



*International Civil Aviation Organization*

NORTH AMERICAN, CENTRAL AMERICAN AND CARIBBEAN OFFICE

**Twentieth Meeting of Directors of Civil Aviation of the Eastern Caribbean  
(20<sup>th</sup> E/CAR DCA)**

Miami, Florida, United States 4 to 7 December 2006

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21/11/06

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**Agenda Item 5:            Safety Oversight Developments**

**CONFLICT OF INTEREST:  
A THREAT TO EFFECTIVE SAFETY OVERSIGHT**

(Presented by the United States of America)

**SUMMARY**

New provisions in Annex 6 became applicable last month that require compliance with the 8 critical elements of an effective State oversight system. For the first time, the topic of conflict of interest is addressed with a focus on inspector ethics and remuneration issues. Compliance with both the letter and spirit of these new provisions creates the need for States to either avoid or cease the practice of permitting their operations inspectors to fly for, and receive remuneration from, the airlines supervised by the State civil aviation authority. Recommended action for the meeting is proposed in paragraph 4.

**1.                    Introduction**

1.1                Last March the ICAO Council adopted amendments to Annex 6 that established, for the first time, international standards and recommended practices for each of the 8 critical elements of a State safety oversight system specified in the Safety Oversight Manual, Part A: The Establishment and Management of a State's Safety Oversight System (Doc 9734). Two new key provisions, a Standard and a Recommended Practice, address civil aviation authority (CAA) inspector ethics and remuneration issues as follows:

- **Standard** - The State of the Operator shall ensure that Authority inspectors are provided with technical guidance manuals that address ethics, personal conduct, and the avoidance of actual or perceived conflicts of interest in the performance of official duties.
- **Recommendation.**- The State of the Operator should take the necessary measures, such as remuneration and conditions of service, to ensure that qualified inspectors are recruited and retained.

1.2                Compliance with these provisions is critical if CAAs are to be truly independent and objective entities whose inspectors' judgments are not compromised by divided loyalties. Therefore, every effort must be made to avoid situations in which inspectors receive remuneration from both the CAA and the airlines being supervised by the CAA.

## 2. Discussion

2.1 The U.S. Federal Aviation Administration (FAA), particularly through the vehicle of its International Aviation Safety Assessment (IASA) program, has developed considerable familiarity over the past several years with more than 100 CAAs around the world. As a result, FAA has discerned a significant number of situations in which the objectivity of a CAA has potentially been compromised to some extent, usually through tolerating the practice of or permitting its operations inspectors to fly for, and receive substantial remuneration from, the airlines that are supervised by the CAA. As an example, it appears that many of the operations inspectors in one State spend more than half their time flying for the airlines, with their resulting remuneration from the airline amounting to about 80% of their total remuneration; i.e., only 20% of their total remuneration is paid by the CAA.

2.2 Such practices present a very serious, systemic problem and undermine an otherwise effective State oversight system that has the best of laws, regulations, inspector guidance and training, and effective systems for certification, surveillance, and resolution of safety issues. An inspector is a basic “building block” of the State’s system and if the inspector’s financial well-being is largely dependent on the good will of the airline for which the inspector flies, there is an extremely powerful disincentive for this inspector to provide objective and effective governmental oversight of the airline. In instances in which this undesirable situation is caused by inadequate funding being available to civil aviation authorities, States should give consideration to affiliating themselves with new or existing regional safety oversight organizations which can provide an effective and efficient system for improving safety by allowing for the sharing of qualified and adequately compensated inspector personnel.

## 3. Conclusion

3.1 The most critical component of the global system for enhancing international aviation safety is a world-wide network of State civil aviation authorities that fully comply with their obligations under the Chicago Convention. A fundamental, and arguably the most important, aspect of this compliance is a high degree of independence and objectivity in making aviation safety-related decisions, particularly as regards oversight of air operators. Permitting a practice that allows its inspectors to supplement their incomes by flying for airlines supervised by the CAA substantially diminishes a CAA’s independence and objectivity and results in an ineffective State oversight system.

## 4. Recommendations

4.1 The Meeting is invited to:

- i) note the contents of this paper; and
- ii) urge States in this region to fully comply with these new Annex 6 provisions and curtail or avoid the practice of permitting their operations inspectors from flying for, and receiving remuneration from, the airlines they supervise.