

**Remarks of**

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**Introduction**

Your Excellencies, distinguished guests, ladies and gentlemen, good morning. It's a pleasure to be with you in Kuwait today at the 52<sup>nd</sup> AACO AGM. My thanks to AACO Secretary General Abdul Wahab Teffaha for the invitation to speak to you today.

IATA and AACO are important partners in supporting a successful air transport sector by serving the needs of our member airlines. The relationship is much closer because most AACO members are also members of IATA. And this relationship has stood the test of time. In 2020 IATA will celebrate 75 years since our founding. From the beginning of AACO some 52 years ago, we have been working together for the development of aviation.

**Environment**

The strength of our partnership was particularly evident at the 40th Assembly of the International Civil Aviation Organization (ICAO) which concluded last month.

Working together we made progress towards creating a more inclusive air transport system for passengers with disabilities. And we also took steps to tackle the safety issue of GPS jamming and interference with on board aircraft Navigating System– a safety concern that is particularly pertinent in this region.

But at the top of the ICAO agenda was the challenge our industry faces on sustainability. The climate crisis, as it is now called, has put our industry in the global spotlight with the introduction of a new phrase to the global vocabulary—“flygskam” or “flight shaming”.

People should be concerned about the environmental impact of all industries—including our own, which accounts for 2% of global man-made carbon emissions. However, they need to be reassured that aviation has been driving climate action for over a decade.

- We committed to improve fuel efficiency by an average of 1.5% annually between 2009 and 2020. We are achieving 2.3%.
- We committed to carbon-neutral growth from 2020. And the ICAO Assembly confirmed its resolve to make a success of CORSIA—the Carbon Reduction and Offsetting Scheme for International Aviation. It is the global measure that will enable us to cap net emissions and it will generate some \$40 billion in climate funding over the lifetime of the scheme.
- And we committed to cut our emissions to half 2005 levels by 2050. Industry experts are collaborating through the Air Transport Action Group (ATAG) to map out how we will achieve this based on realistic technology and policy solutions. And, at our strong instigation, governments, through ICAO, are now looking to set their own long-term goal for emissions reduction.

We can and should be proud of this progress. But there is still more work to do.

First, we must make CORSIA as comprehensive as possible from the voluntary period. In this region only Saudi Arabia, Qatar and the UAE have signed-up. This will cover most of the anticipated growth on a global level, but still we must encourage more states to join the effort from day one.

Second, we need to hold governments accountable for their CORSIA commitments. Too many states—particularly in Europe—are introducing aviation carbon taxes that could undermine CORSIA. This must stop.

Third, we must get governments to focus on driving the technology and policy solutions that will make flying sustainable. In the immediate term, that means focusing on sustainable aviation fuels which have the potential to cut our carbon footprint by up to 80%. This region is making

progress. Etihad has used sustainable fuel made from plants grown in saltwater. Egypt's national carrier used biofuel for a 787-delivery flight from Seattle to Cairo. And a number of AACO members are actively engaged in the global policy discussions which we hope will make SAF cost comparable with conventional fuel. These are great examples for others to follow.

Finally, we need to tell our story much better. As industry leaders we must speak in unison to our customers and our governments about what our companies are doing to reduce our climate impact. And IATA will be engaging your marketing and communications departments with tools that will help you and your teams do just that.

People are adjusting their personal habits to avoid a climate calamity. That's a good thing. But it is our duty to ensure that they have the facts needed to make the right choices on air travel. And we can be confident that our track record and targets will reassure our passengers present and future that they can fly proudly and sustainably.

### **Challenging year for aviation**

Environment is a big challenge. But it is not the only one we face.

- The direction of the global economy is uncertain. Airlines have been in the black for a decade—an industry first. But many airlines are still struggling, and it is unclear when an economic downturn will happen and what it might look like.
- Trade tensions are taking their toll. Cargo volumes are tracking about 4% below last year and, in the region, nearly 7% below.
- This region is at the nexus of conflicting geopolitical forces with real consequences for aviation. The recent attack on Saudi oil infrastructure reminds us of vulnerabilities in the oil price and supply.
- Airspace capacity constraints in the Middle East region have become more extreme as a result of diplomatic tensions. And it could get a lot worse if the situation with Iran deteriorates—potentially putting nearly half the region's airspace at risk of closure.

## Opportunity

But there is overarching good news. People want to travel. And economies are thirsty for the benefits that aviation brings. So, let me focus the rest of my remarks on four areas that are critical to our future:

- Cost competitiveness
- Infrastructure
- Harmonized regulation, and
- Gender diversity

### Creating a cost-competitive operating environment

Let's start with costs. It is no secret that margins are tight. And while some airlines in the region are doing well, overall Middle East carriers are expected to lose \$5 per passenger this year—far below the global average of \$6 profit per passenger.

A low-cost structure is essential.

The news in the region is mixed.

- Here in Kuwait, the government did away with delay penalties for airlines, which is good. But they are upholding minimum ground handling charges for ten years, which is counterproductive to fostering competition and guarantees no benefits in terms of service levels to members.
- In Saudi Arabia airlines had less than a weeks' notice that that a new fuel fee would come into effect at King Abdulaziz International Airport in Jeddah which we estimate will add an additional \$84 million annually in fuel costs to airlines. A significant increase was also announced at Prince Mohammed Bin Abdulaziz International Airport in Medina.
- After engaging with the industry, Jordan is reducing a proposed API charge. More importantly they have committed to embed consultation and transparency requirements into legislation.

Our message to governments is simple: follow ICAO principles, consult users with full transparency and recognize that raising costs has long-term negative consequences. Aviation's benefits are in the economic activity that the industry catalyzes, not in the tax receipts it generates.

## **Infrastructure**

Moving to infrastructure, most MENA Governments have understood that infrastructure investments are needed to capture aviation's economic and social benefits. Recent developments in Abu Dhabi, Bahrain, Doha, Jeddah, Kuwait and Muscat, and are continuing that tradition with respect to building or expanding airports.

But adequate infrastructure is not just about the bricks and mortar. The technology that we put into airports is as important. That fact was reinforced by the findings of IATA's latest Global Passenger Survey. Passengers expect technologies like biometric identification and smart phones to shorten wait times and make airport processes more efficient.

Some airports in the region are taking a leading role in using technology to drive improvement in the passenger experience.

- Dubai International Airport introduced a biometric system allowing passengers to clear immigration without showing a passport.
- The Smart Airport program at Hamed International Airport in Doha uses facial biometric recognition across all key passenger touch points creating a true end to end seamless experience.
- And airports in Abu Dhabi and Muscat are trialing biometric technology to improve the passenger experience and security.

These initiatives are helping to lead the industry toward our One ID vision for biometric identification which enables paperless travel—of course with all due attention paid to ensuring the security of personal data.

Working with Airports Council International, we are exploring all the future technologies that could bring efficiencies. The initiative is known as NEXTT. And it should be a critical foundational reference for any airport project.

## **Harmonizing the regulatory environment**

Tremendous efficiencies are generated by introducing technologies based on global standards. And the same is true for regulation.

The ongoing grounding of the Boeing 737 MAX put this in the spotlight. The tragedies weigh heavily on an industry that holds safety as its top priority. And tremendous efforts are underway to ensure a safe return to service.

A united approach by regulators will help rebuild confidence in the aircraft. But the risk of fragmentation among the certifying authorities remains. And that would erode passengers' trust in safety.

Longer term, the same principle applies, as questions of pilot training standards and the certification process are looked at by regulators. The legacy of the Chicago Convention should weigh heavily in these discussions. Global standards have made aviation the safest form of long-distance travel. And global standards should guide future improvements as well.

For proof, look no further than IOSA—the IATA Operational Safety Audit. The safety performance of airlines on the IOSA registry is three times better than airlines not on the registry. And that is what is behind our call for regulators in this region to use IOSA to complement their own national safety oversight activities. Already Bahrain, Egypt, Jordan, Lebanon, Kuwait, Iran and Syria have done so.

While this shows convergence of regulators around safety, I am deeply concerned about the potential fragmentation among regulators in MENA on consumer protection regulation. 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 Arab Civil Aviation Organization (ACAO) Consumer Protection Guidelines for Arab States follow this ICAO guidance.

## **Gender Diversity**

The last area that I'd like to cover is gender diversity. It is no secret that women are under-represented in some technical professions as well as in senior management at airlines. It is also well-known that we are a growing industry that needs a big pool of skilled talent.

If we don't engage the female half of the world's population much more effectively, we won't have the needed people power to grow.

That's why the recently-launched IATA 25by2025 Campaign is so important. It will help us to address this industry's gender imbalance.

25by2025 is a voluntary program for airlines to commit to increasing female participation at senior levels to at least 25% or improve by 25% by 2025. The choice of target helps airlines at any point on the diversity journey to participate meaningfully.

Of course, the ultimate goal is a 50-50 representation. So this initiative will help move our industry in the right direction. From this region Qatar Airways and Royal Jordanian have already taken up this commitment. And I urge all of you to join.

## **Conclusion**

The last thought that I want to leave you with is a reminder of the importance of aviation. In the Middle East, our industry supports 2.4 million jobs and nearly \$130 billion in economic activity. That's impressive.

This has only been achieved through cooperation and collaboration between industry and governments. An agenda of collaboration does not mean that we will agree in every specific situation. But it does mean that we recognize we will achieve far more together than each could on our own. This is an important message for this region.

Since I began these remarks some 10,000 people have arrived safely at their destination in the region by air. And enormous value has been created as a result. That is aviation in action. We are the stewards of a truly amazing industry. And we must confidently work together to secure aviation's future as the safe, secure, efficient and sustainable business of freedom.

Thank you.