Date: 13 October 2021

**Director General's Speech at UK Aviation Club, London Oct 2021**



It is great to be here in person.

When I last addressed this Club, as CEO of IAG in December 2015, such a remark would have been completely unremarkable.

The last 18 months, however, have made us realize just how important—how precious—the ability to meet face-to-face is. And in doing so, we also have a renewed understanding of the role of aviation in our world. This industry makes face-to-face possible. And, as efficient as technology like Zoom or Teams may be, it is no match for what we are doing now—often facilitated by aviation.

That theme was repeated throughout the IATA Annual General Meeting and World Air Transport Summit which took place last week, in person, in Boston.

Today, I’d like to report on the major achievements of the AGM as well as address what needs to be done in the UK to get travel going again. But first, a word about the current state of the global air transport industry.

**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.

In a century of commercial aviation that has been marked by many crises, the dimension of this one is beyond compare.

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

The cargo business is already operating at 8% above pre-crisis levels. 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 in the industry.

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 international travel—where we see travel restrictions—is only expected to reach 22%. Next year we expect domestic markets to be nearly at pre-crisis levels. 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. And the mood of the AGM was one of cautious optimism.

**COVID-19 and Re-connecting the World**

A year and a half into the COVID-19 crisis we now have science, tools and experience to manage the risks of COVID-19. Governments are slowly re-opening borders. The imminent re-establishment of the transatlantic market when the US opens its borders to vaccinated travelers should give the recovery a solid boost.

What’s next? Our vision for re-establishing air connectivity is based on

* Governments making vaccines available to all as quickly as possible
* Freeing those vaccinated of all restrictions
* Establishing sensible testing regimes for those unable to access vaccines
* Using cost-efficient Antigen tests for this purpose, and
* Governments picking up the tab for testing, so it does not become an economic barrier to travel

Vaccinations are the ultimate way out of this crisis. And air transport has two vital roles to play.

* The most obvious is distribution. Where supply exists, air cargo delivers them.
* And, hassle-free travel for those vaccinated is a great incentive for people to be innoculated.

**How does the UK measure up in re-establishing connectivity?**

As you know, the UK was fast in vaccinating its population. And the UK was among the first to establish a roadmap to re-starting travel.

But instead of moving forward fast, it got lost. The EU is now leading with many of the most sensible policies for restart.

For example, the EU was faster than the UK to take advantage of rising vaccination rates to broadly re-open its external Schengen borders. In fact, it has largely done away with testing for vaccinated travelers. And for unvaccinated travelers, it is using cost-effective antigen testing. There are still many issues of harmonization across the Union. But it is moving in the right direction and much faster than the UK.

To be fair, the UK is making necessary changes.

* Simplifying the traffic light system
* Reducing the size of the “red list”
* Removing inbound pre-departure test requirement, and
* Switching to antigen post-arrival testing of vaccinated travelers later this month

Unfortunately, it has not found an alternative to multiple, expensive PCR tests and a 10-day quarantine for unvaccinated travelers.

And you do have to ask why so much effort is being put into controlling travelers, when most restrictions have been dropped in the general population? In terms of day-to-day life, the UK is far more pragmatic in managing COVID-19 than many other states. But its approach to travel continues to focus on restrictions which cannot be justified based on risk. We see this in testing results.

Over the period from February to August, the PCR test positivity rate of arriving passengers to the UK was 1%. And the positivity rate from testing the general population was 7%. So we can confidently say that travel is not increasing the UK’s COVID-19 risk.

Yet, the UK still has mandatory testing for vaccinated arrivals. First, we must question why. And I don’t think that there is a good answer. Second, we must insist that the government learn from the mistakes it made with the state-sponsored rip-off of the PCR testing industry.

I’ll borrow the words of the CMA Chief Executive who said that “buying a PCR travel test is a lottery. From complaints about dodgy pricing practices, to unfair terms, to failure to provide tests on time or at all, to problems with getting refunds, the experience for some is just not good enough.”

The government cannot let the antigen testing business evolve in the same way.

In Germany, Ireland and the Netherlands you can buy an antigen kit from the supermarket for less than 5 Euro. So, alarm bells ring when I see prices of GBP 35 or more for antigen testing in the UK.  Before post-arrival antigen testing starts later this month it is critical that the UK take the CMA report to heart. It must move away from the closed shop of private testing providers approach that enabled profiteering and tolerated poor service.

When people do get back to travel, we will have one more challenge to face—COVID-19 document checking.

Travel health credentials will play a role for some time. Manual paper checks by airlines will be unsustainable as volumes come back. We need to automate the process and the UK needs to take the liability off carriers for these checks and introduce the tools and technology for government to quickly and efficiently undertake whatever checks it requires. Airlines are not the government’s border guards.

One solution on offer for this is the IATA Travel Pass. British Airways, Virgin and many of the international airlines serving the UK were involved in testing this secure solution. As we move into the operational phase, British travelers can soon look forward to its convenience with participating airlines.

**Costs**

On a disappointing note, I need to raise the flag on the bad behavior of Heathrow on charges. Only a few months ago, Heathrow proudly stated that: “We continue to work closely with airlines on the impact of COVID-19, listening and responding to their needs and priorities for the months and years ahead.”

Sounds good. But their idea of help turned out to be a proposal to increase their charges to airlines by 90%. And Heathrow is already one of the most expensive airports for airline operations. If Heathrow’s proposal is accepted, charges will rise from £22 to £42 per average passenger. For the average family, that could add around £100 to their next vacation.

And what is Heathrow planning to do with the extra money? Despite forecasting a reduction of about 20% in passengers, Heathrow’s plan will reward its shareholders with a dividend increase of more than £3 billion at a rate of 26% over the period 2022-2026.

We all want to put COVID-19 behind us. But placing the financial burden of a crisis of apocalyptic proportions on the backs of your customers, just because you can, is a commercial strategy that only a monopoly supplier could dream up. Reducing costs—not increasing charges—must be at the top of everyone’s agenda. Heathrow cannot be an exception.

From the onset of the pandemic airlines have undertaken drastic cost reductions. Operating costs were reduced by 35% compared to pre-crisis. This was supported by increased commercial borrowing and shareholder contributions as a means of survival.

To avoid any confusion about the support that was provided by governments to the airline sector globally, of the $243 billion that was made available to airlines, $81 billion supported payrolls and approximately $110 billion is in the form of support that needs to be paid back. The UK offered furlough support for airlines and airports, along with repayable loans. Additionally, airports also had access to the *Airport and Ground Operations Support Scheme* which arguably made the support for airports more generous than what was made available to airlines.

It’s time for Heathrow’s shareholders to step up. They have enjoyed steady returns for years. They should not expect the travelling public to cover excessive returns and a £2.6 billion upward adjustment of the regulated asset base for ‘lost’ revenues during COVID-19 as per Heathrow’s current plan. Instead, it’s time for them to invest.  And all eyes will be on the CAA to ensure they are doing their job in protecting the consumer by pushing back on the airport’s outrageous behaviour.

The recovery of the UK’s travel and tourism industry impacts millions of jobs. They cannot be held hostage to the intransigence of what is effectively a greedy monopoly hub airport. Heathrow must understand that gouging its customers is not the road to recovery for itself, the airlines, travel and tourism jobs, or travelers.

**Sustainability**

Looking beyond the crisis, we all recognize that the freedom to fly will depend on our ability to fly sustainably. With only weeks to go until COP26 opens in Glasgow, climate change is top of the agenda across the UK and the world.

Last week IATA’s membership took an historic decision to achieve net zero carbon emissions by 2050.

This is a monumental challenge and undertaking. But to put it into perspective, we already had a commitment to cut net emissions to half 2005 levels by 2050. That would have left 325 million tons of aviation emissions in 2050. Now we must get that to zero.

It 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.

This is an airline commitment. And we will drive change. But to be successful, we need alignment across our stakeholders, including governments. Here’s an example of why that is 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. But the mechanism to deliver change is the same. Governments must lead with incentives – with more carrot and less stick. And the most important area for immediate concern is Sustainable Aviation Fuels (SAF).

The Biden Administration has recently provided a good example of what needs to be done. It is taking a whole-of-government approach to incentivize the production of at least 11 billion liters of SAF by 2030. This is leadership. And it comes in stark contrast to the EU ReFuel initiative which imposes mandates but provides no incentives to achieve them.

The cost and effort of breaking aviation’s dependance on fossil fuels cannot be on the back of airlines alone. Airlines will do their part, but everyone’s action is necessary:

* ICAO must lead governments in a global approach that has always been successful at driving change in our industry
* Governments must set policies supporting carbon-reducing innovation, SAF production and CORSIA, while avoiding a patchwork of environment taxes
* Fuel-producers need to bring large scale, cost-competitive SAF to market.
* Airports must make sure we can have SAF in airports at no additional cost compared to jet fuel
* Governments and Air Navigation Service Providers must eliminate inefficiencies in air traffic management—all of which are inexcusable even without a sustainability mandate, and
* Aircraft and engine manufacturers must produce radically more efficient airframe and propulsion technologies

So, what can, or should, the UK do?

* Topping the list is getting much more aggressive in its financial support for SAF production such as capital grants, government backed interest free loans, green bonds and production incentives. The goal should be energy self-sufficiency for sustainable connectivity. And that would come with the added benefit of creating thousands of well-paid jobs in the UK.
* To support that, the UK must take a comprehensive look at policy-measures for allocating feedstocks for sustainable energy production. For example, today municipal waste is being used to create electricity. That’s a mistake. Electricity can be produced more efficiently from wind or solar—which cannot be used for SAF. Municipal waste should be prioritized for aviation. My old company—IAG—is leading the way on this, but that will be compromised without sufficient feedstock.
* There is also an opportunity to establish best practice in policies through the Jet Zero Council and the SAF Policy and Delivery Group. We believe that with the right incentives a thriving UK SAF industry that could stand on its own two feet within a decade—avoiding the main downsides of mandates. And it would be great to show this off to the world as a global best practice created right here. Such a best practice would have an important role because it will help states avoid a patchwork of different regulations or market distortions.

For aviation, net zero is a bold, audacious commitment. It is a necessity. Achieving it needs all stakeholders—including governments—to play their part. Together we can make sustainable aviation a reality. In doing so, we will secure the freedom to fly for future generations.

**Conclusion**

It’s been six months since I began my work at IATA. It is different from running an airline or a group of airlines. IATA does not do the flying. It is not in direct contact with the passengers. And most people would not realize that the work of IATA impacts almost every part of the aviation journey.

But it is vital to global air transport. And we see that in both of our biggest challenges—reconnecting the world and making flying sustainable. To move billions of people safely, sustainably and efficiently around the planet we cannot have each country using a different set of rules. We are a global industry and IATA supports it with global standards, best practices, strong advocacy and challenging global ambitions.

Every day, I am inspired by IATA’s potential to drive important changes. Changes that will serve the needs of our members, make air travel and air cargo better and create endless opportunities for the freedom to fly.

Reconnecting the world and transitioning to sustainable energy sources are the challenges of this moment. Aviation is rising—from the destruction of COVID-19 and to the challenges of sustainability.  We will fly high again!