

Remarks of
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International Air Transport Association (IATA)
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[Ladies and gentlemen, distinguished guests] It is a pleasure to address the Arab Air Carriers' Organization (AACO) AGM. Thank you to Abdul Wahab Teffaha for the kind invitation. Special thanks also to Captain Ahmed Adel, Chairman and CEO of Egypt Air and all the Egyptair team for their generous hospitality.

Cairo is a very appropriate place for our industry to meet. Aviation links the people and businesses of this amazing country to the world. And it makes Egypt's unique cultural heritage accessible to all.

AACO and IATA are partners in helping the air transport sector do this important work—in Egypt and across the Middle East and North Africa (MENA). Aviation is critical to this region. It supports 2.4 million jobs and \$130 billion in economic activity across the Arab World. That's 3.3% of the region's employment and 4.4% of its GDP.

And this footprint is growing. Over the next 20 years we expect passenger numbers to rise by 4.3% annually. In 2037 some 630 million air journeys will touch this region---360 million more than this year. As aviation's leaders we must work together and with governments to realize this potential—and the economic and social development that it will catalyze.

Safety and Security

The first priority in achieving that is ensuring safety and security.

It is no secret that this region faces some very difficult security challenges. Last year's PED-ban crisis has resulted in stronger links between industry and governments focused on keeping aviation secure. But there is always room for greater cooperation—which we continuously urge governments to do. And, of course, we must remain ever-vigilant. The efforts that we have made as an industry working with governments have increased public confidence in the system.

The region also has a strong record on safety.

A key tool in keeping flying safe is the IATA Operational Safety Audit (IOSA)—a condition of membership for IATA. IOSA is delivering results. Over the last five years, the safety record of airlines on the IOSA registry was nearly three-times better than that of carriers not on the registry.

And that was demonstrated in the region again last year. In 2017 there were no accidents among MENA carriers on the IOSA registry.

This is why we have confidence in asking governments to recognize IOSA in their safety oversight. Egypt led the way in doing this. And it has been a strong supporter in our renewed efforts to get governments in the region to fully utilize IOSA's potential. I should also recognize Bahrain as the latest MENA state to incorporate IOSA in their regulations.

Safety on the ground is as important as safety in the air. I would also like to recognize the leadership of Emirates Airline and Qatar Airways in pioneering adoption of the IATA Ground Operations Manual—or IGOM. And I'll take this opportunity to encourage all airlines in the region to learn from their experience and follow their example.

Sustainability

Our commitment to sustainability is as strong and important as our commitment to safety. That's why we set a goal to cut our net emissions to half 2005 levels by 2050. And the near-term target on the way to achieving that is carbon neutral growth from 2020.

The key to achieving carbon neutral growth is CORSIA—the Carbon Offsetting and Reduction Scheme for International Aviation. This was agreed through the International Civil Aviation Organization (ICAO) in 2016 with the full support of the industry.

So I bring a reminder to the airlines of this region that every carrier must begin reporting their emissions from 1 January 2019—which is only a few months away. If you are finding it a challenge in any way to achieve this, please call on the expertise of IATA's environment team.

In parallel, we want more governments to sign up to the program from the voluntary period beginning in 2020. Already some 75 are committed. This accounts for about 76% of global aviation activity.

Qatar, Saudi Arabia and the UAE are the only MENA governments among these. I congratulate them for their leadership. And I ask the other governments in the region to join them. We will continue to work closely with AACO to remind governments of the benefits of CORSIA and to support airlines in their preparation plans.

Greater Alignment with Governments Needed

Aviation is a highly regulated sector. Close alignment with governments on safety and sustainability has been a cornerstone in making flying the safest way to travel and aviation a leader on sustainability. But there are some areas where alignment must be strengthened to reach aviation's full potential.

- We need effective infrastructure to accommodate growth
- We need costs and taxes at reasonable levels that don't kill growth
- And we need harmonized regulation to enable orderly growth

Effective Infrastructure

Let's start with infrastructure. This region is well known for the foresight of its governments in developing airport infrastructure. While many parts of the world struggle to build infrastructure, the last decade has seen major investments in Abu Dhabi, Bahrain, Dubai, Egypt, Jordan, Kuwait, Oman, Qatar, Saudi Arabia and elsewhere around the region.

As we have said many times, airline requirements from airports can be summarized in three main areas: sufficient capacity to meet market demand, quality that is aligned with our technical and commercial needs, and costs that are affordable.

To meet their responsibility to provide effective infrastructure, we see many governments looking to the private sector. And, that continues to make us nervous. Airlines have been disappointed many times in the past with privatizations that have failed to live up to their promised benefits.

At the last IATA Annual General Meeting we passed a resolution calling on governments to be cautious when considering privatization. Many ownership models have been tried. It is important that governments learn from past successes and failures and recognize that the value of the airport to national development is in the connectivity it provides—which will far outweigh any short-term financial gain from concession arrangements.

So as Saudi Arabia and others across the region consider airport privatization our message is clear and simple: talk to all stakeholders—especially the airlines—to ensure that you gain the best long-term economic and social benefits.

I will be totally frank in saying that we have not seen a privatization anywhere in the world fully deliver on all its promises. And there is no need for governments in the region to repeat the mistakes that have been made in other parts of the world. Consultation is not just key, it is a must!

Despite the region's great airports, the record on provision of air traffic management falls behind—especially in the Gulf. Capacity has not kept pace with the growth in demand, which is leading to significant delays. And diplomatic difficulties in the GCC have further exacerbated the problem.

The average delay per flight attributed to ATC issues in the region is 29 minutes. And we could see that doubling by 2025 unless we make urgent progress. The costs of that would be enormous – \$7.22 billion in ATC delay costs to passengers due to lost productivity time; \$9.12 billion in ATC delay cost to airlines.

We have seen many attempts to solve the problem. Consultants have produced endless reports and studies. And these have been supplemented with technical advances like improved airspace design, flexible use of airspace and the implementation of performance-based navigation will help. But the problem literally grows worse each day as traffic increases. And if we don't find a solution fast the competitiveness of the hubs will fail.

There is an enormous amount of traffic in a limited geographic area. And the only solution is to manage the area as a whole. Governments must replace political fragmentation with collaborative cross-border decision-making. And has to happen soon.

The effective implementation of the Middle East Contingency Coordination group (CCT) to manage tension points in the Syrian crisis demonstrates that States can work effectively together. And this is continuing with the development of a concept of operations for Air Traffic Flow Management. We need to speed the process and ensure that airline input is integral to the decision-making.

Reasonable Costs & Taxes

We also need governments to understand the importance of keeping costs reasonable. Since 2016 we have seen \$1.6 billion added to industry costs in the MENA region. The majority is from increased passenger facility costs in the Gulf. But Jordan and Algeria are also among states contributing to this negative trend.

Airlines in this region are expected to earn about \$5.89 per passenger this year—below the global average of \$7.76. And every dollar in extra charges is a challenge for airlines and disincentive for passengers.

In coordination with AACO, the message that we are sending to governments is that the value of aviation to a country is not in the taxes it collects. It is in the growth that it enables across the economy. Airlines are like the proverbial goose that lays golden eggs. And if governments choke the goose with taxes and charges, the golden eggs will stop.

Harmonized Regulation

Lastly, I would like to reflect on the importance of global standards. We could not connect the world efficiently on the scale that we do today without them.

We continue to work to get governments to implement the global standards to which they have agreed. These include the Montreal Convention 1999 (MC99) and the Montreal Protocol 2014 (MP14).

MC99 establishes a standard approach to airline liability. It is critical in the aftermath of an air accident and it also is an enabler for the much-needed modernization of freight processes. Tunisia was the latest country to ratify MC99. But there is more work to be done. Of the 22 states in the Arab world, 8 have not ratified it. We are hopeful that they will do so soon.

MP14 provides a modern framework to address unruly passengers. In this part of the world only Bahrain, Jordan and Egypt have ratified it. We will need to push strongly to grow this list.

An area I am deeply concerned about is the proliferation of disparate consumer protection regulations in the region. Consumers are best served with clear, simple and harmonized regulations. In 2015 states worked together to achieve this through ICAO which delivered global guidance in this key area. It is important that the ACAC Consumer Protection Guidelines for Arab States follow this ICAO guidance.

Gender Diversity

Before I conclude, I want to provide an update on a renewed area of activity for IATA—gender diversity. As you can see from this room—and pretty much any aviation conference—there is plenty of room for aviation to make progress on gender diversity.

Finding a solution is all the more critical because we are facing a skills shortage. In the peak northern summer season Emirates had to trim frequencies because it did not have enough pilots. Finding a solution for that will require a comprehensive set of actions over a sustained period. And one of them—which goes beyond the pilot shortage—is to enable more women to find careers in aviation.

We are partnering with Korn Ferry, Airports Council International, Aerospace Industries Association, and the International Aviation Women's Association in a study that aims to identify best practices in breaking the glass ceiling for women in aviation. If you have received an invitation to participate in this study, I thank you for sharing your views. And we will publish the results in the first quarter of next year.

The Business of Freedom

This fits with a theme that I have been promoting in every corner of our planet—that aviation is the business of freedom.

- It has made our world a better place. And there is still tremendous potential to be realized—potential that will only be realized with teamwork.
- Operationally, every flight is of many parties working safely together.
- Regulatory, infrastructure and cost issues solutions will only be found by industry and governments working in collaboration.
- And borders that are open to people and to trade can only be realized with the common understanding that globalization makes us all more prosperous.

I will leave you with some short videos demonstrating the power of the business of freedom. If you like them, they are available for your airline to use as part of our continuous campaign to promote the value of aviation.

Thank you.