



WORKING PAPER

WORLDWIDE AIR TRANSPORT CONFERENCE (ATCONF)

SIXTH MEETING

Montréal, 18 to 22 March 2013

Agenda Item 1: Global overview of trends and developments

Agenda Item 1.2: Other areas of ICAO's work that may have economic implications

**COST EFFECTIVENESS OF THE SAFETY OVERSIGHT COOPERATION SYSTEM
(SRVSOP)**

(Presented by 22 Member States², Members of the Latin American Civil
Aviation Commission (LACAC))

EXECUTIVE SUMMARY

This working paper provides information on the results of the study on the cost effectiveness of the Latin American Safety Oversight Cooperation System (SRVSOP), which shows the economic impact for States and operators.

Action: The Conference is invited to:

- a) consider the information and the assessments presented in this working paper;
- b) endorse the conclusions presented in paragraph 3; and
- c) adopt the recommendations in paragraph 4.

References: ATConf/6 reference material is available at www.icao.int/meetings/atconf6.

1. INTRODUCTION

1.1 During the Fifth Meeting of the Civil Aviation Authorities (RAAC/5) held in 1996, the decision was taken to adopt measures to establish a multinational or regional safety oversight body to improve compliance with the recommended standards and practices (SARPs).

1.2 Within this framework, a memorandum of understanding was signed between ICAO and the Latin American Civil Aviation Commission (LACAC) in Montreal, Canada on 1 October 1998. This Memorandum of Understanding establishes that LACAC is responsible for bringing about an agreement

¹ Spanish version provided by the Latin American Civil Aviation Commission (LACAC).

² Argentina, Aruba, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

between the States of North America, Central America, South America and the Caribbean of the American continent for implementation of, and participation in, the System.

1.3 However, it was only recently, in 2002, that the activities of the Regional Safety Oversight Cooperation System (SRVSOP) formally started, by achieving the quantity of ten (10) member countries. There are currently 12 Member States.

1.4 The membership agreement signed by the States contains two articles that have been the cornerstone for implementing this project's activities, namely the Second Article: Harmonization of Standards and Procedures, where States undertake to harmonize their safety-related regulations and procedures and the Third Article, where the States undertake to support the System with experts when requested to do so.

1.5 Over the course of ten (10) years, the SRVSOP has managed to establish a strategy for the harmonization of standards and procedures, which is based on the development of the Latin American Aeronautical Regulations (LARs), and has created the basis for consolidation of an effective regional safety oversight mechanism through a series of multinational activities.

1.6 The region now displays a high degree of harmonization of standards, complemented by certification of multinational teams, initially with Maintenance Centres, more recently with Training Centres and this will continue to move into other areas as well.

1.7 The trend in the international air transport market towards more open commercial air agreements, with less intervention from the authorities, has led to increased competition between airlines, where economies of scale play a key role. States can participate in this process by facilitating multinational agreements that entail lower costs through avoidance of duplication of efforts. From this point of view, the role being played by the SRVSOP is very important for the development of aviation in Latin America in a secure and efficient manner.

2. COST-BENEFIT ANALYSIS OF THE SRVSOP

2.1 The model adopted to estimate the benefits for Member States consisted of determining the direct costs or benefits derived from certification work, assistance to States, training as well as the production and updating of standards via the System, compared with the costs that would have been incurred with alternative values, namely the market prices that would have been paid if the SRVSOP had not existed and each State was developing its own standards and doing its own certification visits.

2.2 Scenario one looks at the situation without the existence of the SRVSOP, where States have to develop their standards separately and buy their course material in the marketplace while the second scenario envisages a situation with the SRVSOP.

2.3 Measuring the costs and benefits is done by looking at four products that the SRVSOP delivers as a result, namely: Training, Assistance to States, Production of LARs and Certification of AMOs.

2.4 The results of the study were reflected in two types of analysis- quantitative and qualitative.

2.5 From a qualitative point of view, the results of the analysis led to the following conclusions:

- a) SRVSOP management has allowed products to be produced that are recognized for the quality of their inspections and transparent administration of safety matters, such as the Safety Ramp Inspection Data Exchange Programme (IDISR);
- b) multinational certification and oversight activities also cover training about inspectors' work. For each multinational certification and oversight activity, a relevant team is formed from the register of LAR auditors and then spaces are opened up so that States can send their inspectors to take part in this process and acquire experience in this field of work;
- c) through assistance to States, the region's capacities have been able to be identified, which allows for better integration and means that the region is no longer dependent on external auditors;
- d) a harmonized regulation together with specialists trained in a standardized manner produces benefits by facilitating access to these specialists, which represents a significant benefit in terms of time saved, and by having only one type of documentation. This produces a higher level of safety in the States and the region, which in turn makes it more competitive vis á vis other regions;
- e) the results of these benefits, which are clearly aimed at operators, are an increase in demand, as a product of end users' perception of the System, and an increase in the quality of safety, as a product of the harmonization of regulations; and
- f) this study does not quantify the collaboration offered by ICAO to assist with the management and technical side of the Regional System, which is represented directly by the time dedicated to this by the General Coordinator (ICAORD Lima) and the Regional Flight Safety Officer respectively.

2.6
conclusions:

The results of the analysis from a quantitative point of view produced the following

- a) the costs of organizing various production activities to generate the SRVSOP products were obtained separately and as a whole, and then the costs of doing these activities without the existence of the SRVSOP were calculated. It was then possible to show a benefit of US\$13.717.030 in terms of cost savings thanks to this System;
- b) it is also necessary to consider that the operators, maintenance centres, aeronautical staff and other users of the System will also save costs because of the existence of the SRVSOP. Therefore, the benefits that have currently been quantified are undervalued.

PRODUCT	COST WITHOUT SRVSOP	COST WITH SRVSOP	BENEFIT
Training	2.060.570	927.985	1.132.585
Assistance to States	260.000	119.350	140.650
LARs Production	15.137.333	2.236.732	11.806.406
AMOs Certification	881.870	244.481	637.389
TOTALS	18.339.773	3.528.548	13.717.030

Note: Amounts in US\$

2.7 From the operators' point of view, the costs of obtaining certification have dropped considerably because thanks to the multinational team's audit they receive certification from the other States that belong to the System as well. This reduction in costs is also reflected in the man hours that would have had to be assigned to multiple audits to achieve the same objective.

2.8 Both qualitative and quantitative benefits for States and operators will go up significantly as the number of products being developed by the SRVSOP increases and once the effects of standardized regulations for the exchange of goods and services between operators are produced.

3. CONCLUSIONS

3.1 Since its inception, the SRVSOP has to date generated significant cost savings for participating States, which has translated into significant benefits for operators who have only recently been able to evaluate these results.

3.2 Training, assistance to States, multinational activities, implementation, seminars and other activities would not have taken place without the System or else the cost would have been prohibitive for most of the States.

3.3 A bank of top notch aeronautical professionals has been formed; with standardized training and experience at a regional level. This then facilitates cooperation between States in the Region.

4. RECOMMENDATIONS

4.1 The following recommendations are presented for consideration by the Conference:

- a) ICAO should continue to promote, support and hand over more responsibilities to the Regional Safety Groups, updating their guidance in response to the changes and needs of States and sub regions; and
- b) States should increase their active participation in the Regional Safety Groups and institutionalize these systems in a Multinational Regional Group, establishing management targets and indicators.

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