Capt. Ahmed Adel, Chairman of the AGM

Your Excellencies,
Ladies and Gentlemen,

Allow me first to reiterate my gratitude to the Arab Republic of Egypt for hosting, under the patronage of the Ministry of Civil Aviation, the Annual General Meeting of the Arab Air Carriers’ Organization for the fifth time. I also wish to thank once more the Chairman of our conference, Capt. Ahmed Adel, Chairman and Chief Executive Officer of EgyptAir Holding Company, and to thank EgyptAir team for inviting AACO to come back to where it was incepted 53 years ago.

Aviation today, worldwide, is going through times that are full of paradoxes. On the one hand, the number of global passengers exceeded 4 billion, while at the Arab airports that number almost equated the population of the region of 370 million. The global number of international passengers grew in 2017 by 7.9%, and by 5.6% in the first eight months of this year compared for the same period last year. In the Arab region, the number of international passengers grew by 8.2% in 2017 and by 4.8% in the first eight months of this year. Tourists arrival globally grew by 6.8% last year, while this number was 7.2% in the Arab region, where the global air transport represents the backbone of the tourism industry, which in turn became a cornerstone of sustainable development around the world.

Air transport indeed became an integral part of our way of life. Its role in keeping the wheels of economy turning and in enabling development, has become increasingly fundamental. The numbers I have mentioned previously indicate that international air transport continues its upward trend that started in 2010 after a severe retraction in 2009, due to the global financial crunch and its economic impact. While in our region, the air transport’s upward trend continues unabated since the start of this activity.

As for the paradox I alluded to with regards to the state of affairs of air transport, it is in the presence of another angle different from the one that the numbers point to. The global economy, in spite of its good growth, is going through unpredictable times. The exchange of imposing tariffs and the numerous calls for rolling back the liberal economic trend and going back to protectionism, and the additional and increasing financial cost of investment and borrowing as a result of increasing interest rates, are creating volatility...
challenges for an industry that relies for its growth on a sturdy and stable economic development and openness.

The leaps in development achieved by the global air transport industry, went in tandem with the adoption of liberal policies that ease or remove restrictions on traffic rights and the movement of peoples and goods, as well as playing down the notion of flag carrier and replacing it with brands, which opened the way for competition and the transformation of air transport from a sovereign activity into an economic one. This was the case for the industry as a whole, as for the Arab airlines, the liberal policies allowed for the emergence of giant global airlines, and the entry of a number of Arab airports into the club of global hubs, as well as the accolades that these airlines and airports were able to amass due to their quality of service and attractiveness for passengers and shippers alike. More importantly, rather most importantly, is that these policies enabled the customer to take command and to have the absolute freedom of choice. Removing protectionism meant that the service provider, be that an airline or an airport or any other provider for other services, has to do its best to gain the customer’s acceptance and satisfaction, through the best services and prices. This also compelled the service provider to manage its costs in the best way and to become creative to achieve maximum customer’s loyalty. Hence, it is obvious that the competitive environment and the removal of protectionism led to three main paradigm shifts:

1- Respect of the customer and providing him with the right to choose.
2- Transforming the airline and the air transport’s service provider into more efficient entities.
3- Strengthening the role of travel and tourism in economic development, through exploring new markets and creating new opportunities which were otherwise untapped under protectionism.

If this was the result of 40 years of liberalization in air transport, how would things be if we go back to protectionism? The straight answer is the way it used to be for the 33 years and earlier prior to 1978. In those times, airlines used to agree amongst themselves on passenger fares and cargo rates. They also used to agree on the services provided to the passenger: the seat pitch, maximum levels of free food and beverage, maximum weight or number of free bags in accordance with the class of service, and how to construct fares in case the traveler is going to more than one destination. There were also undercover enforcement officers who used to test airlines’ adherence to these agreements where heavy financial fines were imposed on any airline that deviates from those agreements and tries to compete with the others in prices or services. And for airlines to ensure that the passenger would not go out their grips in his choices, they also established what used to be called pool agreements. These were meant to divide what a passenger pays between two airlines operating on the same sector, and if an airline at that time wanted to operate to a destination, where the airline of the destination country does not want to operate to the base of operating airline, the operating airline had to pay royalty to the second one on every single passenger that it carried.

Airlines carried 6.5 billion passengers between 1945 and 1977, a period of 33 years. Airlines carried almost 70.5 billion passengers between 1978 and 2017, which means that the average growth for the latter period was 9 times higher than that of the former one, with prices lower by 70%. New business models have emerged, more and more
people have had access to air travel, and millions upon millions of jobs were created because of that growth. The result of the last 40 years was: Air transport growth, competitive airlines that are more efficient, more jobs, and a higher contribution in economic development. The current contribution of air transport sector is 3.6% in the global GDP and 66 million in jobs. In the Arab world, the contribution of air transport to the GDP is more than double that registered globally, at 7.8%, while the number of the jobs created is around 6 million.

Mr. Chairman,
Ladies & Gentlemen,

The Arab air transport industry is going through times not as good as the ones we have enjoyed in the last decade. Although crises have never been alien to our region since time immemorial, they have never reached the levels we are witnessing nowadays. This has of course impacted the economic growth in the Arab world and consequently the growth of air transport: The Arab air transport market grew by 7.7% in 2017 and 4.7% in the first eight months of 2018, as opposed to an annual average of 10% between 2006 and 2016. RPKs grew by 6.8% in 2017 and 4.8% in the first eight months of 2018, versus 14% between 2006 and 2016. However, and in spite of the growth deceleration, we are still growing, be it in terms of the travel market or in terms of RPKs and RTKs. However, the biggest adverse impact of what the region is going through is on international air transport within the Arab world which retracted in 2017 by 6.8% and by 4.9% in the first eight months of this year. Yet, AACO members were able to achieve a growth in load factor through adopting a flexible strategy in dealing with offered capacity by adding less capacity than the growth in demand. This improved our members’ operating results which increased by 12% over 2016.

Although the environment that we are living in today, does not live up to our aspirations, the long-term foundation of the Arab air transport industry is still resilient and robust, for:

1- More than 60% of the Arab World’s population is under the age of 25, which constitutes a great potential for a stable future.

2- The Arab region is endowed with natural, cultural and human wealth that strongly support sustainable development. In spite of the crises we go through, the wealth of the region with its people, history and culture was and will continue to enable the swift recovery from those crises.

3- The geographic location of the region is optimal for airlines to play an ever-growing role in global air transport.

4- Arab airlines embrace the culture of service excellence. they were able to develop their products in a way that attracts customers through offering those products at competitive prices that address different market segments with services that provide the customer with the added value of the finest hospitality.
Add to all those elements the revolution in communication technologies and the transformation of the customer: Many among today’s travelers, and the overwhelming majority of tomorrow’s, depend as consumers on a virtual world that doesn’t recognize geographic or linguistic barriers. This provides airlines, which place the customer at the center of their culture and provide the best services at the most competitive prices, with a competitive advantage over others.

Mr. Chairman,
Ladies & Gentlemen,

Within this environment, and based on the above developments, we have focused our work during the past period, and will continue to do so during the forthcoming one, on three major areas:

First on the aeropolitical level:

- We have concluded, with the Arab Civil Aviation Organization, the revision of Tunis Convention of 1979 which pertains to tax exemption on air transport activities. Following its enactment for almost 40 years, and following AACO Aeropolitical Watch Group’s opinion 5 years ago that it requires review and updating, we worked relentlessly to achieve that and were successful in completing this review with the great support we received from the Secretariat General of the League of Arab States which governance bodies approved the amended text. As we reach the ratification process, I would like here to invite our member airlines to advocate the ratification of the convention which will bring great benefit to the airline as well as to the customer.

- The second issue in this area was on the EU level and the continuous dialog related to the update of regulation 868/2004 on competition with non-EU countries. We have also worked here with the League of Arab States and its bodies to develop guidance material that can be used by Arab states in dealing with this issue. We have also suggested some amendments to the EU which accepted some of our comments. The amended text is still in discussion by the EU governance bodies.

- AACO also dealt with the ban on the transport of Personal Electronic Devices in passenger cabins from some Arab airports. We immediately started to advocate to all concerned that such a measure can only be dealt with at ICAO level and in consultation with stakeholders. This indeed took place after several months of imposing the ban, whereby the European Commission played a major role to rectify the issue.

- Another issue that AACO dealt with was a proposal developed as part of the Tax Reform Bill in the United States, which suggested imposing taxes on non-US airlines’ sales in the countries from which they operate to the US, and which hubs are not served by US airlines. AACO also initiated immediately, communicating to all concerned the harmful impact of this measure not only on-air transport from and to the Arab world, but indeed on the global air transport sector. Fortunately, this proposal was abandoned after due discussions between US authorities and air transport stakeholders in the US and globally.
- AACO also continues to call upon additional Arab States to ratify the Montreal Convention of 1999 about limits of liability, and the Montreal Protocol of 2014 about unruly passengers.

- AACO as well is working with all concerned to build member airlines’ capabilities in line with the entry of ICAO’s CORSIA into its implementation phase early next year, whereby it will be required from every airline in the world, regardless whether it is included or not in emissions’ offset obligations, to monitor its emissions and report them periodically to its authority along with the authorities right to verify their airlines’ reports.

- Within the aeropolitical domain, we also work, in collaboration with IATA and all concerned, to advocate to governments the importance of thoroughly reviewing proposals to increase airports and user charges, through considering the long-term impact of such increases on the attractiveness of our countries to travelers and shippers.

Second: Our second priority is to assist our member airlines in rationalizing their costs in certain areas, within the strict adherence to competition and antitrust laws. AACO’s activities in this area include a number of programs including fuel, flight charts, MRO, ground services, and training and others. Two programmes have been added recently to this list: The first about security information, and the second about electronic flight charts. I would like to mention that AACO’s Emergency Response Planning project, which was initiated in 2014, continues its work and is continuously expanding to include more member airlines, as well as partner airlines and non-member airlines in line with the benefits the program would bring to its members in case of, god forbid, an accident happens. On aviation security level, the Security Information Exchange Group, established by AACO in 2015, continues its work. It now comprises twenty-member airlines who will surely benefit from the new initiative related to security information.

Our third priority is our constant effort with our partners in ACAO, ICAO, IATA and other regional associations, together with our airlines and industry partners to raise awareness on the various issues that the industry is dealing with. In this area, we are focusing on our website, social media, and the electronic weekly, monthly and quarterly bulletins which are communicated to the concerned, and which are crowned every year with our Annual Report and the annual Arab Air Transport Statistics bulletin, which we put in your hands today. AACO also continues to hold its diverse forums which gather our members, partners, and all stakeholders to discuss the latest industry developments and the best ways to deal with them.

Mr. Chairman,

Ladies & Gentlemen,

On behalf of AACO team, and in my own personal name, I wish to thank the members represented by their CEOs and their teams for the great support they accord to us. Special thanks go to the Chairman and the members of the Executive Committee for dedicating part of their time and effort to support and guide AACO’s work, and for being always
available to communicate with, in spite of their daily burden to manage their own airlines. I also wish to thank our partners in ACAO, ICAO, IATA and AFRAA, and our Airlines and Industry Partners for considering AACO as an effective partner in the development and success of the air transport sector.

Finally, I wish to extend my heartfelt thanks to everyone who supported this AGM, and in particular the Chairman of EgyptAir Holding Company, Capt. Ahmed Adel and his team for everything they have done and doing to make this AGM a special one like its predecessors, continuing the great historical tradition of Egypt in making anyone who comes to this good land feel at home. I also thank my colleagues in AACO for their sterling work and their commitment with our permanent slogan:

We are proud to serve you...