



**Address by the Secretary General of ICAO
Mr. Raymond Benjamin
to the
Regional Seminar in Preparation of ATConf/6**

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Good morning ladies and gentlemen and welcome to this preparatory Seminar for the Sixth ICAO Air Transport Conference. I would like to begin by thanking Mr. Norman Lo for his very informative introductory remarks.

We will be looking today at the main economic policy issues to be discussed in several weeks at ICAO, as well as some of the bold proposals we expect to be brought forward to deal with them. Before we move on to those topics, however, I would first like to provide you with a brief context statement on the status of our global aviation system – with a special focus on the Asia-Pacific Region.

The global air transport network has doubled in size every 15 years since 1977 and, between now and 2030, it will double again. This means that the 2.9 billion airline passengers carried in 2012 will grow to over 6 billion by 2030, and that the 30 million flights they took will reach 60 million annually over the same period.

Aviation today employs close to 60 million people, both directly and in supporting sectors, while contributing over \$2 trillion, or 3.5% annually to global GDP.

With respect to the Asia-Pacific, or *APAC* Region as we refer to it in ICAO, it has grown from being the third largest to the first largest air transport market in the world over just the last decade. This is a remarkable achievement and a trend which is showing no sign of slowing. Indeed total Revenue-passenger Kilometres for your region continued to grow at the rate of 5.9% during 2012.

As regards APAC air freight volumes, your region remains the world's largest in terms of its total freight load factor and longer-term forecasts presently indicate a generalized APAC growth rate of 5.3% per year through 2030.

This growth, however, is only one aspect of air transport progress. Perhaps our most important measure of success is the level of safety we are able to deliver to the passengers and businesses that rely so strongly on regular and dependable access to air transport services.

With respect to safety, I am very encouraged to report that the strongly positive trends we have been seeing in recent years, notably since the introduction of State Safety Programmes and industry Safety Management Systems, continue to demonstrate progress.

The overall accident rate for scheduled commercial flights remained stable in 2011, at only 4.2 per million departures. When this data is analysed with respect to only modern, western-built aircraft, the figure drops quite dramatically to only one accident for every 2.7 million departures.

Overall fatalities resulting from air transport accidents dropped by almost half from 2010 to 2011, establishing it as one of the safest years on record with respect to loss of life.

It should also be stressed that runway-related accidents involving scheduled commercial operations, an important area of safety priority at the moment for ICAO and the operator community, resulted in no fatalities in 2011 – down from 165 the previous year.

Though we may be encouraged by these results we cannot let them make us complacent. Safety is too high a priority to ever take for granted. As we consider this fact, let me move on now to look more specifically at the challenges that will be facing us at the Sixth Air Transport Conference.

As you are aware, an ICAO Air Transport Conference occurs only approximately once every ten years. It is therefore the responsibility of its participants to establish recommendations which acknowledge today's concerns, anticipate coming challenges and define enduring solutions.

Taking these factors into account, the theme we have selected for this year's Sixth Air Transport Conference is the *Sustainability of Air Transport*.

If we consider global financial results for commercial aviation in 2012, the urgent need to determine and set in place more sustainable economic frameworks becomes very apparent.

Despite the fact that they operated over 80,000 flights a day on average in 2012, the financial health of global airlines remains precarious. Revenues for all carriers in all regions totalled \$636 billion dollars last year, and yet global profits were only \$4.1 billion or 0.6%.

From a regional standpoint, the European airline industry was hit hardest last year, primarily due to the broader Eurozone crisis. Airlines there posted a net loss of \$1.2 billion.

Asia-Pacific carriers, meanwhile, achieved the highest profit of any region in 2012, at \$2.3 billion. This is versus the \$1.9 billion seen in the United States. Rounding out these regional results were the \$0.7 billion and \$0.4 billion positive net revenues posted in the Middle East and Latin American regions respectively.

Let me put this situation in better perspective for you.

As I mentioned, the global airline industry posted a \$4.1 billion profit in 2012. Compare to this the fact that the Bank of China, in just the third quarter of last year, achieved net revenues of \$5.6 billion. In other words one third quarter result, for one bank, exceeded the annual net profits of every airline in the world combined. This, for me, is the very definition of an *unsustainable* air transport system.

By extension then, *sustainable* air transport must first and foremost be *profitable* air transport. No system can or should endure if it is not self-sustaining – and in today’s world that means establishing healthy and *dependable* profitability.

But because the modern notion of sustainability also involves realizing solutions that encompass complex, interrelated factors, we cannot allow our goal of increased profitability to be achieved at the expense of aviation’s demonstrated strengths.

From this standpoint, sustainable and profitable air transport must also be affordable, safe, secure and efficient air transport, with due consideration to our environmental goals. These are some of aviation’s most important selling points and areas where we have made great progress in recent years. Cutting corners in any of these domains would simply be counter-productive to any sustainable goals.

So where then do we look to for our sustainable solutions.

A sustainable air transport system must first and foremost maximize efficiencies and level the playing field to the greatest extent possible for all operators. Restrictions on market access remain a major barrier to this goal. The last Air Transport Conference delivered positive support for more liberalized air services agreements, but we are now at a stage where more must be done.

Fortunately, the Asia-Pacific, Middle East and African regions have all begun to pursue more multilateral approaches to market access, following on the EU’s successful example. This is a positive trend toward improved multilateralism in exchange for commercial rights.

ICAO is also promoting the development of a specific multilateral instrument to further facilitate market access expansion. This could take the form of an international agreement under which parties commit to remove restrictions, primarily beyond the Third and Fourth Freedoms of the Air.

This undertaking will require substantial work over consecutive stages, but I would also stress that a recent survey of States indicated that 85% of respondents support ICAO moving forward with this initiative.

The increasing proliferation of taxes and levies on air transport operations, notably without the due consultative process which ICAO encourages, is another important policy area that will be examined at the coming Air Transport Conference. We must endeavour to improve global understanding of aviation's fundamental economic development role and the counter-productive aspects of hindering its progress with excessive fees on airlines, airports, ATM providers and passengers.

Good examples can be found right here in the APAC Region, notably in Hong Kong, Singapore and South Korea, of how low-tax regimes nurture aviation's ability to support improved economic growth and prosperity, leading to increased employment and a broader and more resilient tax base.

We also hope to see movement at the coming Air Transport Conference on issues surrounding air carrier ownership and control. This includes consideration toward relaxing rules on airline designation and authorization by moving beyond national requirements.

Foreign investment in national airlines, as well as regulatory arrangements to facilitate airline access to international capital markets, are further concerns in this area. We will be looking to the Conference to deliver practical recommendations to resolve them.

Air transport system capacity and efficiency represent another important policy concern that will be on the Conference agenda at ICAO this March. Despite our Organization having achieved global consensus in 2012 on a new plan to improve ATM harmonization and modernization over the coming decades, the current situation remains one of fragmentation and inefficiency, leading to numerous negative impacts on airlines, passengers and the global climate.

To realize the full potential of our global ATM system, we must encourage developments which help regulatory authorities become more capable and responsive with respect to required safety assessments and operational approvals for new technologies and procedures. Airspace fragmentation and poor civil-military coordination in some areas pose additional challenges.

We must also seek to ensure better separation of ATM service provision from regulatory oversight and explore non-traditional methods to finance the billions in infrastructure investment now being projected.

In the area of consumer protection, there is a pressing need for more convergent or harmonized regulations between States and regions. Based on our current passenger rights framework, a dissatisfied traveler flying from the U.S. to Europe aboard a European airline can file claims under both EU and U.S. consumer protection rules. This creates uncertainty and inefficiency for airlines, passengers and States.

Another passenger rights concern is price transparency. Recent regulations attempting to simplify the price information provided to passengers, though commendable, have been developed such that they vary from country to country – leading to counter-productive results.

These then are some of the key issues we will be seeking progress on at the Sixth Air Transport Conference. Their importance is such that the ICAO Council recently approved a new Strategic Objective for our Organization supporting the *Economic Development of Air Transport*. This points to our increasing focus on these issues and to ICAO's determination to help States and industry work together to realize a sound and sustainable air transport system.

The upcoming Air Transport Conference is the first and perhaps most important step in this process. In light of the urgency of its agenda, we have sought to bring these matters to the attention of States and industry on a very proactive basis over recent months.

In April of last year, for instance, we convened an International Air Transport Symposium that explored the barriers to air transport sustainability and proposed some preliminary strategies to overcome them. And between July and November we held regional seminars, very much like this one in Hong Kong here today, in Buenos Aires, Martinique, Rabat, Senegal and Paris.

Feedback from these advance events has permitted us to draft advance proposals for modernizing the global regulatory system that we will share with you here today. Your viewpoints and suggestions will help us tailor them further in the weeks ahead.

Finally, on Sunday 17 March – one day prior to the Conference – we will hold a special pre-Conference Symposium to explore and debate sustainable policy concerns for the major stakeholders in the air transport value chain. This event will provide a helpful and provocative exchange of views in advance of the Conference itself.

But beyond mere discussion, we are looking to the Sixth Air Transport Conference to come up with specific and practical policy proposals for the long-term sustainability and economic development of the global air transport system.

As representatives of the world's largest air transport region, I am counting on all of you to do your share in this global enterprise. You have much to gain and so does the rest of the world.

I wish you a very productive session in the time left to you today.
