: Traditionally helicopter industry input into the TCCA safety management system comes from the bottom of the regional management arms up through the government hierarchy and across to the regulators in Ottawa (see figure 3, p.18). In both arms of the system helicopter expertise is found only at the very lowest level. This structure has contributed to the perception in the helicopter industry that TCCA is not attuned to the needs of the helicopter industry because aeroplane experts occupy most TCCA executive management positions.

In fact TCCA's executives, whatever their background, are very competent public administrators attuned to the opinions of their boss, the Canadian public. It is the indifference of public opinion that makes TCCA managers less and less preoccupied with helicopter issues the higher and higher they rise in the TCCA hierarchy.

The arrival of HAC in this context has increased TCCA sensitivity to helicopter issues by giving industry a stronger voice throughout the system (see figure 3, p.18). However, while HAC has been able to stay the tide of new regulation that would otherwise have fallen short of helicopter industry needs, the Association has been unable to correct many existing regulatory deficiencies. The priority of helicopter issues remains unacceptably low.

HAC has also been modestly successful in reducing local variances in the application of national standards for the issuance of certificates, operations specifications, and other authorizations as well as for the approval of manuals (COM, TDG, MCM, Training, SOPs, MEL, etc) and the auditing of continuing compliance. But much more could be achieved in this area too.

Industry self-management could offer a new interface between the regulator and the operators (see figure 4, p.18). Fully integrated into the safety management system, HAC could act as a buffer against the negative perception of government.

Industry self-management could also raise the profile of the helicopter industry to a level that facilitates the promotion of regulations that better reflects the unique characteristics of helicopter operations. At the same time as the Organization responsible for commercial helicopter service standards HAC would be able to maximize the pertinence of those standards while respecting the regulatory objectives set by TCCA.

Industry self-management could totally eliminate regional disparity. Differences of opinion with TCCA, concerning the rules, standards would be subject to a centralized HAC/TCCA resolution process. The resulting decisions would be timely, balanced, uniformly applied across the country and most likely reduce operator frustration. As a bonus, considerable HAC resources could be redirected toward advocacy on non H-AOC issues.

Although HAC actively promotes recourse to the Transportation Appeal Tribunal of Canada (TATC) the review process is painfully inadequate. This is mainly because TCCA administrative decisions continue to be in effect while the review process takes months to complete. Faced with the threat of AOC suspension, in practical terms, operators are obliged to accept TCCA decisions whether they are well founded or not.

Review by the TATC would always be an option, however, under Industry Self-management, the Association could adopt in house policies that give full effect to the legislative intent of review provisions under article 7.1 of the *Aeronautics Act*. The threat of AOC suspension/cancellation could thus be subject to a speedy process of peer review **before decisions would take effect**. In doing so, the system could foster compliance in a fairer and more equitable manner.

As for the perception that HAC could become a source of problems by being placed under the tutelage of TCCA, figure 4, page 18 clearly demonstrates the contrary. While the Association would be accountable for compliance with the law, it would remain totally independent of TCCA. H-AOC management would be squarely under the control of the membership.

Not only could operators still have a strong defender of their interests, their defender could also be in charge of making many decisions in a manner that would avoid problems historically faced by the industry while also having full control over costs.

3.5 HAC Needs/Issues/Concerns

HAC must be assured that its H-AOC management role would not be detrimental to industry solidarity or hinder the Association's ability to advocate in favour of its members.

ANALYSIS & RESOLUTION: Although affected operators would no doubt be displeased by an HAC decisions to suspend, cancel or refuse to issue an AOC, such action would be exceptional. Furthermore, the majority of operators would only be too happy to see prompt decisive action taken against non-compliant competitors. As for administrative monetary penalties (AMP), they would remain entirely in the hands of TCCA and the Association would continue to defend members facing AMPs.

The partnership between HAC and TCCA could also foster greater dialogue and mutual respect on a level that could facilitate HAC advocacy for regulatory renewal consistent with helicopter industry realities and imperatives (see figure 4, p.18). The Association could thus become an even stronger tool for industry representation. At the same time, integration of the Association as a full partner in a dispute resolution system could virtually eliminate the need for individual membership advocacy which almost always involve disputes over the interpretation H-AOC standards.

Industry Self-management could therefore serve to solidify the already enormous industry solidarity surrounding HAC.

3.6 Taxpayer Needs/Issues/Concerns

Taxpayers want effective and efficient resource stewardship.

ANALYSIS & RESOLUTION: Under a TCCA/HAC partnership safety could be enhanced, at considerably less cost to the taxpayers.

Figure 1.
Sub-standard Maintenance/Training/Mgt

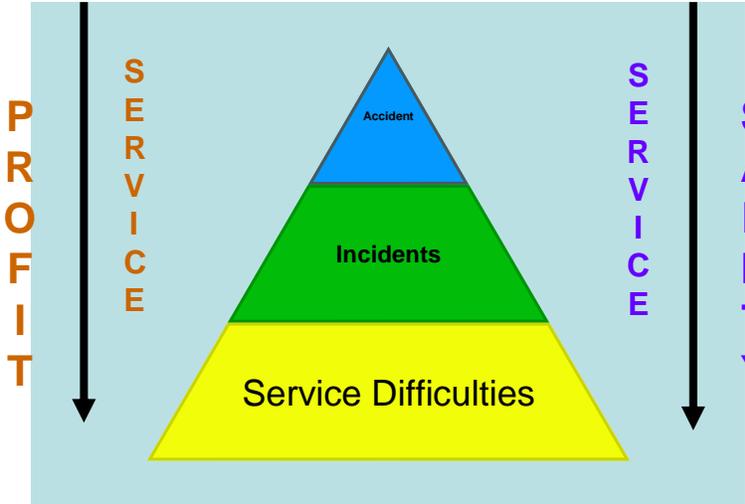


Figure 2.
Good Maintenance/Training/Mgt

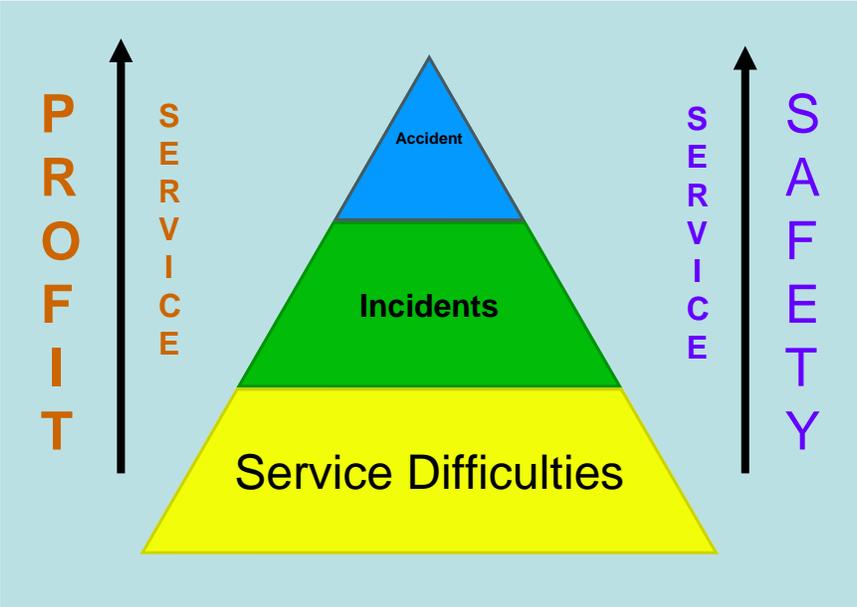
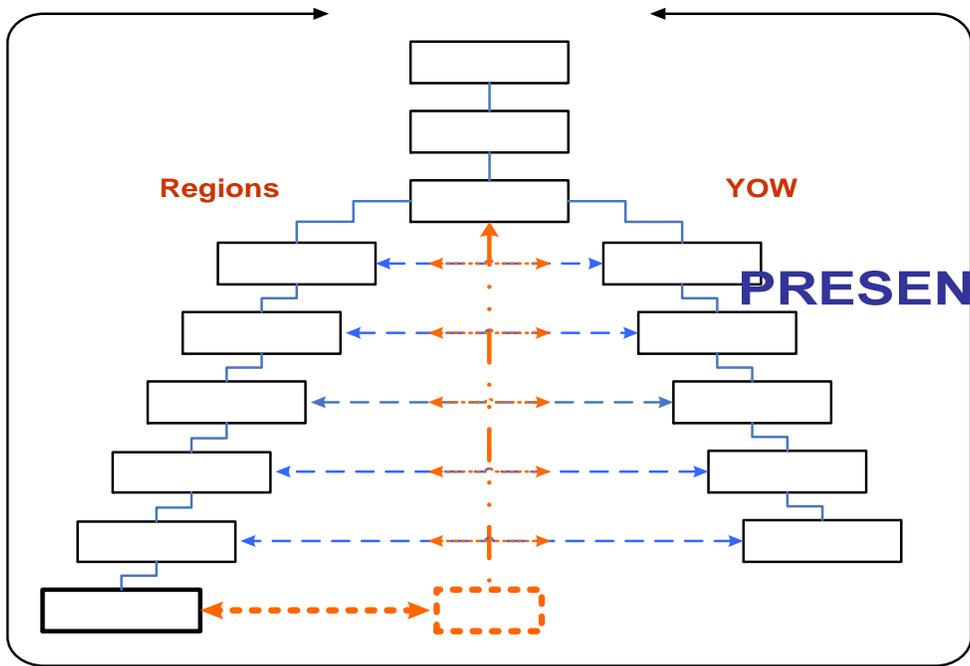


Figure 3.



PRESENT TCCA/OPI

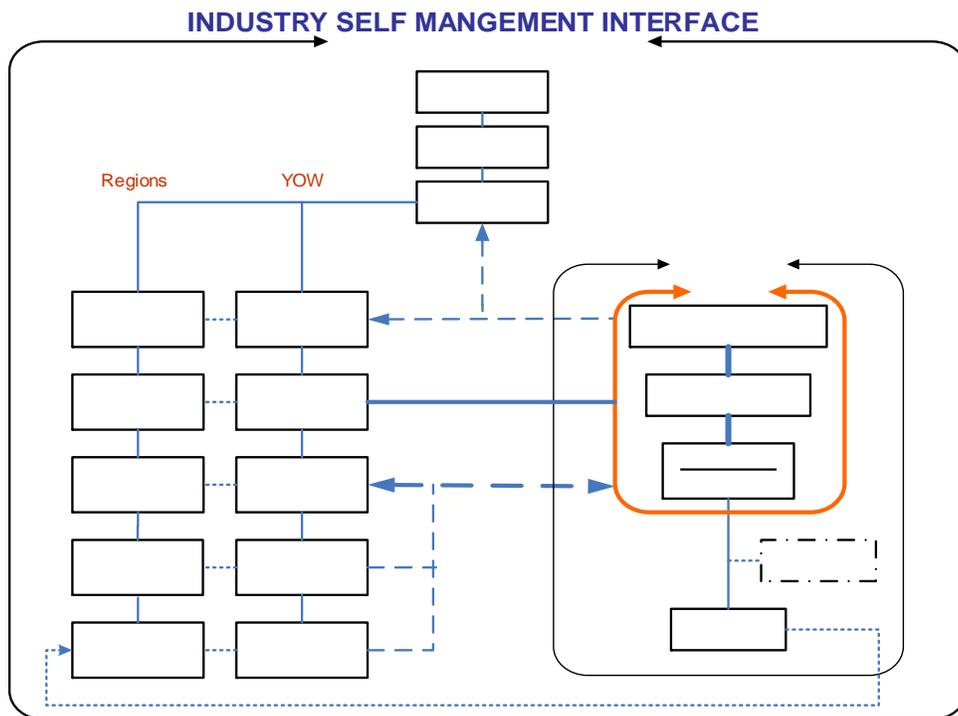
Constitution

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Figure 4.



H

HAC provides line

IV. H-AOC SELF-MANAGEMENT CONCEPT

4.1 Basic Concept

The central concept of H-AOC industry self-management proposes that HAC, under the supervision of its Board of Directors/membership, replace TCCA as the organization responsible for setting commercial helicopter services standards, the issuance/cancellation of H-AOCs, amendments, operations specifications, approval of manuals, as well as for the management of audits and SMS (see figure 4, p.18).

The Association would be accountable for management of the H-AOC Program in compliance with the Aeronautics Act and its regulations, subject to administrative monetary penalties and in extreme circumstances could lose its certification as the organization designated for H-AOC program management.

HAC would continue to advocate for regulations that respect the unique characteristics of the helicopter industry and would be responsible and accountable for making standards that comply with the regulatory objectives set by CARs.

Subject to certain conditions, audits would be done, at the convenience of operators, by independent auditors, chosen by the operator from a list of auditors accredited by the Association.

Operator issues relative to H-AOC audits would be resolved entirely within the Association in accordance with CARs. TCCA issues relative to an AOC would be resolved strictly between the directorate and the Association through a centralized process for dispute resolution.

Although it is expected that 99% of H-AOC issues could likely be resolved within the Associations, operators would retain the right of appeal to the Transportation Appeal Tribunal of Canada.

Transport Canada would continue to regulate helicopter operations and exceptionally perform ad hoc and/or warranted inspections on air operators, as well as oversee and audit the Association's H-AOC management policies, procedures, operations and helicopter commercial air service standards in accordance with provisions of the Aeronautics Act and CARs.

TCCA would continue to be responsible for enforcement action against operators who contravene the CARs and the Association would also continue to represent members who have a legitimate defense.

TCCA would pay for transitional costs of H-AOC management transfer to the Association.

TCCA would also pay the cost of independent auditing; at least until such time as all air operators in the Canadian system are required to pay auditing costs themselves.

4.2 HAC Roles & Responsibilities

Association tactical responsibility and accountability would include:

- promoting enhanced safety through education, dialogue and other means;
- tracking and collating safety and other data affecting helicopter operations;
- establishing industry best practices based on safety data analysis;
- recommending new rules, exemptions and deviations;
- seeking acceptance of proposed rules through CARAC;
- setting standards for commercial helicopter air service operations;
- coordinating pre-certification H-AOC audits;
- issuing and amending H-AOCs, operations specifications and other authorizations;
- assuring competency, training, accrediting and control of independent auditors and other delegates;
- prescribing periodic and warranted H-AOC audits;
- managing and tracking follow-up action on inspections and audits;
- tracking other safety indicators;
- suspending or canceling certificates, authorizations and approvals;
- providing a dispute resolution process, including internal appeal of decisions made by Association H-AOC managers;
- liaising with TCCA on enforcement issues; and
- reporting to industry and the Minister.

4.3 Transport Canada Oversight Role

Transport Canada strategic responsibility and accountability would include:

- establishing regulations governing the operation of helicopters;
- accrediting the Association as the organization responsible and accountable for H-AOC safety management;

- overseeing and periodically auditing Association policies, procedures, systems and helicopter commercial air service standards;
- inspecting and/or auditing helicopter operators on an exceptional basis, to evaluate system performance or when risk indicators require direct government evaluation; and
- enforcing CARs.

V. COST/BENEFITS

Although HAC membership would not be compulsory, all the approximately 200 Canadian commercial helicopter operators would be required to pay their fair share of the estimated \$700,000 annual cost of an H-AOC industry self-management program.

Exactly, how much that would be for individual operators cannot be precisely forecast. It will be up to industry to decide how the cost might be fairly apportioned. For the same reason the structure of charges (annual fee, fees for services rendered, both or otherwise) remains to be established, by the Association. Making such decisions is what **“industry self-management”** is all about.

We do know that the positive impact on the cost of HAC advocacy could mean that air operator membership fees would be more or less eliminated. The average net additional cost of Industry Self-management for operator members could therefore be expected to be less than \$2,500/year.

Although the overall cost of privatised services is predictable it is impossible to precisely evaluate all the benefits for operators. Nonetheless, TCCA estimates that fees presently paid by operators for AOC issuance and amendments, amount to approximately \$2500/operator/year (this estimate seems high and remains to be confirmed). Savings on TCCA service fees could therefore at least partially compensate for the net additional fees charged by the Association, to its members. Added to those savings would likely be the amount demanded by future governments, especially considering that today’s fees represent less than 10% of program costs. Finally operators could benefit from indirect savings generated by industry self-management:

- increased efficiency in the approval and amending of manuals (COM, TDG, MCM, Training, SOP, MEL, etc);
- increased efficiency in the issuance and amendment of certificates/operations specifications/other authorizations;
- the time saved by less intrusive, less time consuming auditing;
- the elimination of the competitive imbalances now generated by regional disparity in approving, issuing, auditing and amending of manuals/certificates/operations specifications/authorizations; and
- the reduction in the frustration levels presently generated by H-AOC management that is overly influenced by other sectors of the air transportation industry, by the internal needs and priorities of government and by the absence of effective recourse against decisions that are contested by operators.

The cost of independent auditing by CBAA auditors is \$800/day/auditor. It would seem probable that HAC auditors would charge a similar fee. Whether or not this would be an additional expense is uncertain. SMS regulations will soon require “independent auditing”. Does that mean totally independent and paid for by the operator or independent within the organization? Because of the uncertainty surrounding future requirements for independent auditing the feasibility of

Industry Self-management is contingent upon TCCA reimbursing the cost of independent auditing, at least until such time as all Canadian air operators are clearly required to take on such new expenses.

VI. CONCLUSIONS

1. Industry Self-management has nothing to do with de-regulation or self regulation;
2. Industry Self-management is a concept that recognizes the positive link between safety, service and profit.
3. Statistically the Canadian safety oversight system has been cruising steadily for the last 15 years.
4. H-AOC Industry Self-management could be like installing a hybrid engine that would increase the cruise speed of the system and considerably improve its efficiency.
5. The helicopter industry is a homogeneous and highly competitive sub-sector of commercial aviation.
6. The Helicopter Association of Canada has unparalleled operator membership and consonant respect, which makes it extraordinarily well placed to assume responsibility and accountability for H-AOC management.
7. The Canadian helicopter industry caters to very sophisticated, exclusive-use, industrial customers who demand a high degree of safety and service reliability.
8. Competitive dynamics tend to promote safety without the level of direct government oversight that would be required by conventional wisdom.
9. The Canadian helicopter industry, in general, has a positive safety culture.
10. The needs, issues and concerns inherent to the concept of H-AOC industry self-management could be resolved.
11. HAC, under the supervision of its Board of Directors/membership, could replace TCCA as the organization responsible for establishing commercial helicopter service standards and for the issuance/cancellation of AOCs, amendments, operations specifications, approval of manuals, and the management of audits and SMS.
12. If HAC becomes the organization responsible and accountable for helicopter industry safety management it would be: accountable to the Minister for H-AOC management in compliance with the Aeronautics Act; subject to administrative monetary penalties; and in extreme circumstances the Association's certification could be suspended/cancelled.
13. Under industry self-management operator issues relative to H-AOCs would be resolved entirely within the Association while TCCA issues relative to any operator's AOC would be resolved between the TCCA Headquarters and the Association;
14. TCCA would continue to be responsible for establishing and enforcing regulations while the Association would continue to represent members who have a legitimate defense.
15. Taking on that role of H-AOC Manager would in no way change the mission, goals and

other roles of the Association.

16. The Association could continue to advocate for the helicopter industry and represent operators in all matters of concern to them.
17. The Association would in no way be under the tutelage or responsible to the public service for its management of the H-AOC Program.
18. Sharing of responsibility for safety management could promote dialogue and greater mutual respect between HAC and TCCA, thus enhancing the Association ability to advocate in favour of the industry.
19. Focused data analysis could allow powerful market forces to be directed toward more stringent oversight, making Industry Self-management equivalent to SMS².
20. A partnership between TCCA and industry could marry the strengths of government and industry to serve:
 - ✓ public expectations in regard to safe, effective and affordable services;
 - ✓ taxpayer demands for cost effective safety oversight; and
 - ✓ operators' desire to have a regulatory system more in tune with the realities of the helicopter industry.
21. The cost of helicopter safety management under a TCCA/HAC partnership must be held to modest levels and highly counterbalanced by direct savings, operating efficiencies and other ensuing benefits.
22. Although transfer to an Industry Self-management model would require transitional government funding, and perhaps continued financial support by TCCA for independent auditing, taxpayers would rapidly recoup the investment and then reap sustained dividends.
23. Given the Treasury Board objective for modernizing safety management, if HAC does not embrace Industry Self-management some other, less representative organization, may be called upon to do so.

Signed in Ottawa, Ontario, this 15th day of June 2007.

Randy Simonneau
Chairman

Brian Jenner
President & CEO

ACRONYMS

ADMSS	- Assistant Deputy Minister safety & Security
AMP	- administrative monetary penalty
AOC	- air operator certificate
BOD	- Board of Directors
CA	- Civil Aviation
CAR	- Canadian Aviation Regulations
CBAA	- Canadian Business Aviation Association
C&BA	- Commercial & Business Aviation
D.	- Deputy
DC&BA	- Director Commercial and Business Aviation
DGCA	- Director General Civil Aviation
EMS	- emergency medical service
ERR	- Economic Regulatory Reform (87 01 01)
HAC	- Helicopter Association of Canada
H-AOC	- helicopter – air operator certificate
OC	- operating certificate
POC	- private operator certificate
RDCA	- Regional Director Civil Aviation
RDG	- Regional Director General
RMgr	- Regional Manager
SMS	- Safety Management System
TCCA	- Transport Canada Civil Aviation
USA	- United States of America
YEG	- international airport designator for Edmonton
YUL	- international airport designator for Montreal
YVR	- international airport designator for Vancouver
YYZ	- international airport designator for Toronto