

**Opening Address by M. Daniel Azema,
Directeur de Cabinet, Office of the Secretary General,
International Civil Aviation Organization
at the ICAO/CAAC Symposium on Low Cost Carriers**

Beijing, China, 5 November 2013

1. Distinguished CAAC Deputy Administrator, Mr. Xia Xianghua, distinguished guests, ladies and gentlemen, good morning and welcome to the *ICAO/CAAC Symposium on Low Cost Carriers*.
2. I would like to take this opportunity to thank, on behalf of the Secretary General of ICAO, Mr. Raymond Benjamin, the CAAC, CAMIC and China Aviation Supplies Company for co-hosting and organizing this important event. The excellent facilities and services you have provided will facilitate what I'm sure will be very stimulating and productive discussions over the next two days.
3. As all of us present here are well aware, modern air transport is an essential enabler of global society. It supports some 60 million jobs directly and indirectly worldwide, generating more than two trillion dollars in associated economic activity.
4. Our global network carried three billion passengers on 31 million scheduled departures last year, and by 2030 these numbers are currently projected to double.
5. Low Cost Carriers (LCCs), our topic for this Symposium, have played a major role in the extraordinary expansion of aviation over the past quarter century. And there is every expectation at this point in time that they will continue to do so for the foreseeable future.

6. For example in the United States – which many consider the birthplace of the LCC phenomenon – innovative low-cost carriers accounted for approximately 20 per cent of the seat capacity on scheduled domestic services at the beginning of our new millennium. By 2012, that share had grown to 31 per cent.
7. Precisely what underlies the LCC success story will be the subject of your deliberations over the next two days, but allow me if I may to offer three important observations before you begin.
8. Firstly, the growth of LCCs has gone hand-in-hand with liberalization. As domestic aviation markets have been progressively deregulated in many countries, and as market-oriented air services agreements have increasingly become the new international norm, LCCs have seized the opportunity to offer innovative air services that have spawned new passenger demand – the so-called *Southwest effect*.
9. For example, Ryanair, Easyjet, and other European LCCs have taken advantage of the creation of a common aviation area in the European Union to capture, as of 2012, no less than 37 per cent of the seating capacity of that region's scheduled services.
10. Contrast that figure with the 9 per cent LCC capacity share in Africa, where market access barriers remain high. And in Asia, by contrast, the LCC share accounted for 23 per cent in 2012.
11. With respect to these dynamics, I'm pleased to be able to reaffirm that ICAO has been working vigorously to facilitate the expansion of international aviation markets. Initiatives such as the five Air Services Negotiation Conferences ICAO has held in recent years, not to mention the sixth ICAN in South Africa next month, have been influential in this process.
12. The recently-completed 38th ICAO Assembly additionally reaffirmed ICAO's commitment to facilitate and assist States in their efforts toward liberalization.

Future work in this area which our States have endorsed includes the development of international agreements designed to liberalize market access, air carrier ownership and control, and air cargo. And ICAO is also pursuing policy guidance on fair competition and core principles for consumer protection.

13. Our aim with these efforts is to fully meet the needs and surpass the expectations of our Member States, and to help create a more favourable environment for the sustainable development of air transport worldwide as we do.
14. A second important observation: although LCCs have pursued a number of different business models, one aspect common to all is a laser-like focus on the customer. By identifying what prospective airline passengers value – that is, what they are willing to pay for – LCCs are able to tailor specific products to meet those demands.
15. My third and final observation would be that, in a cyclical industry subject to surges in the cost of fuel or crises such as terrorist attacks and health pandemics, LCCs have understood that maintaining a competitive advantage requires a relentless drive to cut costs, expand revenues, and maximize efficiency. The ways in which these carriers have both pursued and balanced these objectives will be one of the key topics informing your coming discussions.
16. And let me also emphasize here that there is no single airline type, whether a traditional network carrier, LCC, or some hybrid of the two, that is by any means *best* for all customers or markets.
17. Likewise, both hub-and-spoke and point-to-point services respond to consumer needs and market conditions. These different business models encourage innovation and offer passenger-enhanced connectivity, whether for short- or long-haul journeys.

18. In every case our goal must be to encourage vigorous but also fair competition, and this competitive framework must permit passengers to benefit from low fares while at the same time providing airlines with a reasonable return on investment.
19. This Symposium in Beijing will explore a full range of issues relevant to an understanding of the Low Cost Carrier phenomenon, the role of governments, and the implications of policy-making. Officials from governments and international organizations, executives from LCCs and network carriers, and leading experts at universities and think tanks will ensure that we leave no stone unturned.
20. But keep in mind as well that, as productive as your coming discussions may be, they will by no means answer all our questions in this area.
21. The measure of success for this Symposium lies instead in how we manage to identify and refine the critical questions that governments and stakeholders must address in deciding whether, and how, to expand the possibilities for LCCs.
22. To this end, I encourage all participants to speak openly and candidly, to tackle the tough issues, and to engage with one another in a robust exchange of views.
23. Thank you.