Opening Remarks by the Secretary General of the International Civil Aviation Organization (ICAO), Mr. Raymond Benjamin, to the ICAO/CAAC Symposium on Low Cost Carriers

(23-24 October 2014, Kunming, China)

1. Distinguished colleagues from the Civil Aviation Administration of China, honoured guests, ladies and gentlemen.

2. It gives me great pleasure to be with you here today and to address the opening of the Second ICAO/CAAC Symposium on Low Cost Carriers. On behalf of ICAO, let me welcome all of you here today.

3. I wish to first express my sincere thanks to our co-hosts from the Civil Aviation Administration of China (CAAC), our co-organizers from the Civil Aviation Management Institute of China (CAMIC), and of course our event sponsors for their generous support and assistance in making this event a reality. The venue and services are impressive and will no doubt contribute to success of this meeting.
4. Our goal over the next two days will be to define what a sustainable air transport environment requires if it is to meet the needs of both Low Cost Carriers (LCCs) and traditional airlines.

5. Collaboration is a key aspect of every ICAO undertaking, including this joint event, and in this respect I am confident that we will make good progress here given the broad representation of government policy makers, air transport regulators, industry and other aviation stakeholders present with us.

6. Before we begin to look at our specific challenges, it is important that we all recognize that modern air transport is an essential enabler of global trade and connectivity and the wide ranging benefits these bring to businesses and societies all over the world.

7. On a global basis our network supports some 60 million jobs and more than two trillion dollars in associated economic activity, while here in the Asia-Pacific Region over 24.2 million jobs and more than half a trillion dollars in regional GDP derive directly from your air transport sector.
8. We should also acknowledge that Low Cost Carriers (LCCs), the topic of this Symposium, have become an increasingly important contributor to air transport growth and to the positive economic impacts just referenced. They enjoy significant comparative advantages in terms of lower base salaries, an entry-level work force, and greater flexibility in the utilization of personnel.

9. These competitive attributes enable LCCs to offer low-fare, no-frills services, which in turn allow them to penetrate the markets of the established airlines.

10. And even while some of these low-cost carriers may fail to achieve profitability and a sustainable business model, the ready availability of airline assets and trained personnel continue to attract new entrants into this market, all eager to realize new approaches on the low cost transportation market.

11. Acknowledging this clear commitment to innovation, it is perhaps not surprising that a number of low-cost carriers consistently rank among the most profitable airlines.
12. In the United States – which many consider the birthplace of the LCC phenomenon – innovative low-cost carriers account for over 30 per cent of scheduled domestic services. In Europe, where low fare airlines have been flying for decades, this number is closer to 40 per cent.

13. And while short-haul, no-frills flying may have arrived later to the Asia-Pacific, travellers here have taken to it eagerly. Indeed, in just ten years time, the LCC share of the South-East Asian air transport market has soared from almost nothing to almost 60 per cent.

14. These successes jointly reflect the growing demand amongst passengers for affordable air travel, as well as the extraordinary expansion of aviation over the past quarter century. And there is every expectation that these trends will continue for the foreseeable future.

15. But there are major challenges involved here as well, including safety and security issues, high market access barriers, limited slot resources and congested air routes. Competition from high speed trains and the potential for market over capacity are further concerns.
16. ICAO has been working vigorously to facilitate the expansion of international aviation markets and has already developed policy guidance to facilitate the liberalization process, including Template Air Services Agreements (TASA).

17. And in accordance with recommendations which emerged from ICAO’s Sixth Worldwide Air Transport Conference (ATConf/6) in 2013, and which were endorsed later that year by the 38th Session of the ICAO Assembly, we are taking a leadership role in developing multilateral international agreements for States to liberalize market access and air carrier ownership and control.

18. These new regulatory frameworks are aimed at creating a more favorable operating environment for the air transport industry, including LCCs and network airlines.

19. It’s important therefore that we take advantage of the opportunity of this Symposium to explore liberalization issues which are common to both LCCs and the legacy airlines. This is a challenge facing many governments and airlines and ICAO certainly recognizes that the process of liberalization is a complex one. Due regard must be given to the interests of all stakeholders, changing business environments and infrastructure requirements.
20. With respect to infrastructure, significant improvements are required to meet the needs of the airline industry. The efficient use of air routes and slot resources have direct impacts on carrier profitability, and new market entrants face a steep uphill climb achieving a high aircraft utilization ratio when they have to compete with large, well-established airlines for valuable slots.

21. This situation is compounded by the fact that many hub airports cannot satisfy the low-cost airlines’ preference for exclusive security checkpoints, fixed boarding bridges and other needs.

22. Government funding remains the primary source for infrastructure development, however growing demands on public finances from other sectors can make it very difficult for aviation to secure adequate resources. Solutions such as privatization and Public-Private Partnerships have been successful in many cases, notably when they are structured on the basis of related ICAO guidance on the economics and management of airports and air navigation services.

23. Besides looking at government policies, regulatory practices, or airline business models and strategies, one crucial thing we cannot ignore is the interest of our end-users. One important element in this regard is the ratification of the Montréal Convention of 1999 (MC-99), which provides a modern, fair and effective liability regime. I am pleased to recognize that China has ratified MC-99, and would I encourage other States to do so as soon as possible.
24. And speaking of our very gracious host State, let us also acknowledge that China is now the world's second largest aviation market and poised for even further growth. The Government of China and the CAAC have taken excellent steps to promote the development of its air transport sector and adapt it to the changing environment, including the introduction of new policy guidelines this year on low-cost carriers development.

25. We look to China to share its rich experience and successes in these and other air transport areas, which will undoubtedly benefit your entire region and the global aviation community at large.

26. Finally, ladies and gentlemen, I wish to take this opportunity to mention ICAO’s unique meeting facility, the ICAO Air Services Negotiation Event, known as “ICAN”, which facilitates liberalization by enabling States to conduct multiple bilateral air services negotiations at one location.

27. ICAN2014 will be held here in the Asia-Pacific in Bali, Indonesia, from 17 to 21 November, and I would encourage all of you to take advantage of the cost-effective opportunities these meetings provide.
28. And lastly ladies and gentlemen, in closing, let me please draw your attention to the fact that, as of 7 December this year, ICAO will have been serving the global aviation community for 70 years.

29. Much of this history has taken place on other continents of the world, but the Asia-Pacific is certainly now beginning to fulfill its essential role in the future growth of our global system and ICAO has been very encouraged by your recent progress and commitment.

30. We will continue to look forward to your future, and sustainable, air transport development.

31. Thank you.