

**Remarks of Muhammad Al Bakri - Regional SVP AME
International Air Transport Association (IATA)
AACO AGM - Sharjah**

Your Excellencies, distinguished guests, ladies and gentlemen, good morning. It is a pleasure to be here in Sharjah with you today, for the prestigious AACO (Arab Air Carrier Organization) 50th AGM. Before proceeding, I'd like to thank Mr. Adel Ali, Chairman of this AGM and Mr. Abdul Wahab Teffaha, AACO Secretary General and their teams for putting together such a remarkable event.

It is wonderful to see such a broad gathering of leaders and colleagues for this event from the Arab world. It truly shows the importance of aviation in this region. And rightly so.

I would like to start by reminding you of the true value our industry brings to the world and its significant impacts of the modern global economy. Aviation generates **3.5%** of the world's GDP - **USD 2.7 trillion** - and supports **62.7 million jobs** worldwide. In addition **35%** of world trade by value, worth **USD 6.4 trillion** is transported by air annually.

Aviation is essential for tourism. Approximately half of the world's **1.2 billion tourists** travelled by air in 2016. In many developing countries, including few in the region, tourism is one of the main sources of foreign currencies which can go a long way in improving the economy.

Aviation is the beating heart of the Middle East, supporting **2.4 million jobs** and **\$157 billion** in economic activity. These numbers themselves are impressive.

But more important are the many real-life examples behind how aviation enriches lives across the World. Every plane carries enormous possibilities...Businesses are connected...Cultures are linked...Families and friends are reunited...And our world becomes a better place.

Despite the vast social and economic benefits of aviation, the operating environment remains challenging especially in our region.

Financially, airlines in the region are seeing their profits eroded and margins squeezed. The average profit per passenger globally in 2017 is forecast to reach **7.7 dollars**. In the Middle East it is only expected to reach **1.8 dollars** per passenger.

Despite the strengthening global recovery, MENA's economic outlook remains relatively subdued owing to the adjustment to low oil prices and regional conflicts. Although levels have 'risen' compared to January, prices ended October averaging around US\$57.3 per barrel up from a low of \$30.7 in January 2016. OPEC remains a key influencer for the outlook of oil prices alongside with geopolitical concerns in the Middle East.

For **oil exporting countries**, spillovers from the low oil price environment and fiscal adjustment continue to weigh on **non-oil growth**, while overall growth is also held down by the OPEC-led agreement to reduce oil production. For **oil importers**, growth is projected to increase, supported by the strengthening domestic demand and a cyclical recovery of the global economy.

However, at 2.2 percent in GDP growth as of October 2017, MENA growth will be about half of the 2016 outturn, largely because of fiscal challenges amongst oil exporters. Growth is anticipated to accelerate gradually over the medium term in most MENA economies, but in many cases, it will remain below what is needed to effectively tackle the unemployment challenges facing the region.

Additionally, pockets of political unrest and diplomatic tensions remain, leading to ongoing economic instability and social tensions in some nations. Also, in January this year a number of countries and airports in our region were faced with disruptions following the travel restrictions implemented by the US Administration of President Trump. And in March our region faced further unanticipated disruption as a result of the US Portable Electronic Ban (PED).

Global geopolitical issues are out of our direct control, but there remains a host of other pressing regional concerns that can and must be addressed by governments and industry stakeholders to support aviation.

As a region we have a unique opportunity to harness the power of innovation to overcome a number of fundamental challenges that must be addressed so aviation's full potential can be realized. Please allow me to address few of the most critical challenges that affect the entire region.

1) Infrastructure is at the top of the list. Air Traffic Management (ATM) is an issue of pressing concern. Capacity has not kept pace with the growth in demand, which is leading to significant delays. And the latest diplomatic row in the GCC has further exacerbated the problem. The pan industry advocacy group ATAG found that the average flight delay in the region due to air traffic control capacity and staffing issues is currently 29 minutes. Without action, by 2025 these delays will increase to 1 hour.

To match aircraft capability across the region, we need to see:

- a. Improved airspace design and organization,
- b. Implementation of performance based navigation,
- c. Increased access to flexible airspace and
- d. Better utilization of new technology.

Ultimately cooperation between States to achieve change is paramount. Regional Governments cannot allow their geographical fragmentation and political complexity to get in the way of finding a long-term solution.

There are a number of programs in progress—the **GCC Air Navigation Committee**, the **Middle East ATM Enhancement Program** amongst others. But the region needs to drive these efforts

even harder to achieve a real breakthrough if it is to realize its **full growth potential of 4.8% each year** on average over the next 20 years to become a market of **400 million passengers**.

The alternative to this cooperative approach for airspace Management is world-class hubs compromised by gridlock. But ATM infrastructure is not the only challenge in the region.

2) Rising Taxes and Charges is the second agenda item that our region needs to tackle urgently. There has been a recent proliferation of charges and taxes in the Middle East - **\$1.6 billion in extra costs in 2015 and 2016**. Three out of the 4 major global increases are in the Gulf. But we also see rises in Tunisia, Egypt and other countries. Not to mention the latest increase issued with no proper consultation in Lebanon, announcing the implementation of new departure tax on economy and business class for all flights that are longer than 1,250 Km.

Excessive taxes and charges affect the ability of aviation to meet demand and impede economic growth. Governments will earn more in the long-term through tax revenues by promoting aviation through lower taxes than they will by making an easy cash grab with short-sighted taxes in an attempt to plug budget deficits.

IATA urges governments in the region to establish a process for charges consultation in line with ICAO's policies which highlights the key principles of non-discrimination, cost-relatedness, transparency and consultation. A low cost structure is a key component of the region's success—particularly in the Gulf.

Every dollar that a passenger spends in the region creates jobs and spreads prosperity. And every dollar collected in taxes or charges is an incentive for travelers to go elsewhere. We must work together to reverse this unprecedented trend.

3) The next item – Security – may well be the most challenging. Air travel is the safest mode of long-distance transport. Every day **11 million passengers** are transported safely and securely to their destinations. But it's a sad fact that global aviation remains a target for terrorism.

A global challenge requires a global solution. Governments have the ultimate responsibility to keep flying safe and secure. They have access to intelligence resources and information and they set the rules. The **UN Security Council Resolution 2309** on security makes that very clear.

But we are in this together. This is why airlines in our region were quick to comply when the US and the UK governments imposed restrictions on the carry-on of large electronic devices by passengers on direct flights originating from certain airports in the Middle East and North Africa. Consultation among Governments and between Governments and industry needs to happen as a matter of course not as an afterthought. We are glad to see new collaborative initiatives underway in the region, such as the **Riyadh Declaration** announced in the Ministerial Conference held in Riyadh in August 2016, which ICAO, IATA, AACO and Regional States representatives worked together on translating the declaration mandates into workable action plans. This year, we also had another major milestone in the regional Aviation Security collaboration efforts, with another Ministerial Conference held in August 2017 in Sharm El Sheikh, which addressed the

regional GASep “Global Aviation Security Plans” and adopted a Declaration and Roadmap on fostering Civil Aviation Security in Africa and the Middle East.

But GASep will only be effective if governments cooperate – on capacity building, information sharing, identifying conflict zones and so forth. We urge regional Governments to cooperate to help defeat those with an agenda of evil and help make flying even more secure. I would like here to reiterate IATA’s full support and cooperation for these regional collaboration initiatives aiming to strengthen aviation security being fully committed to continue working with the regional organizations and States on translating these initiatives into workable plans.

4) **Lastly**, I would like to touch upon a topic today that is relevant in our regions - **Smarter Regulation**. Smarter Regulation is a methodology to ensure that regulatory framework exists that enables aviation to deliver maximum social and economic benefits.

IATA continues to emphasize the need for **smarter** regulation of our industry which was crystalized with Smarter Regulation principles. We join AACO’s voice in their continuous call for governments to use smarter regulation to achieve their regulatory objectives and avoid unintended consequences that adversely impact consumers and airlines.

Regulations should be targeted to solve real problems while respecting global standards and resulting from genuine consultation with industry.

4. a. Passenger Rights is one area where Smarter Regulation is increasingly needed in the region. This is an issue where IATA and AACO work together to avoid any overlapping and deviation from global standards which may have negative consequences on airlines as well as on passengers. **Saudi Arabia, Oman, Qatar, Jordan, Egypt and the Arab Civil Aviation Commission** are in various stages of involvement. We are concerned by a number of inconsistencies with ICAO and industry global standards and recommended practices. It is important to keep these principles at the core of any developments in this region.

We also need governments to ratify two important treaties agreed by ICAO and which are excellent examples of smarter regulation.

- **Firstly**, the **Montreal Protocol 2014 or MP14** as it's known. Unruly and disruptive behavior committed by a tiny minority of passengers is a threat to safety and is a significant passenger behavior is a significant issue faced by airlines and their staff. We urge states to ratify MP14 so that governments have the necessary legal tools to be able to deal with such passengers. IATA applauds those states that have already ratified this treaty including **Bahrain, Jordan and Egypt**.

- **The second treaty, Montreal Convention 1999 or MC99** sets out airline liability during international carriage. An important benefit of MC99 is that it facilitates the use of electronic air waybills. This removal of paper documents speeds up air cargo shipments and improves security because details are sent to customs and border control before the cargo arrives at the airport. IATA congratulates Sudan which recently became the 129th State to ratify MC99 and we urge **Tunisia, Algeria, Mauritania**, and the rest of the remaining states to do so as a matter of urgency. Throughout my speech today I have repeatedly highlighted the need for cooperation. We are living in a rapidly evolving world. Technological advancements are bringing people together like never before and making the world smaller and more accessible for many travelers. Technology is also changing people’s view of travel and what they expect.

The region is also going to be an Innovation Hub for the World with major IATA projects in the pipeline such as **NEXTT, OneID, OneOrder** and many others. The next two decades are poised to

be exciting ones for aviation in the Middle East. Our **20-year** forecast estimates passenger growth in the region will be among the fastest in the world. The Middle East is set to expand by **4.6% per year** to become a market of **480 million passengers**.

I hope that this AGM will help prepare the ground for the essential work that we - airlines, airports, regulators and governments - need to do to foster innovation and cooperation to drive connectivity and respond to the global demand for air travel. Events like today help to cement partnerships within the region, to work for mutual benefit and help unlock the full potential of aviation. We value and praise our strategic partnership with AACO to continue enhancing the aviation industry benefits in the region.

Thank you for your time, and let's all make full use of this successful gathering.