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SEMINAR ON THE DEVELOPMENT OF INTERNATIONAL CIVIL AVIATION

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I wish to thank most sincerely Mr. Norman Lo, the Director General of Civil Aviation of Hong Kong SAR, China, for his kind invitation to address the opening of this seminar on important issues related to civil aviation. I am deeply honoured and touched by this event in recognition of my services to international civil aviation over half a century, and I wish to express my thanks and gratitude to all of you.

From a fledging industry just after the Second World War, air transport is more than ever a worldwide catalyst for economic, social and cultural development and supports the world's largest industry, travel and tourism. Recently, the United Nations World Tourist Organization indicated that the number of international tourist arrivals had grown from 25 million in 1950 to 806 million international arrivals in 2006, and may reach 1.5 billion by 2020. International tourism receipts reached 682 billion dollars in 2005, making tourism one of the largest categories of international trade. Tourism is spreading far and wide; it is becoming globalized. In 1950 the top 15 destinations in the world accounted for 87% of foreign visitor arrivals, in 1970 for more than 75%, and in 2005 for only 57%. These figures and others from ICAO and IATA point to sustained growth, much of it resulting from the irreversible trend towards liberalization of the industry. One result that can be expected is increasing pressure on the global air transport system in terms of congestion, in airspace as well as airports, delivery of aircraft ordered, shortage of pilots, unless appropriate action is taken.

Airports Council International (ACI) predicts 8 billion passenger handlings in 2020. Such numbers of passengers will require important investments to satisfy demand in an efficient and timely manner. Fortunately, the improved financial situation experienced by many airports over the last two years has renewed the interest of investors, prompting some airports to embark on large-scale development projects to cope with the increasing volume of passenger and cargo. Major airport projects currently underway include the new terminal 5 at London-

Heathrow, the Moscow airports with a high level of capital investments, the expansion of Dubai Airport in the United Arab Emirates, the development of 42 new airports as well as expansion of existing airports in China at an expense of almost $20 billion over the next five years, and the expansion of 35 domestics airports in India to make them ready for international air traffic.

Safety is another common concern we share. In spite of a number of accidents in recent years, air transport is fundamentally safe and remains the safest mode of mass transportation. At the same time, this safety record remains fragile in the face of the projected growth of the industry in the years ahead. In 2006, the airlines of the 190 ICAO contracting states carried in their scheduled air services 2.1 billion passengers and 39 million tons of freight, an increase of some 4.7% over 2005. In accordance to ICAO's forecast, the air traffic will expand by 5.8% in 2007 and 5.6% in 2008. Up to 2015, traffic should grow at an annual rate of 4.4%. This is equivalent to about 30 million flights and 2.8 billion passengers by that time. With the continuously increasing traffic and aircraft movements, we could experience one major aircraft accident a week. This is unacceptable. We therefore must succeed in reducing significantly the accident rate.

Full and universal compliance with ICAO standards and recommended practices (SARPs), remains the first condition for maintaining and enhancing the safety of international civil aviation. Since 1999, the ICAO Universal Safety Oversight Audit Program (USOAP) has been quite effective in assessing the level of implementation of ICAO SARPs by Contracting States. The expansion of USOAP under a comprehensive system approach in early 2005 has highlighted other areas of concern. The programme overall has been quite successful in raising red flags and pointing to an obvious and urgent need to act on identified shortfalls in a more collaborative and assertive way. In March 2006, the Conference of the Directors General of Civil Aviation unanimously endorsed the growing trend towards transparency and sharing of information and agreed for ICAO to post the results of the Safety Oversight Programme on the Organization's website at the latest by March 2008. At present, nearly 100 states have authorized ICAO to publish the information on audits carried out in their territory. A further example of transparency and sharing of information is a Memorandum of Understanding signed earlier last year by ICAO and IATA on exchanging results from USOAP and IATA's Operational Safety Audit Program (IOSA), which was developed in cooperation with and based on ICAO's provisions.

Of course, as important as the ability to audit, is the ability to bring about improvements. Resources allocated to audits and to remedies should be carefully allocated to ensure that work flowing from additional oversight functions does not weaken our capacity to remedy the situation.

Experience in the industry itself has demonstrated that the implementation of Safety Management Systems (SMS) is the most effective way of responding to the need for increased supervision with a relatively small workforce. Many ICAO states have implemented SMS or are looking into this concept and the Organization has responded by developing standards for establishing SMS and has issued related guidance material. The SMS supports a culture of safety within organizations. Safety starts at the top with senior management and it must trickle down to every level of an administration, airline, airport, air navigation service

providers, manufacturers, and any other entity involved in air transport. Safety is where everyone comes together around a single priority and SMS is the approach that keeps us all working in the same direction.

The flip side of safety is security. A flight that is not secure is not safe. And airports are where much of the security activity is focused. The thwarted terrorists plot in the UK, last August 2006, potentially involving liquids used as explosives, emphasized the vulnerability of the global air transport system and the need for constant vigilance. It also led to the imposition, by many countries, of harsh security restrictions that resulted in a level of personal inconvenience surpassed only by the aftermath of the events of 11 September 2001 in the USA. The new regulation of the European Union which entered into force on 6 November 2006 introduced even stricter security measures. Aviation security is global and should be studied and developed by a global mechanism which is ICAO.

Governments have the difficult and unenviable task of balancing the need for maintaining and encouraging anti-terrorists vigilance while, at the same time, putting in place security measures that are workable without compromising the commercial basis for the air transport sector. Saving lives is the ultimate priority and actions to protect air travellers and people on the ground should always attract public support, with the added consideration that terrorists can cause huge economic and cultural damage, even when their plots are foiled.

Tougher hand-luggage restrictions and bans on such items as duty free articles, souvenirs, mobile phones, laptops, cameras, and so on, can have a serious negative effect on the retail businesses which contribute considerably to the viability of airports. High-tech body-scanning systems to improve security could be made available quickly, but they might raise legal questions. We can envision the possibility of a well-founded human rights legislation that might impact negatively across a host of air security issues, from the need for legal statutes, identification and criminality clearance of airport workers, to legal rulings hindering the deportation of aircraft hijackers. These are just some of the issues that need to be addressed to reconcile security with the efficiency and sustainability of the industry.

We must continually monitor and upgrade existing security processes to ensure they are commensurate with the level of threat identified while expediting the clearance of passenger and cargo at airports. It is a delicate balancing act in which we have to avoid turning airports into bunkers while maintaining the highest level of security.

Protection of the environment is another preoccupation affecting aviation. We must respond quickly and decisively to the increasing scientific and political pressure on environmental issues before they overtake the aviation agenda. Noise and local emissions have already affected national decisions relating to airport capacity expansion.

The dilemma we face is that, even though aircraft today are 70% more efficient than they were in the 1970s in terms of noise and emissions, the sustained growth in the number of flights may well negate this otherwise phenomenal achievement. We must therefore diligently pursue our work in the international arena, through ICAO's Committee on Aviation Environmental Protection (CAEP), in close cooperation with the United Nations Framework

Convention on Climate Change and other interested parties. The ICAO Committee on Aviation Environmental Protection met in February 2007, a prelude to discussions at the 36th Session of the ICAO Assembly in September of 2007. A symposium on environment was convened by ICAO two weeks ago in Montreal to prepare the documentation to the Assembly.

Key issues to be discussed include emission trading, local emission charges, modelling and interdependencies.

The same spirit of cooperation that helped create the effective global framework for dealing with noise under the balanced approach, will be even more crucial in developing a comparable framework for engine emissions, a much more complex and inherently global issue. The balanced approach, developed by CAEP and adopted by the Assembly in 2001, incorporates four principal elements: reduction at source, land use planning and management, noise abatement, and operational procedures and operating restrictions. With the goal of addressing the noise problem in the most effective manner, the balanced approach has made it possible for airlines and airports to intensify their cooperation on operational measures to substantially reduce the impact of noise on local communities.

This kind of collaborative effort through ICAO is an essential condition to progress, yet we must do even more. We must be increasingly proactive in anticipating solutions for attaining sustainability of the aviation activity and in presenting the aviation sector before the world community. As you all know, the Kyoto Protocol to the United Nations Framework Convention on Climate Change calls on industrialized countries of the world to work through ICAO to pursue the limitation of green house gas emission from international civil aviation. Given that the Framework Convention has started the dialogue on long-term cooperative action to address climate change, and given the first commitment period of the Kyoto Protocol which ends in 2012, we should initiate discussions without delay on the most appropriate framework for international aviation action on climate change, including proposals for the post-Kyoto timeframe. I made this appeal at the Environment Summit in Geneva last April 2006.

It is essential that ICAO, its member states, IATA and ACI should work together in representing the collective views and opinions from all segments of the air transport industry. By working together, we can be more successful in mitigating the inevitable increase in pollution resulting from the constant growth in air traffic, until we can find an alternate source of energy for aircraft and related equipment, and we must do so with safety in mind, from the design of aircraft and engines to operational measures.

In the case of air traffic congestion, we led the ground work for a long term solution at the 11th ICAO Air Navigation Conference held in 2003 which was chaired by Mr. Albert Lam, the predecessor of Mr. Norman Lo, the Director General of Civil Aviation of Hong Kong. The Conference established the future direction for the development of a globally harmonized and seamless global air navigation system with a global air traffic management operational concept at its core. This blueprint is designed to ensure the safe and orderly development and implementation of global air traffic management that takes into account efficiency, regularity, cost-effectiveness and environmental protection.

As for liberalization of the air transport industry, it can be considered a corner stone of future growth. Since the mid-1990s, the regulatory structures and objectives of international air transport have been changing towards more emphasis in the enhancement of consumer benefits and competition. Economic liberalization, globalization and commercialization have been bringing about major structural transformation of the operating environment of airlines. The traditional business model of the full-service airline has come under scrutiny, while the low-cost carrier phenomenon has expanded rapidly, not only at the national level but increasingly at regional levels and even beyond. Airline strategy and planning have generally focused more on alliances, consolidation, and a cross-border equity investment to exploit network-based economies of scale and scope. In addition, a key e-commerce is being used extensively to minimize intermediary marketing and selling costs. Several states seek also to liberalize international air transport services in whole or in part, on a unilateral basis, by allowing more airlines to fly international routes, and to accelerate the privatization of state-owned airlines.

ICAO's policy on liberalization is clear and contained in the declaration of global principles of the 5th worldwide Air Transport Conference held in 2003. It aims to create an environment in which international air transport may develop and flourish in a stable, efficient and economical manner without compromising safety and security and while respecting social and labour standards. The declaration also promotes equality of opportunity, so that smaller carriers can be active in global markets without prejudice from larger, more dominant carriers.

And so we have it, an overview of the strategy for meeting the enormous challenges that await us in maintaining the safe, orderly and sustainable development of civil aviation around the world.

To meet all these changes, ICAO should have more power now than it has ever had. This is not the result of a constitutional change conferred by the Assembly, it emanates from the fact that it increasingly globalized aviation industry needs an effective facilitator to enable agreement on standards in a period of change. Without it, bilateralism would dominate, international aviation could not prosper, and growth and innovation would be stiff.

As aviation goes truly global and expands rapidly, putting pressure on all aspects of the world's air traffic management and airport infrastructure, ICAO is now an agency that holds the key to the success or failure of the international air transport industry.

What has tipped the balance? In 1999, ICAO was given a mandate to carry out a limited universal safety oversight audit program of states, and by 2005 had been cleared to expand that program into every sector of a national aviation system. ICAO has become a regulator because the world needed one.

As I mentioned before, at the DGCA's Conference of 2006 I persuaded willing states to publish the results of their safety audit. Nearly 100 states have done so, leaving the travelling public why the rest do not. And on 23 March 2008, ICAO will name the country's that have refused to go public with safety oversight audit results, and will provide summarized results for the states that agree to it.

ICAO has been ceded power by its member states because, increasingly, it suits them to do it. Now, the organization is preparing to wield its influence with air navigation service providers. It befits the air transport industry to have a global predicable network of providers for safety, efficiency and cost reasons. Again, ICAO is going to broker the changes in the way these providers measure their performance. No other single agency can do this.

Indispensability confers power, but the process by which this power transfer is taking place is something like democracy. The members are conferring it because it suits them to do so.

If ICAO's power is increasing, so is its responsibility. The first thing it should do is speed up its process, because its members need results faster. It should become more transparent by improving the quality of its communication. Having facilitated consensus, ICAO's main job is to communicate what has been agreed.

Ladies and gentlemen, in concluding my remarks on the challenges faced by air transport, what would be the requirements of civil aviation and sub-orbital flights in the years to come? Let us start to address the needs of tomorrow, those of passengers, of operators, of the environment, the capacity of airports to accommodate large aircraft, a new version of supersonic aircraft, and, eventually, commercial sub-orbital flights.

In this way, we will contribute to ensuring that air transport continues to provide tremendous benefit to travellers and shippers, creating jobs, stimulating economies, contributing to eradicate poverty, and, generally, improving the quality of life on the planet.

Thank you for your attention.

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