

**AACO 58<sup>th</sup> AGM**  
**Rabat - Morocco**

I am very pleased to be here in Morocco for the 58<sup>th</sup> AACO AGM, meeting under the high patronage of His Majesty King Mohammed VI.

Thank you for the warm welcome and hospitality we have received since arriving in Rabat and thank you again for the wonderful event last night. IATA and AACO have a long history of collaboration and are partners in supporting the development of air connectivity in the Middle East and North Africa region.

Thank you to Secretary General Abdul Wahab Teffaha and the Executive Committee for the invitation to be here. And my special thanks to Abdelhamid Addou, Chairman and CEO of Royal Air Maroc and gracious host for this meeting.

Both of our organizations are dedicated to serving our members' needs. And our work with AACO is led by Kamil Alawadhi, our Regional Vice President, who is very familiar to all of you.

Globally, 2025 is shaping up well despite political and economic uncertainty, armed conflict, and trade friction. Looking over the first nine months of the year, passenger demand is up 4.8% and cargo demand by 3.2%. Considering the circumstances, these are strong numbers, particularly so for cargo. And this year it's the cargo performance that once again demonstrates the resilience of our industry and the speed of reaction to changing external factors. When you examine the three largest trade lanes - Asia/North America, Asia/Europe and Europe/North America, which together account for almost 60% of Cargo Tonne Kilometers, you see clear evidence of our ability to adapt. As demand on the primary trade lane, Asia/North America, declined due to trade tariffs (year to date CTKs are down 1% versus last year), we saw capacity shifting to Asia/Europe where demand is up 10.2% YTD and to Europe/North America, where capacity is up 7.6% YTD.

Of course, demand and profitability are different. I am optimistic about our estimate of a collective industry net profit of \$36 billion in 2025. But that is just a 3.7% margin on almost \$1 trillion of revenues. We are in a tough, low margin, highly regulated business where it is hard to make ends meet. In those circumstances, our job as your association is to make your work easier, your operations more efficient and your costs more manageable.

With that in mind, today, I will report on

- The outcomes of the 42<sup>nd</sup> ICAO Assembly
- The work we are doing on supply chain issues, and
- Broader initiatives where I believe your engaged participation will bear mutual benefits.

## **42<sup>nd</sup> ICAO Assembly**

Let me begin with the ICAO Assembly.

Three of the Assembly's most important results confirmed support for existing ICAO principles. We defended both the slot allocation regime and ICAO's principles for setting airport charges against unhelpful changes. And our proposal to respect and reinforce ICAO principles on passenger rights regulations was broadly supported. As a result, these remain strong tools in our efforts to manage insufficient capacity, keep airport charges reasonable, and protect consumers with globally harmonized rules.

The Assembly was also very helpful in supporting our calls for governments to abide by the agreements they make at ICAO. These include

1. Supporting our calls for states to file accident reports in line with the requirements of Annex 13. Given that only about half of accident investigations produce a final report in line with Annex 13 requirements, this is a critically important reminder.
2. Backing our calls for governments to keep aviation free from GNSS interference—something you in this region are unfortunately very familiar with.
3. Reinforcing the call for governments to respect aviation safety when allocating radio frequency spectrum. In particular, we must maintain guard bands around critical frequencies such as those used for radio altimeters. Failure to do so in the 5G rollout in the US, Canada and Australia led to significant costs in retrofitting aircraft—retrofits which are now suffering delays because of supply chain issues. We must not make the same mistakes as the 5G rollout continues in other markets or when 6G is eventually accommodated.
4. Emphasizing ICAO's competency and principles in taxation. This is of vital importance given developments with the UN's model tax agreement that give states the option to tax airlines at the source of their revenues. The current

treatment of airline corporate tax has no leakage, is fair, and efficient—well worth defending!

The Assembly also looked at progress towards net zero carbon emissions by 2050. It reaffirmed the commitment of governments to the Long Term Aspirational Goal (LTAG) and it set up a Finvest Hub to help gather the funding needed for the enormous undertaking of decarbonization which includes the production of SAF and LCAF at scale.

We also received support for a global SAF accounting and reporting framework—two areas where IATA has been particularly active having launched the SAF Registry (now operated independently)- and built consensus on global standards for the accounting principles needed to make it work.

Lastly, I would highlight the Assembly's defence of CORSIA. It is particularly timely for two reasons.

- The first is that states need to make more Eligible Emissions Units or EEU's available. These are the credits that airlines must buy to fulfil CORSIA obligations. To date, only Guyana has taken advantage of this source of climate financing. If you are looking to buy credits, IATA hosts regular auctions for the current supply. For information, the recent auctions have been conducted at a price of around \$22 per tonne. More governments need to step up and honour their commitments to making CORSIA a success and we must continue to be resolute in defending the agreement against attacks from those in Europe who seek to impose their will upon the World.
- The second reason is that governments are forgetting their commitment to CORSIA as the sole economic measure to manage aviation's international emissions. The EU continues to threaten the integrity of CORSIA with snapback clauses for its EU ETS. And, most recently a group of states is seeking to siphon off tens of billions in an ill-defined "solidarity levy" that treats aviation as a cash cow. We must ensure that states do not jump on this bandwagon, or we face a patchwork of taxes and charges that will limit our ability to fund the \$4.7 trillion cost of decarbonization.

Our ask is clear. If governments wish to raise climate financing, then make CORSIA's EEU's available. This will generate climate finance, support CORSIA and move us closer to achieving our common goal of decarbonization.

To sum up, the Assembly's conclusions were closely aligned with our major industry positions, particularly on sustainability. The challenge is to translate that

into effective and aligned policies—convincing governments to follow-through on their words and agreements.

## Supply Chain

Aside from the Assembly, I wanted to highlight work that we are doing on the supply chain challenges that every airline is facing. Last month we published a study we did to quantify the impact of supply chain challenges. The headline number is over \$11 billion cost in 2025.

Where are the costs?

- Up to \$4.2 billion in excess fuel because we are operating older and less efficient aircraft
- \$3.1 billion in excess maintenance costs that come with an aging fleet
- \$2.6 billion because engine lease rates have jumped 20-30% since 2019 as a result of scarce supply, and
- \$1.4 billion for the surplus inventory that airlines are keeping as a buffer against unpredictable parts supply chains

I was astounded by these calculations. And we are redoubling our efforts to resolve this issue. For example, we are promoting participation in the MRO SmartHub which gives airlines more visibility on the spare parts market. And we are examining legal options and the potential of our previous agreement with CFM to improve and rebalance after market conditions to mitigate some of the effects of the supply chain problems. There is, however, no immediate or comprehensive solution and the issue looks set to be with us for years to come.

## Campaigns and Programs

The last activities that I would like to touch on are investments that IATA is making to serve you better.

1. The first is a **campaign on lithium battery safety** that we launched last month. We have video assets which are available in several languages, including Arabic, to remind travellers to pack lithium batteries correctly. This follows a survey that identified key misunderstandings among travelers:
  - 50% incorrectly believe it's OK to pack small lithium-powered devices in checked luggage

- 45% incorrectly believe it's OK to pack power banks in checked luggage
- 33% incorrectly believe that there are no power limits on power banks or spare batteries

We have produced a short, animated video aimed at travellers in an effort to clear up these misconceptions.

Already we have commitments to use the video by several airlines and most recently Dubai Airports and Matarat Airports in the Kingdom of Saudi Arabia. The video is available for any airline or airport to use.

2. The second is on **blocked funds**. This a perennial issue. As much progress as we make, a new challenge always emerges. As of September, there were \$1.3 billion of airline revenue which are, for various reasons, blocked from repatriation. 93% of this is in the Africa and Middle East region, so I know that this is an issue that is impacting your businesses. And some of the list of countries with outstanding balances are in the region covered by the AACO membership:

- Algeria (\$245 million)
- Lebanon (\$139 million)
- Libya (\$29 million)
- Yemen (\$17.5 million)
- Sudan (\$10 million)

With your support, we will continue to highlight that airlines cannot provide economically vital connectivity if they are unable to repatriate the revenues needed to pay the bills!

3. The third issue concerns **learning lessons from contingency plans that were deployed** when hostilities escalated mid-year into missile attacks in the region. You don't need me to tell you how severe the disruptions were. While safety was not impacted, the expected level of coordination was just not there. While everybody hopes that the situation will not repeat, we must do better if it does. So, we are engaged with the ICAO regional team to review how things were handled and work with the region's governments to have even more effective plans at the ready.

4. The fourth highlight is the investment in **our Abu Dhabi training facility**. Its popularity has compelled us to add an extra classroom. By making more training available in the region we are hoping that this will be a welcome support for your growth plans.
5. Last, is a reminder of **the importance of your data contributions**. IATA is the custodian of significant and powerful industry data that is contributed by airlines.

So first, thank you to those airlines whose data enable us to build an impactful and accurate overview of how global aviation is progressing. This supports informed decision-making in critical areas such as safety, operations and sustainability. For those who are not yet contributing, I would encourage you to discuss with our regional team the benefits of participating.

### **Concluding Observation**

I will conclude my remarks with an observation that this region is a great aviation success story for many reasons:

- The super connector hubs of the region are modern miracles that are vital to global connectivity. And that success extends to the model of government-industry cooperation on airport infrastructure development that underpins national growth strategies.
- Across North Africa, aviation's success is generating significant prosperity. Just look at the phenomenal changes that continue to take place here in Morocco, including its Airports 2030 Strategy to expand infrastructure that underpins growth ambitions and preparations for co-hosting the World Cup in a few years.
- In other parts the success is characterized by perseverance—keeping people connected amid emotionally heartbreaking and operationally challenging conflicts.

These three realities coexist in the one region. And with each there is opportunity. In fact, opportunity is the hallmark of our great industry. Opportunities and our collective success will grow

- the more that the region harmonizes around the global standards, the importance of which we have already discussed
- the more that markets are opened to facilitate trade and exchange,

- the more that the region participates in next generation programs like digital ID to stay at the cutting edge of efficiency and satisfaction,
- the more that there is regional cooperation to improve operational efficiency and resilience.

In all of this, I want to assure you that IATA will be at your side as your global association and partner. And, together with AACO, we are working hard to realize an even more prosperous future for aviation across the region.

Thank you.