Report on the Air Transport Industry

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International Air Transport Association (IATA)

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We meet in person for the first time since June 2019. The COVID-19 pandemic that brought global aviation to a halt in April 2020 is now virtually endemic. This AGM points toward a world in which we must work, meet, explore, learn, connect, live—and indeed travel—alongside the existence of COVID-19.

Aviation has been ravaged by the impacts of the virus. But our resilience, which has been a hallmark of our industry, is on display again.

- Demand for cargo is tracking at xx% above pre-crisis levels.
- Domestic markets give us hope that people have not lost either their desire, need or confidence to travel. Overall, we are within xx% of pre-COVID levels.
- The enormous challenges that we still face, however, are borne out in international travel markets which are barely a quarter of their pre-COVID activity.

We are well past the deepest point of the crisis. But we are also far from a recovery.

Our latest outlook sees the global industry with collective losses of $xx.x billion this year. That follows $xxx billon of losses in 2020. And, while airlines gradually will turn cash positive, collective profitability is not expected before 2023. We predict losses of $x.x billion in 2022.

Behind these numbers are countless stories of families and loved ones kept apart, laid off employees, struggling businesses, cancelled events, missed opportunities and reduced prosperity. Indeed, about two thirds of people report that their quality of life has suffered without the freedom to travel.

The hard work of airline staff on the ground and in the sky kept aviation alive during the deepest part of the crisis. Your determination is an inspiration.

And that determination had an impact that transcended aviation: Let's recall the millions repatriated by air, the personal protective equipment, ventilators and vital medicines delivered as air cargo, and the massive airlift of vaccines that will enable the world to eventually regain lost freedoms, including travel.

Since taking on the role of ███████████ my singular purpose has been to restore and fortify the freedom to fly. Our membership is at the core of an industry that drives 4.1% of global GDP, supporting 87.7 million livelihoods across the economy. That is achieved through a dense network of partnerships that move people and goods around the world safely. When aviation's stakeholders in government and across the industry's value chain work in partnership, we make people's lives better and the world a more prosperous place.

But there are challenges to the freedom that aviation makes possible and to our collective resilience.

9.11

Only last month we marked two decades since the tragic events of 11 September 2001.

Aviation is a symbol of freedom. And we witnesses horror as four civilian aircraft were converted to weapons of war to attack Washington DC and New York. We pay deepest respect to all those who lost their lives on that darkest of days and remember the courageous actions of so many.

We should also recall the united effort of airlines, our industry partners and governments to re-set and re-start. As always, safety and security were the top priorities. And industry processes, infrastructure and even aircraft were adapted to deal with a transformed threat of terrorism.

There was common purpose and intention in the actions that followed 9.11 and the subsequent attempts on aviation that have punctuated the first decades of this millennium. But the process was anything but smooth or seamless.

- It took too long to recognize that working together and sharing vital information are the foundations of strong defense against the threat of terrorism,
- The baseline for security measures has been raised; however, compliance by governments with ICAO standards and recommended practices is far from universal, and
- We are still suffering from a piling on of security measures without assessing and eliminating those that have become redundant or could be accomplished more effectively with today's technology,

Of course, we are far more secure than in 2001. But we could be much more efficient. And there are lessons to be learned and applied to how we address other crises.

COVID-19

The most immediate and urgent is COVID-19. The economic impact is vastly greater than 9.11—a 6.4% revenue fall compared to 57% in the case of COVID. But the challenges are basically the same:

- How do we implement risk-based solutions to re-open borders?
- How do we harmonize measures so that the global system works?
- How do we make sure that temporary measures do not become permanent inconveniences?

The good news is that confidence in flying is strong.

Under the leadership of ICAO and with strong support from the industry, we have a clear set of measures to keep travelers safe while flying. The solid rebound in domestic markets tells us that people are not afraid to fly. And nearly 90% of those who have flown recently reported that the measures implemented made them feel safe.

I am far less confident in how governments are managing border restrictions.

Frustration with border control measures is growing. Travel restrictions may have had a role to play in buying governments time to respond to the early days of the pandemic. Nearly two years later, that justification no longer exists. COVID-19 is present in all parts of the world. And there is little evidence to support ongoing blanket border restrictions, particularly when considering the pain and suffering that they cause through lost jobs and separated families and loved ones.

Testing results for UK arrivals proves the point. Between February and August 2021 about 3 million arriving passengers were tested for COVID-19. Only 42,000 tested positive—almost the same number of new cases that the UK is getting daily. These figures make it clear that travelers are not adding risk to the local population.

For many governments, the default thinking is still focused on opening closed borders only asan exception. We are far enough into this crisis and know enough about COVID-19 to reverse this mindset and make border closures the exception rather than the rule.

A real disappointment is the United States, which maintains restrictions on some of its most critical markets—many of which have similar vaccination rates and lower COVID case numbers. There is no medical justification for restricting travel this severely. Many exceptions were made by the government to facilitate this meeting—for which we are grateful. But the time has come to reopen to all.

In contrast, we are starting to see a more risk-based approach even in some countries that had implemented the most restrictive of measures. Canada is now open to all vaccinated travelers. Singapore is exploring vaccinated travel corridors. And even Australia, which was partially closed even to its own citizens, is now starting to talk about opening later this year.

And when borders do open, we need harmonized measures.

Our asks are simple:

- Vaccinated travelers should not face any barriers to travel
- Testing should enable travel without quarantine for those unable to be vaccinated
- Costs for testing should be borne by governments using efficient antigen tests
- And we must use technology to manage the process smartly

Europe has made a good start. The EU Digital COVID Certificate (EU DCC) is efficient and reliable. If governments are looking for a standard to follow for COVID certification, this is our recommendation.

Unfortunately, Europe also demonstrates the challenge of harmonization. The benefits of the EU DCC are being compromised because European states are implementing different processes.

- Some, but not all, exempt young children from testing.
- Some use antigen tests, while others require expensive PCR testing
- Most allow vaccinated non-Schengen visitors, but not all
- Many have digital passenger locator forms, but some require paper, and few states actually seem to check them

In short, it's a mess. So, it should come as no surprise that the European summer recovery was a disappointing half-step instead of a much-anticipated leap ahead. Passengers were confused. They did not want hassles. And, as a result, they did not return to travel in the numbers hoped for. This needs to change.

With your support, IATA has brought an important solution to market—the IATA Travel Pass. It makes the management of COVID-19 credentials convenient for passengers and more efficient for airlines and governments. Trials by over xx carriers on xx routes have proven its ability to automate the process of managing documentation required for travel—specifically vaccination and test certificates. This will re-enable online and kiosk check-ins, avoiding severe congestion that will result if every passenger has to go to the check-in desk for document checks. It would be even better if governments used IATA Travel Pass for their own checks of inbound travelers using efficient e-gates.

Going forward we will face even greater harmonization issues if governments do not start working together more closely. The lack of harmonization on recognized vaccines is but one example. The WHO has a list of approved vaccinations. Yet many governments only recognize some of the vaccines, or worse, vaccines

administered in their own country. Vaccines are the scientific solution to the COVID crisis. Governments need to arrive at a common list based on science, not politics

Furthermore, we cannot continue to implement extraordinary measures indefinitely. Measures must remain in place only for as long as they are needed—and not a day longer. Defined review periods—as we use for safety—are critical. Without regulated reviews, we risk the politicization of decisions that could see well-intentioned measures remain in place long after they are necessary or have become technologically or scientifically obsolete.

That brings me to another point: Travelers must comply with the measures, especially mask-wearing. And a very small minority have captured headlines by refusing to follow airline policies and the instructions of the crew. It is yet another example of why Montreal Protocol 14 is so important. We need a deterrent to unruly behaviour in the air that has real consequences in law.

We will also need the support of our industry partners—particularly airports and air navigation service providers--to help us emerge from this crisis.

With these partners the issue is financial. Everybody has suffered extraordinary losses in this crisis. In some cases, government financial aid has been a lifeline. But let's be clear, of the $xxx billion that was made available to airlines, $xx billion supported employment and $yyy was in the form of loans. In addition to enormous losses, airlines are also grappling with a severely inflated debt burden. Cost management, increased shareholder contributions and borrowing are the tools for airline financial survival until the market recovers.

So it is more than disappointing when some of our partners in monopoly or near-monopoly positions seek to recover lost revenues through increased charges to their customers—the airlines. Let me repeat that in case you thought you were hearing incorrectly. Some of our airport and ANSP partners want to recover the money that airlines did not spend with them during the crisis when borders were closed and, consequently there were no passengers. This is commercially delusional. And it is in no way acceptable.

I will say that the problem is not universal. But it exists. And here are some examples of the banditry that is being planned

- Example
- Example
- Example

We all want to put COVID-19 behind us. Fixing your finances by taking advantage of your partner is not the way to do that. IATA will not be shy in calling out such bad behaviour with facts and figures. Airports and ANSPs have access to the same solutions that airlines are using—cost management, shareholder contributions and borrowing. They need to use them, with a much heavier emphasis on cost management.

Sustainability

Looking beyond the crisis, we have another challenge to the freedom to fly that we must address with the support of our partners and stakeholders. The future of all industries rests on sustainability. Aviation is no exception.

Today we power our aircraft with kerosene. Carbon is emitted when we burn it. That contributes to climate change. Like all industries we have a responsibility to reduce and eventually eliminate emissions.

Unlike other industries, however, we began addressing our carbon footprint more than a decade ago with a commitment to cut emissions to half 2005 levels by 2050. When we made that commitment we were ahead of the curve—the only industry with a global sector-wide goal. That was 2009.

Since then, we have plenty of achievements to prove our determination:

- Airlines invested hundreds of billions of dollars in more fuel-efficient aircraft and improved fuel efficiency by over 20% in little more than a decade
- The uptake of sustainable aviation fuels grew from 8 million litres in 2016 to over 100 million litres this year. And,
- The world's first and only sector-wide offsetting scheme—CORSIA—was adopted with full industry support by ICAO to realize carbon neutral growth from 2019.

But our overall annual emissions are now approaching a billion tonnes. And aiming to emit 300 million tonnes of carbon in 2050—however technically ambitious that may be—is no longer tenable.

Over the last months the Board of Governors had been working intensively to lay the path to net zero carbon emissions by 2050. Everybody understood that this was key to our future. So the focus of our discussions was on how to achieve it. It will not be cheap. We anticipate an investment is needed in the range of $1.5 trillion over the period. That will be for a technology basket that includes sustainable aviation fuels, radical airframes and propulsion methods, efficiency gains and carbon capture technology. In combination they will earn our license to sustainably do business in 2050 and beyond. There is a credible way forward.

Today you will be asked to endorse a resolution making net zero carbon emissions by 2050 an industry-wide commitment.

For many this is nothing new. Several airlines, regional associations and commercial alliances have already taken this step. For others, this will be a new challenge. And it is one that we must both commit to today and deliver on time. Together, it will be possible.

And when I say together, I mean that the burden to deliver must be shared across the value chain and with governments. We cannot do it alone.

- Governments must implement constructive policy frameworks that focus on production incentives for sustainable aviation fuels (SAF) and helps to realize cost-effective new technologies that together will support the Paris agreement objectives and secure a sustainable future for aviation.
- Aircraft and engine manufacturers, fuel-producing companies, airports, and air navigation services providers must each individually take responsibility to address the environmental impact of their policies, products, and activities.
- Collectively, all industry stakeholders must work together to deliver sustainable products and services and ultimately break aviation's dependence on fossil fuels.

The energy transition for road transport did not begin because drivers built electric cars. It happened because governments created a policy framework that supported innovation and the market developed cost-efficient solutions that appealed to consumers.

The technology roadmap for sustainable aviation is more complex. But the mechanism for change is no different.

So, we will call on

- ICAO to lead a global approach by governments

- Governments to follow ICAO's lead, focus on carbon-reducing innovation and avoid ineffective environment taxes
- Fuel-producing companies to provide large scale, cost-competitive sustainable aviation fuels to the market.
- Governments and air navigation service providers to eliminate inefficiencies in air traffic management and airspace infrastructure.
- Aircraft and engine manufacturers producing radically more efficient airframe and propulsion technologies; and
- Airport operators providing the needed infrastructure to supply SAF, at cost, and in a cost-effective manner.

By endorsing this resolution, we will enable the growth of aviation. Net zero is bold. It is audacious. It is also necessary—unequivocally so. And future generations of travelers will owe their freedom to fly to the important decision that we will make today.

Conclusion

IATA AGMs are always a unique moment. Look around the room and you see the global leadership of an amazing industry. Together our companies contribute xx% to global GDP. We support xx million jobs. We make the world accessible to everybody. And today we are enjoying the fruits of our labor. After nearly two years of lockdowns, restrictions, Zoom and Teams, I am sure that all have renewed appreciation for just how special it is to meet face-to-face.

Let that feeling inspire us.

It has just been 107 years since the first commercial flight crossed Tampa Bay with a single passenger. And since then aviation has been a driving force for amazing positive changes. Our children grow up in a world with far fewer boundaries and much more freedom as a result.

We cannot move backwards.

Reconnecting the world and transitioning to sustainable power sources are big challenges. We all feel that responsibility. But if we all pull together—with our partners in government and the value chain—I have every confidence that we will find the solutions needed. We are resilient and innovative. Flying high is what we do best!