

## **Remarks of**

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## **AACO AGM**

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It's a pleasure to attend my first AGM of the Arab Air Carriers' Organization (AACO) in Morocco. I thank Hamid Addou, CEO of Royal Air Maroc for the superb hospitality in hosting this event. Casablanca is a great place for the AACO AGM. And Morocco is a very positive example of how aviation links the world and supports a world-class tourism industry.

Thank you also to H.E. Akbar Al Baker, Chairman of the AACO Executive Committee and Group Chief Executive of Qatar Airways and Abdul Wahab Teffaha, Secretary General for their kind invitation.

IATA and AACO are partners in supporting a successful air transport sector by serving the needs of our member airlines. And because most AACO members are also IATA members, the relationship is particularly close.

That was clear at the 39<sup>th</sup> Assembly of the International Civil Aviation Organization (ICAO). Together with AACO and partners across the industry, we were a united front to achieve the historic agreement on CORSIA—a global Carbon Offset and Reduction Scheme for International Aviation.

CORSIA keeps aviation at the forefront of industries in combatting climate change. But major work remains to ensure successful implementation. In February next year we are planning a capacity-building workshop here in Casablanca for airlines in the region. And we must continue to be united in reminding governments.....

- to align all environmental economic measures with CORSIA,
- to facilitate the commercialization of sustainable alternative fuels for aviation, and
- to improve infrastructure efficiency, particularly air navigation services

### **Fulfilling IATA's Mission**

The ICAO Assembly was a great start for my time at IATA. Having served on the Board of Governors, I knew IATA and understood the value of its mission to represent, lead and serve the airline industry. But seeing it in action afforded me a unique insight into even greater potential for the association. To realize this, I will be guided by four principles.

**First, IATA must be highly respected as the representative body of an important global industry.** That respect is earned by the trust that you place in IATA—to manage your money, to advocate for the industry and to serve your needs. Thank you. We will not let you down.

**Secondly, IATA must be the reference, authority, custodian and innovator of the global standards that facilitate global business.** This is well-established in activities such as the IATA Operational Safety Audit and the IATA Settlement Systems (ISS). New Distribution Capability (NDC) and NewGen ISS are examples of how we are evolving to meet industry needs. And when it comes to innovation, everything is on the table. We are a big and complex industry. Starting with safety and security, there is always something that we can do better.

**Thirdly, IATA must be financially sound.** IATA's products and services must create value for the industry—including our members. The success of our commercial offerings gives IATA the capacity to invest in activities to support the industry.

**And finally, IATA must be fast.** The pace of change is accelerating for almost everything. IATA must be ahead of the curve, not behind it. Nobody knows what the next big industry challenge will be. But whatever it is, we will need to be fast in responding to it.

I am very excited about the prospect of developing this with important partner organizations such as AACO and our members in the region and around the world.

### **Financial Performance**

Considering the industry's financial performance this year, I joined IATA at a good time. We are expecting a record global net profit. And, for only the second time in history (and the second year in a row) the industry's return on invested capital will exceed the average cost of capital.

We will update the outlook next week. So I won't go into specifics. But I will make an important point. Some of the improved financial performance is due to lower oil prices, no doubt. But primarily, it's because of your hard work to restructure, re-engineer and innovate almost every aspect of the business. That is what will make current profitability durable.

Of course, the business cycle has not been completely conquered. There will be ups and downs. And we face real risks—a weak global economy, spreading protectionist rhetoric and security threats to name just a few. So we must look to the future with prudence.

We must also recognize the diversity in today's challenges. For example, there are at least two broad realities in this region....

- The Middle East and North Africa (MENA), outside of the Gulf, posted 2.3% annual growth over the last five years—well below the global average. It's been a real struggle with terrorist challenges, political instability and more recently issues with blocked funds in a growing number of countries—Algeria, Libya, Morocco, Syria, Yemen, Iran, Sudan and Egypt among them.

- The Gulf carriers, on the other hand, have been growing at more than five times that pace. And the challenge is to shore-up the competitive advantages of efficient hubs, positive government policies and a great geographic location.

### **What's the agenda for MENA?**

There are, however, issues that transcend all airlines. They form IATA's agenda—working with AACO—to make your business more efficient and more successful. To lead IATA's activities in the region, last week we announced the appointment of Muhammad Ali Albakri as IATA's Regional Vice President for Africa and the Middle East. Muhammad will be familiar to many of you as he is currently Executive Vice President for Strategic Projects and Transformation at Saudi Arabian Airlines. I know that you will give him all of your support to successfully lead IATA's activities in the region.

And to get Muhammad off to a flying start, let me share some thoughts on what I see as the regions' four top issues.

**Infrastructure:** At the top of the list is infrastructure. In general, the airport infrastructure in MENA demonstrates the foresight of governments wanting to capture aviation's economic and social benefits. To keep this competitive advantage, continuous consultation is needed so that capital expenditure aligns industry growth, required service levels and acceptable costs.

I will also sound a note of caution on infrastructure privatization. Saudi Arabia has announced privatization plans for 27 airports. The desire to harness commercial discipline in managing airports is understandable. But, I will be totally blunt in saying that, despite many privatizations around the world we have not seen any examples of airport privatization that have truly met expectations.

The expectations for any airport privatization are pretty straight forward. Whatever the ownership structure, airlines need airports with sufficient capacity and efficient and technically excellent operations. And, they must be affordable.

The first step to achieving that is for governments to effectively balance public and private interests. This includes the selection process for the concessionaire. Finding the highest bidder should not be the motivation.

In parallel, the process of privatization needs to be driven by real user consultation throughout. And we need iron-clad regulation to ensure that the privatized entity does not become an out-of-control monopoly.

It's important that MENA learns from the disappointing experiences elsewhere. As the concept is still relatively new in the region, we have a great opportunity and we must get this right!

Even more urgent is the need to modernize air traffic management in the Gulf. A recent study calculates average delays in the Gulf at 29 minutes with the potential to double by 2025. More expensive technology is not the solution. Regional cooperation is. Without it, all the investment in world-class hubs will be compromised with gridlock.

We appreciate the many programs that are in progress—including the GCC Air Navigation Committee, the Middle East ATM Enhancement Program and others. But we must drive these efforts even harder to achieve a real breakthrough.

**Rising Costs:** The next issue is an unprecedented rise in taxes and charges across the region—about \$700 million in extra costs over 2015. The majority of that is from passenger facility charges in the UAE and Qatar. But we also see rises in Tunisia, Egypt and other countries.

A low cost structure is a key component of the region's success—particularly in the Gulf. Every dollar that a passenger spends in the region creates jobs and spreads prosperity. And every dollar collected in taxes or charges is an incentive for travelers to go elsewhere. We must work together to reverse this unprecedented trend.

**Consumer Protection Regulations:** Another trend that we must reverse is the proliferation of disparate consumer protection regulations. Regulators in Saudi Arabia, Oman, Qatar, Jordan and the Arab Civil Aviation Commission are in various stages of activity in this regard. And I am deeply concerned about the deviations from ICAO's global standards and recommended practices. These were established in consultation with industry in 2015. And it's important that they are at the core of any developments in this region.

**Security:** The fourth item—security—may well be the most challenging. It is a global issue. Over the last year, two airports have been attacked, an attempt to bomb a jet failed, terrorists laid claim to downing another, and popular tourist destinations have seen bloodshed.

Flying is secure. We all know that and fly with confidence. But we also know that there are risks and challenges—insider threats, landside exposure at airports, overflight of conflict zones, and cyber security. Efficient airport checkpoints are important. And our Smart Security program is making them more effective and convenient. But that alone is not enough to stay a step ahead of those who would do us harm.

A recent UN Security Council Resolution reminds governments that keeping aviation secure is integral to a state's responsibility for national security. Governments can and must do more—upping their game on intelligence gathering and sharing vital information among themselves and with industry. That's the only way that terrorists can be kept away from airports and aircraft.

Industry also has a role. My previous employer, Air France, was mentioned on ISIS websites. So I have thought long and hard about security. At our Board of Governors meeting later this week and in the weeks and months ahead I will be engaging our members with ideas on how IATA can and should be more active on this critically important issue.

### **Spreading the word and multiplying the benefits**

The last thought that I want to leave you with is a reminder of how important aviation is. In the Middle East, our industry supports 2.4 million jobs and nearly \$160 billion in economic activity.

That's impressive. It is solid motivation for governments to support our industry's success. But it is only part of the story.

We are the business of freedom. Every day our industry has at least ten million stories to tell—one for each traveler who boards an aircraft. We unite families and friends across great distances. We help nations trade. We make it possible for people to explore the planet and build friendships. In doing so, we enrich lives and open minds. Our work—the business of freedom—makes people's lives better.

Our need for cost-efficient infrastructure to meet demand, for reasonable taxation, for the implementation of global standards and for security is in no way selfish. Yes, it will help our business. But the bigger picture is the contribution that safe, secure, efficient and sustainable air transport makes to the welfare of nations. The business of freedom makes people's lives better. Nothing should stand in the way of its success!

Thank you.