



**PRESENTATION BY THE PRESIDENT OF THE COUNCIL OF THE
INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO)
DR. ASSAD KOTAITE
OF THE ANNUAL REPORTS OF THE COUNCIL FOR 2001, 2002 AND 2003
AND THE SUPPLEMENTARY REPORT FOR THE FIRST SIX MONTHS OF 2004
DURING THE 35th SESSION OF THE ASSEMBLY**

(Montreal, 30 September 2004)

Distinguished delegates and observers, ladies and gentlemen.

It is with great pride in a task well done and unshakable faith in the future that I present to this Assembly the Annual Reports of the Council of your Organization for the years 2001, 2002 and 2003, with a Supplementary Report for the first half of 2004.

At the 33rd Session of the Assembly, I stated that the triennium we were just completing at the time had been the most productive ever in the fulfilment of ICAO's mandate - the safe and orderly development of international civil aviation. Today, I have no reservation in qualifying the present triennium as the most challenging of all. The smoke was still rising from the ashes of the World Trade Center in New York as we tackled the greatest security threat ever to air transport. In the months that followed, we established a comprehensive framework for dealing with aviation security worldwide. Elsewhere, we produced blueprints for the future of international civil aviation in other key sectors of aviation safety, liberalization, air navigation, the environment and the international legal framework.

In the course of my presentation, I would like to review these blueprints and the actions we must undertake as we pursue our collective vision established some 60 years ago by the drafters of the *Convention on International Civil Aviation*. Before I do so, I would like to once again acknowledge the State of Saint Kitts and Nevis which joined ICAO during the triennium and thus became the 188th member of the Organization. I also would like to emphasize that the extraordinary achievements of the past triennium were made possible by the dedication, the professionalism and the enthusiasm of men and women of aviation the world over, in governments, industry and related organizations. They embody the true spirit of cooperation and consensus building that are the bedrock of this great Organization as the forum for the international aviation community. What better way to conclude an overview of dedication and commitment than to highlight those persons or institutions who have made truly outstanding contributions to the safe and orderly development of global air transport over a lifetime. They are the recipients of the prestigious Edward Warner Award. In 2002, we honoured the International Academy of Aviation and Space Medicine (IAASM) in recognition of its eminent contribution to the development of international civil aviation through its significant achievements in aviation medicine. This year, the recipient of the 37th Edward Warner Award is Professor Brian O'Keeffe, an Australian citizen. The award recognizes his leading role in the field of air navigation systems. On your behalf, I salute their efforts and their accomplishments.

Aviation Security

Aviation security, like aviation safety, is critical to the public's decision to fly. They are inextricably linked. On 11 September 2001, terrorist attacks on civilian targets in the United States of America, using commercial aircraft as weapons of mass destruction, posed an unprecedented challenge to the world community in terms of aviation security and the viability of the global air transport system.

Public confidence in air travel was severely shaken. The air transport and aerospace industries went into a tailspin, with the loss of hundreds of thousands of jobs worldwide. Venerable carriers went bankrupt while others sought the protection of the courts. The immense pressures brought to bear by the horrific events of 11 September compounded with the slowdown of the global economy, the armed conflicts in Afghanistan and Iraq, and the concerns raised by the Severe Acute Respiratory Syndrome (SARS) outbreak in the Asia and Pacific Regions had a very negative impact on the industry.

We responded quickly and effectively. Within a few months, Annex 17 to the Chicago Convention was strengthened, and many new standards related to security in other Annexes were adopted, including improved security around the cockpit area and the installation and locking of reinforced cockpit doors.

A High-level, Ministerial Conference on Aviation Security was held in February 2002, with an overall objective of "preventing, combatting and eradicating terrorism involving civil aviation, restoring public confidence in air travel and promoting the health of the air transport industry". Based on the Conference's recommendations, the Council established an *ICAO Plan of Action for Strengthening Aviation Security* which included a programme of regular, mandatory, systematic and harmonized audits to evaluate aviation security in all Contracting States, and to help identify and correct deficiencies in the implementation of security-related Standards and Recommended Practices (SARPs). The Universal Security Audit Programme (USAP) began in November of 2002 and by the end of this year, 60 States will have been audited.

Proper coordination between USAP, the existing Aviation Security (AVSEC) Mechanism, and the ICAO Technical Co-operation Bureau is expected to produce a cohesive, logical and harmonized approach to improved aviation security.

The long-term global strategy for aviation security is to continue to focus on three critical areas. One is to diligently assess new and emerging threats to aviation security, such as man-portable air defence systems (MANPADS), so as to develop an ability to initiate pre-emptive measures relative to airports, aircraft and air traffic control systems. The second is to continually monitor and upgrade existing security processes to ensure they are commensurate with the level of threat identified. And the third is to expedite the clearance of passengers at airports, while at the same time maintaining the highest level of security.

The Twelfth Session of the Facilitation Division held in Cairo in March of this year addressed this last point and recommended that all Contracting States be issuing machine readable passports by 2010, in accordance with ICAO specifications. This is part of ICAO's blueprint for Machine Readable Travel Documents (MRTDs), which includes another recommendation of the Division to incorporate biometrics for further strengthening the security aspects of their travel documents. States are currently being consulted on the Division's recommendations prior to adoption by the Council. More than 100 States currently issue MRTDs.

A long-term strategy also must address the legal dimension of the security challenge. The events of 11 September revealed gaps and inadequacies in the universally-accepted international legal system established by ICAO over the years. While not purely legal issues, more study must be undertaken with regard to biological or chemical attacks on passengers and crew on board aircraft; electronic or computer-based attacks on air traffic control networks or aircraft; and the organizing, instigating, sponsoring or financing of attacks involving civil aviation or harbouring of the perpetrators.

Our vision is for an effective global security system, supported by all States, that will prevent further acts of unlawful interference against any component of the air transport system.

Aviation Safety

Aviation safety is the *raison d'être* of ICAO. Essential to optimum safety is the implementation and enforcement of ICAO Standards and Recommended Practices (SARPs). Since the birth of ICAO, a constant challenge has been to encourage compliance with SARPs. The principal initiative to this end is the Universal Safety Oversight Audit Programme, or USOAP.

USOAP is the core activity of the ICAO Global Aviation Safety Plan and the main safety focus of this past triennium. It consists of regular, mandatory, systematic and harmonized safety audits to determine the status of implementation by States of safety-related SARPs. It also includes a provision for action plans to correct deficiencies.

The Programme was created by a Resolution of the 32nd Session of the Assembly, which also called on ICAO to expand the Programme at the appropriate time. Initially, the Programme covered three Annexes to the Convention: Annex 1 - *Personnel Licensing*; Annex 6 - *Operation of Aircraft*; and Annex 8 - *Airworthiness of Aircraft*.

The 33rd Session of the Assembly confirmed the expansion of the Programme to Annex 11 - *Air Traffic Services*, and Annex 14 - *Aerodromes*. It also instructed the Secretary General to undertake a study regarding the expansion of the Programme to other safety-related fields, and in particular on the conduct of audits of the core elements of Annex 13 B *Aircraft Accident and Incident Investigation*, as soon as possible, without significantly increasing the cost of the expansion.

Since its inception in January of 1999, 181 Contracting States and five territories have been audited and 152 have received follow-up audits. There is no doubt that the Programme has been instrumental in helping ICAO and its Contracting States to clearly identify safety-related problems and to undertake efforts for establishing action plans to rectify deficiencies.

In preparing for the expansion of the Programme, however, it soon became evident that audits relating to Annexes 11 and 14 were highly inter-related with provisions contained in other Annexes and therefore could not be done in isolation. Also, while the original Annex-by-Annex approach proved effective and necessary in establishing the Programme, continuing along the same line for the expansion could prove lengthy and expensive.

The Council of ICAO therefore recommends that USOAP should shift from an Annex-by-Annex approach to a comprehensive systems approach. A comprehensive systems approach would address all safety-related provisions contained in Annexes by focussing on a State's overall safety oversight capability and specific safety-critical areas. All Annexes would be covered except Annex 9, *Facilitation*, and Annex 17, *Security*, which are addressed by the ICAO Universal Security Audit Programme.

The shift to a comprehensive systems approach would require that we postpone the initial expansion in order to launch an all-encompassing programme starting in 2005. In this way, we can ensure the continued efficiency and effectiveness of the programme, while keeping the overall operating expenses at an acceptable level. Such a proposed comprehensive systems approach will be submitted to this Assembly for consideration along with a unified strategy for increased transparency.

USOAP is a strong contributing element in our efforts to increase aviation safety worldwide. I am pleased to say that the Safety Oversight Audit Section was assessed in 2002 to be ISO 9001 compliant, a first for ICAO.

Finally in the area of standards, the Organization continued its diligent work in the revision and updating of standards, most notably the creation of new language proficiency standards in the use of radiotelephony.

Our vision is for all Contracting States to have implemented, in a uniform and harmonized manner, existing and evolving ICAO Standards and Recommended Practices to ensure a consistent optimum level of aviation safety worldwide.

Air Transport Liberalization

The security and safety initiatives I have just described no doubt have helped to restore public confidence in air travel and thereby contribute to the recovery now under way in the air transport industry. The long-term financial health of the aviation sector can be enhanced further by other initiatives we have taken during the past three years in terms of liberalization and privatization. Building on the foundation laid by its predecessor in 1994, the fifth World Air Transport Conference held in March of 2003 successfully met the challenge of 'how to' rather than 'whether to' liberalize.

It did so by establishing a strong consensus on a framework for the economic liberalization of the air transport industry in the years to come. The essence of this global blueprint is contained in the Conference's Declaration of Global Principles to "create an environment in which international air transport may develop and flourish in a stable, efficient and economical manner without compromising safety and security and while respecting social and labour standards".

The Declaration specifies the individual and collective roles and responsibilities of States in working towards the ultimate goal of giving international air transport as much economic freedom as possible. This must be done in keeping with the needs of the travelling public and the industry, while respecting its specific characteristics and striving to limit the impact of air transport on the environment.

The widespread support for draft ICAO "templates" in the development of international air services agreements should lead to greater harmonization of the regulation of international air transport and the global coordination of the ongoing process of liberalization.

Specifically, on the crucial question of air carrier ownership and control, the Conference recommended that air carrier designation and authorization for market access should be liberalized, at each State's pace and discretion. The Conference also agreed on key liberalization issues such as market access, fair competition and safeguards, consumer interests, product distribution, dispute resolution and transparency.

Our vision is for the continued progressive liberalization worldwide of air transport in a safe, secure, economically sustainable and inclusive manner.

Air Navigation

During the past triennium, we made excellent progress in meeting our ongoing challenge of streamlining and integrating air routes around the world.

Effective 28 November 2002, new air routes between Australasia and Europe came into effect, cutting travel times between the two Regions. This Europe, Middle East, Asia Route Structure South of the Himalayas (EMARSSH) project was one of the biggest undertakings of route changes ever carried out by ICAO, with the participation of 32 Member States of ICAO, communications companies, charting companies and the International Air Transport Association (IATA). Reduced Vertical Separation

Minimum (RVSM) also was introduced on major air traffic routes between Europe and Asia, South of the Himalayas, providing a more seamless transition through the airspace of the Middle East. The result has been more convenient flight schedules for passengers, considerable economic advantages to airlines, environmental benefits because of reduced fuel burn, and enhanced safety. I wish to emphasize here the vital coordinating role played by the ICAO Regional Offices concerned in bringing these initiatives to fruition.

The application on a trial basis by China and Viet Nam of a revised route structure and airspace organization in the South China Sea area was completed in a spirit of cooperation upon which the safe and orderly development of international civil aviation is based.

A historic agreement among Greece, Turkey and other parties for the improvement of the air traffic services (ATS) route network over the Aegean Sea and adjacent areas was brokered under the auspices of ICAO, leading to an increase in airspace capacity, improved efficiency and a continued high level of flight safety. The new ATS route package helped meet the increase in air traffic demand before, during and after the 2004 Summer Olympic Games in Athens. This is another excellent example of the sharing of facilities in a multilateral framework.

To maintain the flow of traffic on major international air routes between Europe and South-East Asia during military activity over Iraq, ICAO coordinated efforts by Contracting States in the Gulf area and IATA to develop alternate air routes around the affected zone, with special focus on the safety of civilian flights.

In Afghanistan, ICAO was instrumental in the opening of the airspace to civilian flights following the armed conflict there. The Organization signed with that country a technical cooperation project and Management Service Agreement for the rebuilding of Kabul Airport and the reintroduction of air traffic control services.

Civilian flights between India and Pakistan resumed on 1 January 2004 following a Memorandum of Understanding between the two countries signed in New Delhi on 1 December 2003. In my capacity as President of the Council, I maintained regular contact with India and Pakistan in negotiating the agreement.

More airlines are using the new air route structure over the North Pole, which considerably cuts distances on flights linking North America and Europe to the Asia and Pacific Regions.

These major accomplishments were complemented by the ground-breaking results of the Eleventh Air Navigation Conference, held in September of last year, which led to the formulation of a strategy for the establishment of a globally harmonized and seamless air navigation system.

At the heart of this new system is an operational concept for air navigation services worldwide. Implementation of this concept over the next 25 years and beyond will ensure optimum safety and efficiency of the global air traffic management (ATM) system and prove essential as demand for airspace capacity increases in the coming years.

The Conference reconfirmed safety as the most important element of the overall performance of ATM systems. Other considerations include efficiency, regularity, cost-effectiveness and protection of the environment.

Our vision is a global interoperable air traffic management system consistent with the recommendations of the Eleventh Air Navigation Conference.

Environmental Protection

Protection of the environment is a global challenge in all areas of human activity. At its sixth meeting in February of this year, the Committee on Aviation Environmental Protection (CAEP) recommended a statement of environmental goals for the Organization which reflects the thrust of ICAO's work in the environmental field undertaken since 1968.

The statement affirms that in carrying out its responsibilities, ICAO will strive to:

- "a) limit or reduce the number of people affected by significant aircraft noise;
- b) limit or reduce the impact of aviation emissions on local air quality; and
- c) limit or reduce the impact of aviation greenhouse gas emissions on the global climate".

Specifically, CAEP/6 recommended new oxides of nitrogen (NO_x) standards 12 percent more stringent than the current levels agreed to in 1999. Agreement also was reached on a process for determining mid- and long-term goals for aircraft emissions reduction and on the need for further developing tools to determine interdependency between emissions and noise. On the issue of market-based options, a model agreement was approved on voluntary measures to reduce emissions of carbon dioxide (CO₂) from aviation.

In the field of noise management, CAEP/6 presented substantive guidance material to assist States in the implementation of a "balanced approach" to noise management, comprising four principal elements: reduction of noise at the source; land use planning and management; noise abatement operational procedures; and operating restrictions on aircraft. The "balanced approach" was adopted by the 33rd Session of the Assembly in 2001 and was a key factor in helping the Council of ICAO settle a dispute between the United States and 15 Member States of the European Union regarding 'hushkitted' aircraft. As Conciliator mandated by the Council to settle the dispute, I would like to declare that the successful conclusion of these negotiations symbolizes the determination of States in achieving maximum compatibility between the financial health of the air transport industry, quality of life, and the protection of the environment.

The stronger presence of United Nations bodies in the CAEP process this year underscores the leadership role and responsibilities of ICAO in the field of aviation and the protection of the environment.

Our vision is to achieve maximum compatibility between the safe and orderly development of civil aviation and the quality of the environment.

Legal framework

Law is fundamental to civil aviation. The Chicago Convention and the set of complementary aviation legal instruments in force today constitute an integral part of the global framework for ensuring the safe and orderly growth of civil aviation around the world. Adapting legal instruments to changing circumstances is a major challenge.

In response to 11 September, the Legal Bureau of ICAO spearheaded the formulation of a war risk insurance scheme called Globaltime to address the withdrawal or substantially reduced commercial insurance coverage after the attacks. The concept was to provide short- and medium-term insurance coverage, under reasonable conditions, while allowing the private insurance markets to come back gradually into the market. The market eventually recovered. As features of the commercial coverage currently available replicate important elements of Globaltime, it can be concluded that the ICAO global scheme has had a stimulating effect on the private insurance market and contributed to its stabilization. Furthermore, although not implemented, Globaltime remains available should the need arise.

Also in support of the air transport industry was the signing of an international treaty on financing and leasing of aircraft during a Diplomatic Conference held in Cape Town, South Africa, under the joint auspices of ICAO and the International Institute for the Unification of Private Law (UNIDROIT). The new legal instrument provides for the creation of an international registration system, which will reduce the risks of lending for aircraft financiers, banks and other financing institutions involved in aircraft purchasing and leasing, thus reducing the cost of credit. ICAO has been instrumental in the preparatory work for the establishment of the International Registry which is located in Dublin, Ireland.

Another highlight of the past triennium was the entry into force of the *Montreal Convention* of 1999, on 4 November 2003, replacing the *Warsaw Convention* of 1929 on compensation in cases of international air accidents. Victims and their families are better protected and compensated under the new legal instrument, which strikes a delicate balance between the needs and interests of States, the travelling public, air carriers and the transport industry.

Guidance material on the legal aspects of unruly and disruptive passengers was published and featured a model jurisdictional clause for the prosecution of offenders. Finally, a draft Convention to modernize the Rome Convention of 1952 is under preparation, with a view to adoption by a Diplomatic Conference in 2005 or 2006.

Our vision is of a unified global legal framework, in force and continually adapted to the requirements of international civil aviation.

Resources

There is another challenge faced by all Contracting States and that is to reconcile their individual human, technical and financial resources with their sovereign responsibilities under the Chicago Convention. Helping them adapt to the realities of an increasingly complex environment is a challenge this Organization takes very seriously.

The extent to which ICAO can meet this specific challenge depends on the support of States for the proposed Programme Budget, followed by prompt payment of assessments. The estimates for the 2005-2007 triennium amount to US \$196.9 million. As of 15 September, the unfavourable exchange rate of the US dollar against the Canadian dollar and other currencies used in establishing the budget resulted in an increase in the estimates of US\$ 2.6 million, bringing the total to US\$ 199.5 million.

Enormous efforts have been exerted by the Secretary General and the Council to reduce expenses in order to counter the combined impact of unfavourable exchange rates, increasing demands on services, further integration of the safety and security audit programme into the Regular Programme Budget and overall cost increases. The result is a Regular Programme Budget proposal which takes into account all of the efficiency measures that could be incorporated in order for the Organization to continue serving its Contracting States to the best of its abilities. As I emphasized in my opening address to this Assembly on Tuesday, ICAO can respond to the needs of Contracting States only if it has the resources required to do so.

One of the bright areas of a financial horizon is the Technical Cooperation Programme which, for 2003, amounted to US\$110 million. It is anticipated that for 2004, the Programme will reach approximately US\$194 million, an increase of US\$84 million. This substantial increase is reflected mostly in the Americas and Africa Regions. The Programme size remained the same for the Middle East Region and the Asia and Pacific Regions. This unprecedented growth reflects the trust and confidence placed by States in the Technical Cooperation Programme.

The International Financial Facility for Aviation Safety, or IFFAS, was created to provide financial assistance to States which cannot obtain financing through traditional means for safety-related projects identified through USOAP. The new mechanism is operated independently from ICAO's Programme Budget and funded by voluntary contributions from Contracting States, international organizations, as well as public and private parties associated with international civil aviation.

Our vision is of adequately resourced programmes and a dynamic allocation of the Organization's resources to support Contracting States in adapting to continually changing priorities.

Positioning ICAO

As we look to the future, we can be cautiously optimistic. ICAO's latest medium-term forecast is for world airline passenger traffic to rebound in 2004, with 6.2 per cent growth, and to continue to expand at 5.4 per cent in 2005 and 5.2 per cent in 2006.

The challenge of the Organization during the coming triennium will be to build on the extraordinary achievements of the past three years and to firmly establish the infrastructure that will support the long-term development of international civil aviation.

As the Annual Reports of the Council indicate, we have created or refined blueprints for the future of international civil aviation in the critical areas of safety and security, air navigation, air transport, the environment and the legal framework.

During this Session of the Assembly, you will have the opportunity to consider a Programme Budget and a revised Strategic Action Plan that will position this Organization to accomplish its vital mission with direction, efficiency and effectiveness. By your decisions on these and other issues, you can ensure that your Organization is well-positioned to continue exercising the leadership necessary to shape the future of air travel.

I would like to conclude my presentation by congratulating all Contracting States for their respective contributions to the vision expressed so admirably by the drafters of our Convention some 60 years ago. During this 35th Session of the ICAO Assembly, let us reaffirm our commitment to the principle of harmonized, multilateral cooperation in the pursuit of our common global objective, the contribution of international civil aviation to every human being on our planet.