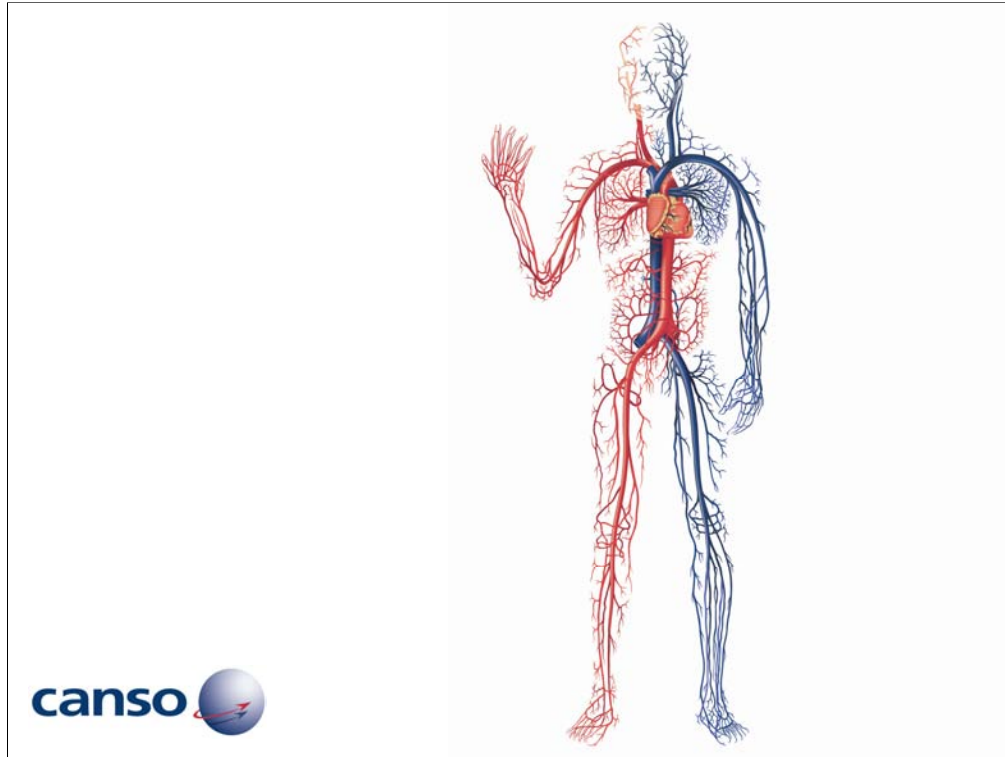


Ladies and Gentlemen, Good afternoon.

Let me start by saying how happy I am to see so many of you here in Montreal on a Sunday afternoon. To me your presence here today underlines the importance of the forthcoming CEANS conference and your personal commitment to the well-being of global aviation.



After all aviation is the life-blood of the world's economy. And if aircraft are the tiny blood cells, carrying oxygen and nutrients to all parts of our body, then Air Traffic Management surely is the veins and the arteries of our blood-system, the highways that permit travel to every part of our world.



But today ladies and gentlemen, aviation is suffering ill-health; we find aviation is in a crisis. And if aviation is in crisis, then this affects us all, just as a disease of the blood infects the human body and makes us sick.



But we are here to agree the remedy, for the CEANS conference must be seen as part of the medicine. As collectively you have the powers to heal the weaknesses of the world's aviation system. And we are here to exchange prescriptions in the hope that aviation continues to be an essential enabler of our increasingly globalised world.

We must all, in whatever capacity, play our part in helping to resolve the inefficiencies in our aviation system. To jointly find solutions to improve the safety, efficiency and environmental impact of our industry.



Surely this is our duty to the well-being of millions of people who rely on aviation by bringing together:

- our businesses and people;
- by carrying our cures and our aid,
- and transporting our news
- and our merchandise in the swiftest, most efficient way.



And this is our prize:



To break down those barriers. To ensure aviation continues to benefit everyone, to ensure that the millions who have never benefited join the millions who have prospered. And to do so with minimal impact on our society.

As higher energy prices combine with a credit crunch and a general economic slowdown, you - as the guardians of the rules and regulations of aviation – have the power to advance our industry. Industry can point at the barriers – but only you can break them down.



So if the general health of aviation is under threat, what is the state of health of Air Traffic Management? Can we improve the performance of our air routes and ANS management?

Air Traffic Management is a global service industry and key enabling activity in the air transport value chain. But, while the world's economy globalises and harmonises, ATM remains fragmented into 190 State units.



Though nature gave us a uniquely harmonious global airspace – the Ocean of Air is the same everywhere - ATM continues to operate within the artificial State boundaries dictated by history and geography.



We try to overcome this political fragmentation with international agreements on procedures and standards, only to allow hundreds of exceptions that render global harmonisation almost meaningless.

Why?



Demand for our services is basically the same everywhere. Each ANSP performs essentially the same role, they separate aircraft; facilitate communications, provide navigation and surveillance; and supply the required ancillary services. These homogenous requirements should result in a largely homogenous ANS service everywhere. An identical situation should have an identical solution.

But it doesn't, and this has resulted in sub-optimal performance of the global ATM system. We must act now if we are to progress within an acceptable timeframe.



So what can we do about it, what can CEANS do about it? Ultimately it are the States that shape our industry, so let us have a look at the various policy levers under your control, and how you can manipulate them. On global harmonisation you already have many of the answers in the Global ATM Operational Concept, agreed here in ICAO, yet its implementation has not been very successful.

For CANSO one of the key issues for CEANS is that a homogenous global system calls for much more homogenous approach to global policy making. As long as we have great diversity in State policies, these will drive different outcomes, and that drives the fragmented system.



In other words “Your input determines the output.” Yes, to a large extent, your input determines global ATM performance.

However, there is some good news, as within our fragmented ATM system we recognise some states with excellent ATM performance and we know therefore what ATM policy instruments are successful. Here in Montreal we should be exchanging these valuable experiences and agree their global application.



So let me focus on how States can influence ATM performance and how you can steer our sector in a better direction. CANSO believes you have six levers to pull;

- National and international institutional arrangements
- ANSP Governance
- Empowered Management based on business principles – without political interference
- Incentivised performance regulations
- Performance measurement
- Customer Relations

With correct steering, these six levers will lead to optimised ATM performance. Manipulated wrongly, they will have a detrimental impact on your nation's ANS performance.



Let us briefly consider each one.

Firstly, you have the national and international institutional arrangements, and most importantly, the separation of provision from regulation.

Experience has shown that greater financial and operational autonomy for the ANSP has encouraged a business approach to service delivery and an improved quality of service. Separation of ANS provision from the regulatory oversight function enhances ATM performance, and instils public confidence in the ANSP and the services it provides - the regulatory oversight function must be independent and transparent.



Secondly, there is ANSP governance. Not the organisation's corporate governance, but I refer to the State & Stakeholders' relationship with the autonomous ANSP. For CANSO the actual ownership of the ANSP is not the issue. The issue is whether the processes, policies, laws and regulations affecting the way the ANSP is directed, administered or controlled serves the best interests of all its stakeholders – its owners, its regulators, its customers and its staff. Several states have shown that with an appropriate governance structure in place, ATM performance can be vastly improved as a direct result of the positive incentives built into their national system.



Thirdly, you have the opportunity to empower ANSP management. Experience has shown that providing management more freedom and autonomy – within the boundaries of appropriate governance – greatly improves the overall performance of the organisation. Management should be free to implement the business principles that deliver results, supported by independent funding. Political interference, as all of us witness on a daily basis in many parts of the world, can be costly and has a considerable impact on an ANSP’s performance.



Fourthly, you can incentivise our performance through appropriate legislation or regulations. An important point to consider here is the absence of in-built incentives in the basic cost recovery environment. Please remember, it is the input that drives the output, so if regulations and the governance structure do not incentivise, the ANSPs will not respond flexibly to changes in the market place.



Fifthly, there is performance measurement. Not only does this promote State understanding of the ANSPs compliance versus society's expectations, but it also helps our understanding of what drives good performance in ATM. Performance Measurement & benchmarking reveals best regulatory practice as well as assisting ANSPs in understanding ATM Best Practice and this drives harmonisation of global ATM.



Sixthly, you can ensure that ANSPs have a correct relationship with their customers. In fact, it is my personal view that if you apply the first five levers correctly, there will be no need for prescriptive customer relations regulation as the ANSP will feel fully incentivised to engage its customers as best it can in a constructive and collaborative way.

ATM Performance

your input determines the output



What can we conclude from these levers?

Please permit me to offer this subtle contribution to your meeting this coming week.

In our view your careful policy input is very influential in determining the quality of global ATM performance.



It is important to note that you do **not** need to put all levers to full power – its like flying, you need to be subtle at the controls and find the right balance, a little bit more of this and a little less of that.



It is, however, vitally important that we understand the importance of getting the structure or framework right, before we worry about outcomes. There is a famous story of the Soviet planner who asked the British economist Paul Seabright “Who is in charge of the bread supply to London?” He couldn’t believe the reply, that there was nobody responsible for directing it. The answer of course, was that industry’s system was capable of delivering the optimum amount of bread at the right time to the right place, without the need for a bureaucracy to regulate it.



We need to think about developing an equally efficient self-motivating system to drive efficient ATM. With the right incentives and checks and balances in place, you will be able to support ANSPs in delivering an optimised performance without having to resort to heavy-handed State interventions or new prescriptive regulation.



Today many ANSPs are strongly compliance focussed as they suffer over-regulation, which acts as a disincentive to their adoption of a performance or customer focus.

ANSPs recognise and accept that appropriate oversight is needed, but regulation requires effective measurement of output in order to establish how effective the input has been. Only correct performance parameters can assist you to understand global ATM performance.



CANSO fully recognises that measurement and benchmarking lie at the heart of improving ATM performance, and we have therefore launched our own global benchmarking programmes to gain an in-depth understanding of our performance across all domains. Our three key aims for this work are



- To improve transparency of ANS performance
- To grant visibility of performance to others
- To promote understanding of what drives good performance

We are presently measuring safety, economic efficiency, environmental performance, and Human Resource management.

What are the lessons that CANSO has drawn from this work?

Importantly, there is a distinct difference between performance measurement by the States, and performance measurement by the ANSP. For the State, the focus is on regulatory compliance, whereas for the ANSP it is specifically focused on performance improvement and management best practice.



As I stated earlier, State policy should be about WHAT is required, while ANSPs and their industry partners should be left to determine HOW to comply without further interference. An example of this is CANSO's customer relations guide which has been developed in the strong belief that excellent customer relations lies at the heart of superior performance. As long as the customer is satisfied then the State need not have to regulate performance or interfere with day-to-day management of performance.



It is our view that States should not interfere in management decisions on resource allocation, or other such management judgment. States should be checking compliance with regulations and requirements, on the basis that the State is responsible for ensuring the services are provided in accordance with ICAO SARPs and society's expectations. To give you an example the European PRU has a compliance role rather than a best practice role, whereas CANSO is focused on providing management with the tools to measure and improve performance.



So what can we conclude from these principles and examples?

- That we all recognise the unique importance of aviation to our lives
- That aviation is facing a most formidable threat to its future – an economic crisis in the West, a capacity crisis in the developing world, and an environmental challenge to us all
- That the best way to overcome these challenges is to accelerate the introduction of a harmonised aviation system by breaking down existing policy barriers that hold - efficient aviation back



And how will this be achieved?

First of all through your commitment, vision and political will

Through challenging each other to take responsibility and ownership of the issues and to implement what we know is best practice.

In recent years regulatory best practice has demonstrated the need for clearly defined roles for States and industry. The separation of regulation from service provision, with a strong ANSP governance structure in place, delivers a performance-focussed framework. In our view, the CEANS Conference should focus on "what must be done" to deliver ATM performance, leaving industry to determine and implement "how this is accomplished".

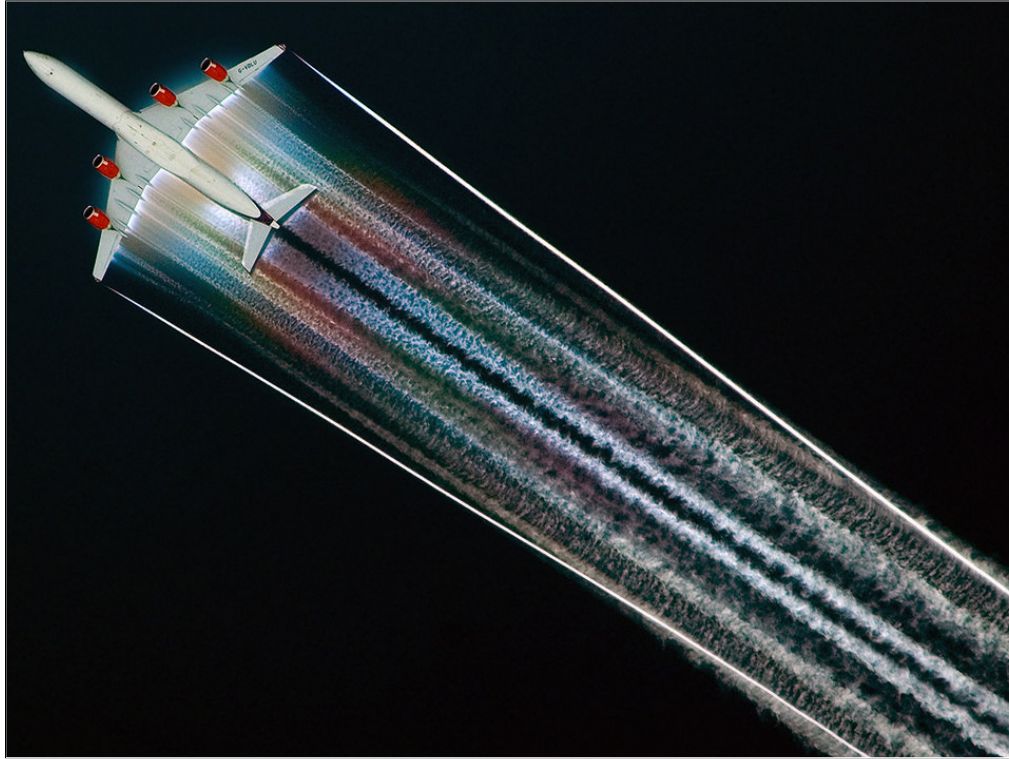


May I remind you again of the prize?

It's the reason we are here.

We all want – and the world needs:

- A safe and efficient aviation system
- Able to cope with the crisis of today and the pressures of tomorrow
- Delivering on its promises of lower emissions



And capable of bringing the benefits of aviation to all

Ladies and gentlemen, I fully recognise that this is easier said than done.

But it is in your power to deliver the world a high performance Air Traffic Management system, if everyone implements the appropriate policy levers.

Thank you.