

Speech of Mr. Willie Walsh, IATA Director General, at AACO 54th Annual General Meeting

It is a great pleasure to address you in person, on what is my first trip to the Middle East since taking on my role at IATA in April this year.

The last 18 months have made us realize just how important—indeed how precious—the ability to meet face-to-face is. And in doing so, we also have gained a renewed understanding of the role of aviation in our world. Our industry makes face-to-face possible. As efficient as technology like Zoom or Teams is – and I'll be honest I hate them – it's just no match for what we are doing now. And this would not happen without aviation.

I thank AACO for their invitation. IATA and AACO are important partners. IATA brings the industry together to discuss and agree a global way forward for airlines. But we are most successful when we work through our regional offices with associations like AACO to drive change. And I know that you work very well with our Africa and Middle East team under the leadership of Kamil Al Awadhi. Working together we will get aviation back on its feet!

Industry Outlook

It is no secret that COVID-19 has devastated the aviation industry. In 2020, airlines globally lost \$138 billion. Losses will reduce to \$52 billion this year. And we expect a further reduction to a \$12 billion loss in 2022. Add that up, and the toll that COVID-19 will take on industry finances tops \$201 billion.

For the airlines based in this region we are estimating a cumulative loss of \$6.8 billion for this year, with an improvement to \$4.6 billion in losses for next year.

We are, however, past the worst point. And we can see a path towards normality.

The cargo business is already operating at 9% above pre-crisis levels, and in the Middle East 18%. Air cargo has been a lifeline for many—delivering vaccines, PPE, medical equipment and even e-commerce. In doing so, it has also been the revenue star for many airlines in our industry. The region's carriers specifically Qatar Airways, Emirates and Etihad Airways played a critical role in this mammoth task by keeping flying throughout the crisis.

Where governments have not restricted travel, the passenger business recovery has been swift. Domestic markets are expected to reach nearly 75% of pre-crisis levels by the end of this year, but unfortunately international travel—where we see travel restrictions continuing—is only expected to reach 22%. Next year we expect domestic markets to be nearly where they were in 2019. But international travel will lag at just 44%.

We are moving in the right direction, if not as fast as we would like to go. The task ahead is formidable. But the overall mood in the industry is one of cautious optimism. And the re-opening of the US market to 33 countries—primarily European—gives the recovery important momentum.

COVID-19 and Re-connecting the World

The region has done a lot of work to re-establish connectivity. Today, most of the GCC and wider Middle East region have re-established links to their primary markets. Caps on flight movements have been lifted and the UAE, Jordan, Bahrain, Oman, and Saudi Arabia have re-instated services to over 70% of their pre-pandemic networks. Connectivity in the region in September reached 49% of pre-crisis levels, outperforming global connectivity which has rebounded to 41% of pre-crisis levels. And with Thailand, Australia and United States opening from early November, this should further help strengthen connectivity.

As routes reopen and airlines add services, we face the challenge of managing the myriad and complex COVID-19 travel health credentials that governments require. Paper-based solutions will overburden the check-in and immigration process. We do not have the people or the space in airports to manage a ramp-up of travel if everyone needs to have documents checked manually. Of course, we believe IATA Travel Pass is a great product to help airlines, travelers and governments address this challenge digitally. We built it with the specific needs of industry in mind.

I'm pleased to say that this region has been a pioneer in implementing IATA Travel Pass. Emirates Airline, Etihad Airways, Jazeera Airways and Qatar Airways are introducing IATA Travel Pass in a phased rollout across their networks. And a further seven airlines in the region are piloting the solution. Governments in the Middle East are also taking a leadership role in this area. And the initial reports that we are getting from Saudi Arabia, the UAE and Qatar are very positive.

The role of governments in the re-start is broad. The declaration of the recent ICAO High Level Conference on COVID-19 aligned very closely with our vision for how we can efficiently re-establish global connectivity. In summary IATA believes that:

- Vaccines should be available to all
- Vaccinated travelers should not face any barriers to travel
- Testing should provide a means to travel for those without access to vaccines
- Where required, cost-effective antigen tests should be used to facilitate travel, and
- Governments should pay for testing if they make it a requirement

While the Middle East is progressively re-opening, there is still some work for governments in the region to do. Vaccination rates across the region are rising. As examples, Qatar has reached 77% and the UAE is at 88%. Vaccinations are the ultimate way out of this crisis. So, this is very important progress.

But there remain four challenges that I see for the region:

First, we need to have truly hassle-free travel for those who are vaccinated. You can travel to the Kingdom of Bahrain and in select cases to UAE simply by proving your vaccination status. But for other markets a PCR test is required. And the cost burden of testing is placed on the passenger, in contravention of the WHO's International Health Regulations. Travelers to Kuwait can expect to pay \$100 for the required PCR test, \$60 if you are traveling to Oman.

Second, we need alignment on accepted vaccines with the WHO emergency use list of approved vaccines. Right now, it is a mish-mash. States, of course, can choose which vaccines to make available to their populations. But all governments should respect and recognize all the vaccines on the WHO emergency use list for travelers who, in most cases, will not have had a choice in what is available.

Third, we need to have efficient alternatives to enable travel for those without access to vaccines. For Saudi Arabia, Oman and Kuwait only those who have been vaccinated can travel, and this is not right. There needs to be sensible testing regimes in place for those unable to access vaccines.

Fourth, antigen testing needs to replace expensive PCR testing for travel purposes. Antigen tests are accurate, convenient, and affordable. Processing times for antigen tests are 100 times faster than for PCR tests, they are much cheaper and have comparable performance to PCR tests in levels of false negatives.

Addressing these four challenges will be critical to reconnect the region and link it to the rest of the world. Considering that 97% of pre-pandemic traffic for airlines based in this region was international, getting this right is vital.

Efficiently restoring the freedom to travel is in everybody's interest. And the \$8 billion of support provided to the industry by governments in this region during the crisis demonstrated the value that governments recognize in the work that aviation does. And it is a good investment. Our industry will energize the economic recovery from COVID-19.

While not every government came to the industry's side in the crisis, they have a critical role in the recovery. That is keeping costs in check. In too many places we are seeing increases in taxes or infrastructure charges or

both. The UK—a prime market for Middle East carriers—is the poster child for what not to do. The government is increasing Air Passenger Duty on long-haul services. And Heathrow—the main airport—wants to increase its charges by 90%. And the regulator's counterproposal of a 50% increase is no less unacceptable.

My message here is that governments cannot assume that a recovery is underway and abdicate their responsibility to provide support to help airlines weather the crisis and keep costs in check. We've been through the greatest financial trauma in our history and it's not over. Now is not the time to stop relief or raise infrastructure charges or taxes.

A financially viable air transport sector will be needed to support economic recovery post crisis. We have seen that everybody suffers when aviation stops. COVID-19 has dispelled the myth that flying only benefits the rich.

Sustainability

The other major issue of the day is sustainability. We all recognize that the freedom to fly will depend on our ability to fly sustainably. And the work of COP 26 is emphasizing just how important that is.

At the 77th IATA AGM, IATA's membership took a historic decision to achieve net-zero carbon emissions by 2050. We appreciate the support of the IATA members in this room and AACO for their support of this initiative. And we look forward to working together as we tackle this monumental and existential challenge.

We also need to put into perspective what this will mean. In 2009 we already committed to cut net emissions to half 2005 levels by 2050. That would have left 325 million tons of aviation emissions in 2050, and forecasts for industry growth would have expected nearly 3 gigatons of emissions if we did nothing. Already we had made a very significant commitment. And now we need do to more—reaching net zero.

Net zero can be achieved. It will take a combination of Sustainable Aviation Fuels (SAF), radical airframe designs, cutting-edge propulsion methods, efficiency gains, carbon capture technology and offsetting.

The AGM resolution was an airline commitment. And we will drive the needed change. But to be successful, we need alignment across our stakeholders, including governments.

Here's an example of why that it important.

We don't have electric cars because drivers built them. The energy transition for road transport is happening because governments created a policy framework that supported innovation. The market reacted by developing cost-efficient electrification solutions that appealed to consumers.

The technology roadmap for sustainable aviation is more complex than for road transport. But the mechanism to deliver change is the same. Governments must lead with incentives. And the most important area for immediate concern is SAF.

It is not lost on me that an energy transition from traditional fossil fuels is of particular significance to the Middle East. And for that, the recent commitments of Saudi Arabia and UAE to net zero are especially meaningful. As they, and other governments across the region, move forward with green energy transitions, SAF must be a consideration.

Specific actions which governments can take include:

- Financing research and development programs and feasibility studies in the region to identify feedstocks that could potentially be used to develop a local SAF industry
- Implementing policies to de-risk investments into SAF production plants, including legislative certainty to attract investment in new production facilities
- Attracting capital to expand SAF supply through loan guarantee programs or performance-based tax credits.

Importantly, we must also remind governments that SAF mandates for airlines are not the way forward. The challenge with SAF is not on the demand side. Airlines want to buy it. But there is not enough of it available at commercially acceptable prices. You cannot mandate the purchase of something that does not exist. We need to work with governments to ensure that reasonable market prices and strong SAF availability is made possible.

Conclusion

I wish to conclude by thanking AACO and congratulating them on the excellent work that they do for their members. It's a great example for regional associations. I have committed on behalf of IATA that we will work together to further our industry goals, including achieving the critical target of net-zero.

I wish you all very well and look forward to seeing you during the rest of the conference.

Thank you, shukran