

Remarks of
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‘1001 Nights to Transform Air Transport in the Middle East’

Your Highnesses, Excellencies, distinguished guests, ladies and gentlemen, good morning. My thanks to AACO and His Excellency Saleh Al-Jasser, Director General of Saudia, and to Secretary General Abdul Wahab Teffaha, for the invitation to speak to you today.

This year is particularly significant for the Arab Air Carriers Organization (AACO) as it marks 50 years since its founding. AACO’s successful work can be witnessed in the remarkable story of aviation in the Middle East. Twenty years ago, the Middle East accounted for about 3% of global RPKs. Today its share is almost 10% and rising. The region has become an aviation powerhouse, helping to drive economic and social development. The Gulf has become an even stronger trading hub of the world, connecting East and West, North and South. AACO and its members have worked hard and should take great pride in this renaissance. We associate 50 years with gold, and this is certainly a golden age of aviation for many in this region.

I say ‘for many’ because regrettably it is not the case for all. We should recognize that much of the success of the region is centered on the growth of the super connectors in the Gulf. If we consider the whole of Middle East-North Africa (MENA), you know better than I do that many are struggling. Parts of the region are at war. And the events of the Arab Spring have not yet resolved themselves in political stability. As we mark AACO’s 50th anniversary the challenge to spread success across the region remains very real.

Such rapid change, whether positive or negative, creates challenges and opportunities. One month ago, I was in Abu Dhabi at IATA’s Aviation Day, giving a speech that set out some of the key issues facing the aviation industry in this region, and the action that the industry needs to see taken. It is a list familiar to you. I touched on safety and security, air traffic management, smarter regulation, and sustainability. Continued progress in these areas is necessary for creating a stronger air transport industry in the region.

Today I want to look deeper at that list by focusing on actions to deliver a positive impact in the short term.

What do I mean by 'short term'? I will define it using a famous expression of time from this part of the world: 1001 Arabian Nights.

It is about 2 years and 9 months. From today, that would take us to September 2018. That time frame is sufficient to put significant improvements in place, while not losing the required sense of immediacy and urgency.

What can we achieve in 1001 Arabian nights? Let's look at those general challenges I alluded to earlier starting with safety and security.

Safety and Security

The Metrojet 9268 tragedy is a reminder that safety and security are a top priority and a constant challenge. While we still await the final report of the Egyptian authorities, ISIS has laid claim to this tragedy. In recent weeks we have seen terrorism—attacks on humanity—in Beirut, Baghdad, Paris, Bamako and Tunis. We all feel for the victims, friends and family members of those caught in these horrible tragedies. And last week IATA joined the Global Travel Association Coalition in condemning the attacks and calling for strong and concerted efforts by governments and the international community.

The threat of terrorism is present. A new dimension has been added with the movement of foreign fighters. And the sad reality is that our industry—despite being an instrument of peace—continues to be a target.

The terror threat is constantly evolving. As an industry we have been very aware of that fact in our intense work with governments on counter-measures, especially since 9.11. Travelers and crew should be reassured. We have advanced processes in place to keep them out of harm's way by screening passengers, securing the cargo chain, providing governments with information to vet passengers, and guiding our flightpaths around conflict zones. Governments are our partners in security. Their intelligence is vital in guiding our efforts.

There is no perfect system. But aviation is well practiced in its efforts to stay at least a step ahead of the terrorist threat. And governments—as partners—have confidence in the system. Knee-jerk reactions to incidents have given way to more effective and targeted actions. And aviation continues to deliver the connectivity that is vital to our world.

We are, of course, continuously working to improve. For example, with our partner Airports Council International we continue to advance the Smart Security initiative with the dual goals of improving effectiveness and the passenger experience. Trials in Amsterdam, Heathrow, Doha and Melbourne are looking positive. And we encourage others to look seriously at the program.

There is also much that can be done to improve facilitation. Airlines supply passenger data to governments well in advance of the passenger arriving at border controls. We don't begrudge providing the data—although we do advocate for greater standardization along the global guidelines set by the International Civil Aviation Organization (ICAO) and the World Customs Organization, and IATA. But we also ask that governments make the best possible use of it. Having sent the information in advance, why have we not seen shorter queues at immigration?

What should we be aiming for in the next 1001 nights? At the top of the list would be to pass the period without a major security incident. Reflecting on the importance of security, I believe that we should also be aiming at some other critical achievements:

- More airports in this region working with us on Smart Security
- Passengers benefitting from the information that they provide with more efficient facilitation
- More relevant information on conflict zones being shared by governments with airlines
- Significant steps under ICAO's leadership towards closing gaps in the Chicago Convention to clarify that States have responsibility for keeping commercial aircraft out of harm's way

In terms of safety, the Middle East has been on an improving trend for some time. Last year, the jet hull loss rate for MENA was 0.63 per million sectors flown – an improvement on the five-year trend of 1.82. Tools such as the IATA Operational Safety Audit (IOSA), compliance with which is compulsory for IATA and AACO members, have done much to enhance safety. Our priority must be to help those airlines on the registry as we tighten the requirements as part of our move to the Enhanced-IOSA. And of course, we would like to see yet more airlines join the IOSA registry.

As with security, the top priority should be accident-free 1001 nights. It's a big goal towards which we are making constant progress with evolving global standards and best practices. A key and concrete step for this region would be to increase the level of compliance with ICAO standards and recommended practices. At present the average rate of compliance for the region is 68%. The United Arab Emirates was recently commended by ICAO for complying with 98.86% of all ICAO safety standards – the highest compliance rate in ICAO's history. Why should passengers from other Arab states settle for anything less? Let's have a goal for 80% of audited Arab states to match today's 68% benchmark by the end of 2018.

Air Traffic Management

Air Traffic Management (ATM) is an issue of pressing concern. Capacity has not kept pace with the growth in demand, which is leading to significant delays. I understand that Emirates alone has suffered 1,740,000 minutes of ATM-related departure delay for the year-to-date. There are 525,600 minutes in a year. So that is equal to having three of their aircraft completely

unproductive for an entire year. Moreover, this leads to significant inefficiency to hub operations which we all know need high levels of on-time performance.

Other major carriers in the region are similarly suffering. The region grew by 13% last year and that trend is set to continue. Without action, this situation will get much worse. Cooperation between States to achieve change is paramount.

What needs to happen?

First, we need full commitment of States to the Middle East Enhancement Program (MEAP), This will facilitate regional cooperation in order to overcome fragmented airspace structures and ensure efficient infrastructure. Nobody is challenging sovereignty. We just need States to work together so that aircraft can get from A to B as efficiently as possible. That's in everybody's interest!

The second element is more flexible use of airspace between military and civilian operations. Again, nobody is challenging sovereignty or the right of the military to airspace. But prioritizing the current route network to take into account real traffic flows and looking at what is working in other regions on flexible use of airspace and dynamic route management could pay big dividends—particularly in the Gulf.

Continued progress in all these areas is required in the short- and long-term. But If I consider what concrete achievements would be most useful by the middle of 2018, it would be for the airspace over the Saudi Empty Quarter to be opened up, and for traffic flow in the Muscat FIR to improve. I would also like to see air navigation service providers establish a mechanism to measure ATM system performance against user expectations.

Regulatory balance for effective consumer protection

The need for smarter regulation of our industry is a theme IATA has been emphasizing. We crystallized this call with a declaration of Smarter Regulation principles. In some ways it is common sense. Regulation should solve real problems while respecting global standards and resulting from genuine consultation with industry. The aim is to achieve efficient policy outcomes that avoid unintended consequences.

Passenger Rights is an area where Smarter Regulation is needed. Overlapping and proliferating passenger rights legislation is confusing to customers and expensive for airlines.

The Arab Civil Aviation Commission (ACAC) has issued prescriptive draft guidelines on consumer protection which move in the wrong direction. For example, the imposition of set compensation for delays deviates from the Montreal Convention – ignoring international practice and the fact that airlines are highly incentivized to avoid delays in the first place. Most worryingly, the draft also ignores the preeminence of safety by failing to exclude safety-related delays, diversions and cancellations from the list of events for which compensation can be claimed. We should never impose a financial penalty for pilots making decisions in the best interest of safety. Make your views known! The ACAC Executive Committee has asked for further revisions to the document before approving it.

The opportunity for the next 33 months is to achieve a consistent, coherent regional approach to regulation following principles that ensure fair and responsible treatment. For example, a focus by Middle Eastern governments on the provision of information, as opposed to regulation, would ensure people have the ability to make well-informed travel choices. We should also press governments to recognize that airlines operate in a competitive market where keeping customers loyal is business-critical and good service is essential.

In June 2013, IATA member airlines unanimously adopted core principles on consumer protection that strike a balance between protecting passengers and maintaining industry competitiveness. In July 2015, ICAO issued policy guidance which is consistent with these principles. Both respect the preeminence of safety and global standards, and they protect passenger access to information on fares and operations as well as an efficient complaint handling system. We're working hard to explain the need for a coordinated, "smarter" approach – one that's consistent with ICAO and IATA principles - to governments across the region.

Improvements to the passenger shopping experience

Perhaps the most exciting opportunity over the coming months is to do with the way passengers will browse and choose their flight options.

Each of your airlines offers a distinctive experience—the result of a significant investment of time and money. You can promote this through your websites. But half your customers buy their tickets from travel agents, and don't have easy access to that rich website content. A marketing and revenue-raising opportunity is being lost. Our New Distribution Capability (NDC) standards can change that.

NDC standards will give you the ability to market your flight options and customized offers. As a result, air travelers will benefit from greater transparency and access to an airline's full offerings when shopping via a travel agent as easily as they do today on your website.

We are making strong progress with NDC. Some 24 airlines are undertaking pilots or implementations, including Qatar Airways. And it is not just a program for the big carriers. Last month Rotana Jet became the first airline in the region to deliver live NDC transactions. By the close of the next 1001 nights, there is no reason why every carrier in this room cannot be in a position to see their customers benefitting from universal access to the full variety of customer options you have worked so hard to create.

United in our commitment to a sustainable industry

I have one last desire for the next 1001 nights.

Today marks the start of COP21 in Paris. There are high hopes for a new agreement to tackle climate change emissions. Of course, aviation has been ahead of this for some time. The responsibility for international aviation emissions lies with ICAO, not the UNFCCC which is

hosting COP. That division of labor serves the environment cause well. We need to ensure that this situation continues. This has enabled us to move forward with bespoke goals and solutions, such as our commitment to delivering carbon-neutral growth from 2020, and cutting emissions 50% by 2050 compared to 2005. Achieving this will not be easy, but we have a credible four-pillar strategy to do so. The first three pillars - new technology, improved operations, and better use of infrastructure – have already brought results. The fourth pillar is something that only governments can deliver, through ICAO: a global market-based measure or MBM, to drive carbon reductions.

In September next year, the ICAO Assembly will make its decision on an MBM. In the hands of 190 States will be the power to make aviation's carbon-neutral growth goal a reality. The eyes of the world will be on them and there is lot of difficult work ahead. Failure to do so could lead to an untenable patchwork of regulation, taxes, charges and further onerous measures. To get the best result from governments, the industry must remain united. A famous proverb common to both Arabic and Western culture tells us that "a house divided cannot stand." This is particularly so with regard to the carbon debate where we must speak as an industry with one voice.

Looking ahead 33 months I hope that we have a solid agreement at ICAO and that preparations are well underway to be ready for carbon-neutral growth in 2020.

Conclusion

Let me conclude by congratulating again the AACO on the occasion of its 50th birthday. The value of cooperation through association has always been crucial to the success of civil aviation. New challenges stand ahead of us, which will surely make your work through AACO more relevant than ever. This region has a phenomenal mix of carriers, representing high-growth super-connectors, smaller global players, and regional airlines of varying size and shape. As a region, the Middle East is leading the world with passenger demand expected to expand 4.6% annually for the next two decades. It will become a market of 383 million passengers. This will increase the Middle East's importance in aviation affairs. But with influence comes responsibility, and we will be looking for AACO's continued leadership.

This year IATA celebrates a milestone of its own: 70 years ago 57 airlines met in Havana, Cuba to found a global association to represent, lead and serve the airline industry. The focus was to promote safe, regular and economical air transport, to provide the means for collaboration, and to cooperate with ICAO and other international organizations.

This mission has stood the test of time, and these priorities remain particularly appropriate for the Middle East. The enormous growth that aviation has enjoyed in much of the region has created challenges that will require cooperation and visionary planning to overcome. The longevity of IATA and AACO reminds us not only of our achievements, but also that our role is more important than ever. And I am certain that the productive ties between our organizations will grow ever stronger in the years to come.

My favorite of the 1001 Nights' tales is the voyage of Sinbad. Aviation in the Middle East is on an exciting voyage of its own. And it is one that, like Sinbad's, is not without uncertainty and difficulties. Let's focus our efforts so that the next 1001 Arabian nights put in place the foundations for the next chapter of glorious aviation growth in the Middle East.

Thank you.