



**Address by the President of the Council
of the International Civil Aviation Organization (ICAO),
Mr. Roberto Kobeh González,
to the Fifth Wings of Change Conference
of the International Air Transport Association (IATA)**

(Santiago, Chile, 1 April 2008)

I would like to thank the Government of Chile and the International Air Transport Association for inviting me to participate in the International Air and Space Fair (FIDAE) and the fifth Wings of Change Conference. The subject I have been asked to address is a Worldwide Industry Framework.

For the global regulator to comment on such a topic may seem strange at first, but it is quite appropriate. While there obviously must be proper distance between the regulator and the regulated, we are united by a common goal – the safe and efficient transport of people and goods by air. Meeting that goal has always meant working well together.

In fact, ICAO relies heavily on input from industry to ensure that international regulations remain pertinent, comprehensive and up to date. Over the years, contributions from IATA and other key stakeholders have been determinant in ensuring the effectiveness of our Standards, operating procedures and policies. This in turn has contributed to a worldwide industry framework that is both sturdy and flexible.

Over the next few minutes, I would like to review how ICAO keeps evolving to meet new operational and economic realities to keep riding the Wings of Change.

It begins with the realization that many systems of the past are no longer sufficient to solve the problems of today, and much less those of tomorrow. The traditional approach to aviation safety is yielding diminishing returns in terms of time and resources invested. Airport and airspace congestion in many parts of the world is stretching air navigation and ground facilities to the limit. With air traffic forecast to increase at an average annual global rate of close to 6 per cent, and double-digit figures expected in high density areas, the pressure will only mount.

Growth means thousands of aircraft coming on stream, which in turn will require tens of thousands of new pilots, maintenance engineers and controllers. We will also need to strengthen and expand the ranks of aviation management personnel to run the airlines, airports and air navigation services organizations that will employ them. A shortage of skilled human resources can stifle the growth of air transport if not resolved quickly and effectively. I have been preoccupied by this situation for a long time and can assure you that ICAO is actively seeking solutions through dialogue with all stakeholders.

Another challenge is the impact of sustained growth on the environment. In spite of tremendous technological and operational progress over the last four decades to reduce aircraft engine emissions, the steady increase in operations implies growing pressure to reduce the impact of aviation on climate change and local air quality. And finally, there is always the threat of acts of unlawful interference against people, aircraft and facilities.

When these concerns loomed large on the horizon a few years ago, ICAO undertook to redirect its resources to systematically tackle each of these issues before they became unmanageable. We knew we would be breaking new ground and would have to overcome a number of political and institutional obstacles. We also knew it was the only course of action to take.

In 2005, ICAO committed itself to becoming a more performance-based and results-oriented organization. We established six strategic objectives dealing with safety, security, environmental protection, efficiency and continuity of aviation operations, and legal matters. And we created a business plan to translate the Strategic Objectives into action.

The transition to a results-based management organization has already paid dividends in terms of responding to the real and immediate requirements of States and industry stakeholders for direction and support.

In the area of safety, we are emphasizing the promotion and implementation of Safety Management Systems. At the same time, we are using the results of our Universal Safety Oversight Audit Programme to turn liabilities into strengths. For example, the newly-created Audit Results Review Board is already using audit findings to channel technical cooperation projects and other support mechanisms toward the establishment of effective oversight systems. And for the first time in ICAO's history, where imminent safety issues have been identified, States have been asked to deregister aircraft and revoke pilot licences until a robust oversight capability can be demonstrated.

The same proactive approach is being applied to security issues. When we were confronted with the alleged terrorist plot in the United Kingdom where liquids could have been used as explosives, we quickly contacted government and industry partners to initiate dialogue and subsequently approved interim guidelines for screening liquids, aerosols and gels. We needed to react promptly, we did, and, whenever required, will again in the future. As far as the Universal Security Audit Programme is concerned, it is producing tangible results in improving security worldwide, as is the Machine Readable Travel Documents Programme and especially the ePassport initiative. Underlying all of our actions is the recognition that, while the global air transport system is fundamentally secure, it remains vulnerable. We will continue to work closely with States and the industry on adapting security-related methods and technologies that meet and anticipate new and emerging threats, while facilitating the rapid and efficient flow of passengers at airports.

One of the areas we will touch on is the enormous potential of air traffic management to reduce the impact of aviation on the environment. Environmental protection is a complex challenge, involving many inter-connected technical, operational, economic, social and political factors. As we have done for more than 40 years, we will exercise our leadership role to ensure the sustainable long-term growth of aviation. Those of you who followed the 36th Session of the ICAO Assembly were able to appreciate the extent of this mandate and the solid vote of confidence in the Organization to carry it out. I am particularly proud of the first-ever ICAO Environmental Report distributed at the Assembly. The Report represents an invaluable resource to fully understand the technical and policy aspects of aviation's impact on the environment. It responds to the critical need for the most authoritative, transparent and credible technical and scientific information on which to base discussions and decisions. This reference document has already made its mark and is freely available on ICAO's website.

The Assembly also called for the formation of a new group on International Aviation and Climate Change composed of senior government officials representative of all ICAO regions, with the equitable participation of developing and developed States. The task of the Group is to formulate and recommend to ICAO an aggressive Programme of Action on International Aviation and Climate Change. I had the pleasure of opening the first meeting of the Group a few weeks ago in Montreal. It was a time for members to get acquainted, review the terms of reference and working methods, agree on a work plan for the next two years or so, and reflect on the high expectations of States and industry regarding the outcome of the Group's deliberations. I can assure you that all Group members appreciate the trust placed in them, recognize the enormous responsibility that rests on their shoulders, and are committed to working together in a spirit of cooperation.

Performance is obviously essential for efficient operations. It is at the heart of the Air Traffic Management Operational Concept and Global Air Navigation Plan revised in November 2006. To move the concept forward, we have realigned ourselves organizationally. We are making good progress in the implementation of key programmes such as reduced vertical separation minimum and required navigation performance. We are planning the transition to an electronic air navigation plan environment – a milestone transition from a paper-based format to an electronic format with supporting tools for the planning and management of air navigation plans. I take this opportunity to invite everyone here to two important ICAO symposia. The first will be held in June and will focus on aeronautical information management and global data sharing. The second, in September, will provide an exciting overview of the future air navigation system.

Another sector of activity where ICAO is assisting States is the liberalization of the economic regulation of international air transport. Worldwide, at the bilateral level, there are now 134 agreements involving 91 States. Activity is also on the rise at the national, regional and interregional levels. In the airline industry, we are seeing an increase in mergers and the steady expansion of alliances. On the question of ownership, some States established new national airlines, which replaced debt-ridden, State-owned incumbents, often in partnership with foreign investors. Along with the progressive liberalization of air transport regulation, the protection and improvement of airline passenger rights is gaining strength.

A snapshot of liberalization in Latin America reveals the following. At the bilateral level, some 25 “open skies” agreements have been concluded by States in the Latin America/Caribbean Region - 13 with the United States and seven involving pairs of States in the Region. Chile is the most active in concluding “open skies” agreements.

At the regional level, major initiatives include the Decision on Integration of Air Transport of the Andean Community, the Multilateral Air Services Agreement of the Caribbean Community and the Agreement on Sub-regional Air Services of the Southern Common Market. A fourth regional agreement, the Air Transport Agreement for a Common Aviation Area of the Association of Caribbean States, is now in the ratification process. In addition, Chile is a member party to the Multilateral Agreement on the Liberalization of International Air Transportation, also known as the Kona “open skies” agreement.

Privatization is another important component of the global regulatory infrastructure. In the Latin American Region, about 22 per cent of airlines, or 30 out of 134, have governmental shareholdings. The percentage worldwide is 28, or 294 airlines of 1035. The degree of governmental shareholdings in the Region varies by airlines. This includes direct holdings by national, local or municipal governments, as well as by the military, and indirect holdings through their agencies or government-owned companies.

Concerning airports, most of the major facilities of the Region have been detached from government control and are operated under a commercial approach. The preferred organizational arrangement here has been through long-term leases or concessions. Airports have been commercialized either on an individual basis, such as in Chile, Colombia and Costa Rica, or on a collective basis involving groups of both large and secondary airports, as is the case in Argentina, Bolivia and Mexico.

A look at traffic over the past decade or so for the airlines of the Region completes the picture. During the period 1996-2006, scheduled passenger traffic in terms of passenger kilometres performed increased at an average annual rate of 3.3 per cent. Its share in total world passenger traffic is about 4 per cent. For the year 2007, preliminary figures indicate a growth in traffic of about 6 per cent.

Financial results for airlines of the region fluctuated over the 1996-2006 period. More recently, after experiencing operating losses of about \$700 million in 2001 and \$600 million in 2002, the carriers posted an operating profit of about \$123 million in 2003, \$172 million in 2004 and \$138 million in 2005. They again suffered an operating loss of about \$654 million in 2006 due mainly

to rising fuel prices. Over the longer term, traffic of the airlines of the region is expected to grow at an annual average rate of 4.3 per cent up to the year 2025.

All of these developments are raising a number of regulatory, policy and economic issues and suggest a review of related ICAO policies. This prompted us to convene a conference on the economics of airports and air navigation services which will be held at ICAO's Headquarters in Montreal from 15 to 20 September 2008.

The Conference will provide a forum for dealing with questions arising from the application by States and their airports and air navigation services entities of the non-discrimination principle in Article 15 of the Chicago Convention. It will be a timely opportunity to update ICAO's charging policies, such as economic oversight, economic and management performance, consultation with users, transparency and the cost relationship of charges, and implementation of ICAO's policies on charge.

As we can see, there is no lack of challenges facing both States and industry, from airspace and airport congestion, environmental protection and an anticipated shortage of pilots and air traffic controllers, to name but a few. At the same time, there is no lack of determination to overcome them. Change is always stimulating to those committed to making things better.

The key is to bring about change in a systematic, uniform and above all cohesive manner. That is the central function of ICAO as the forum for all stakeholders, be they States or industry, to ensure that all citizens of the world have access to a globally safe, secure and sustainable air transport system.

I commend the aviation community of Latin America for the significant contribution it has made to this global endeavour, based on this same spirit of universal cooperation and belief in the future.