Keynote Speaker: Filip Cornelis

There are good prospects in aviation industry nowadays and IATA expects that passengers will double.
The key to survival for airlines is to have access to capital. However, there are currently many restrictions regarding ownership and control in the aviation industry.

Alliances serve the second best solution for airlines with a strong desire for cooperation and closer consolidation. Such cooperation is formed mainly through bilateral agreements as airlines in the international level have limited choices and alternatives regarding ownership control and cooperation.

One of the main reasons that airlines need foreign investments is the fact that airlines need to secure access to financial capital so as to be able to be competitive in the market by offering lower fares and expanding their profitability.

In the European Union the majority of stakeholders of airlines are in favor of liberalization. One of the options having today is the full relaxation of all restrictions regarding ownership and control. An idea forwarded is that the nationality of each airline should be determined by its principal place of business.

Session 1: Setting the Scene
Moderator: Prof. Andreas Papatheodorou (Editor-in-Chief, Journal of Air Transport Studies)

Choosing between relaxing constraints or not is of strategic importance and should be examined and evaluated carefully.

Pavel Telicka (Vice President, European Parliament):

The topics of legislation and competition in the aviation industry are highly political and sensitive.

The reality is different however, as restrictions are imposed not only in EU but also in other areas.

Implications on the restrictions in ownership and control should be carefully reflected and analyzed and even with certain guidelines it won't be still so easy to do.

Similarly, it is not at all easy for the European Commission to detect who is controlling all those constraints and barriers, but as long as guidelines are provided, there may be progress regarding finding who are behind the control in aviation industry.

We should not care about "who owns what", instead, it is service that really matters along with prices and the environmental and social aspects.

Bilateral agreements should be made on time in order to help consolidation and access to capital.

ICAO is the place for this opportunity and the organization that provides certain leadership. On the other hand, there are several obstacles that prevent that kind of freedom such as social factors including jobs. The political courage is needed in order to go on.

Salvatore Sciacchitano (Executive Secretary, ECAC):

"Why there is this kind of rule and restrictions in aviation sector and not in the maritime or the railway sector?"

A common rule in aviation was that the control of an airline by the state had to be at least at the portion of 49%.

But nowadays, air transport reflects at a great extent privatization and competition but designation is really difficult.

The European Union plays a significant and leading role in the liberalization process. Although it is crucial that progress is seen in the next few years, the economic market should not be prejudiced.

ICAO has made several reflections on liberalizing the market based on multilateral agreements.

The designation issue is really crucial and needs to be examined not only at the level of individual countries and airline but again on the international level. However, addressing the issue does not mean that there will be "open doors" to "the flags of convenience".

ICAO should consider the real change that should be made and should move forward by creating compatible conditions for the globalization of the aviation market.

A good step forward is to progress internally and to propose conventions that may facilitate regional agreements.

Liberalization should be promoted and applied but always with regard to safety, consumer rights, environmental protection etc.

International aviation is a global phenomenon which is the reason why there should be a global agreement. Therefore, a way should be found to apply freedom. However, there is lack of confidence. Even when agreeing between two regions, agreement between more countries will come afterwards. We should work all together to create the conditions for a global decision.

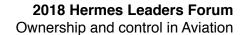**Rob Huyser (Acting Director General for Civil Aviation, Netherlands):**

In the past, the aviation industry and the governments were strategically aligned but this has now become a core challenge because the current aviation industry has been moved on in its effort to seek new ways and new alternatives for cooperation.

Globalization has pushed and enabled the aviation to change and develop making the current prevailing rules outdated.

In the European Union, several external aviation policies have been developed they include bilateral agreements which are partly liberalized. The aim of the entire liberalization of the aviation sector may seem too ambitious but ICAO works for it and we should remain positive whatever the current outcome of these efforts that have been concluded in bilateral and regional agreements for now may be. Real and drastic decisions should be taken between the industry and the states by merging t he aviation policies with the state concerns and by convincing the public that such a progress is good and beneficial is essential.

IATA can apply freedom through concentric circles and convergence.

Freedom in skies should be promoted and applied but at the same time we should have in our minds security, safety and any sociopolitical damages.

Session 2: The Industry Position and Challenges – Part 1
Moderator: John Hanlon (Head of International Government and Industry Relations, Norwegian Panel)

Due to globalization and liberalization, there are several restrictions reviewed by regulators who may now enable and facilitate interesting opportunities.

Liberalization could increase competition.

Abdul Wahab Teffaha (Secretary General, AACO)

There several obstacles as regulators and political agents create safety rights for businesses not for consumers.

The current trend goes towards more liberalization that is driven by people, not businesses.

Regulators need to "push the envelope" and make a change and at the same time set the rules on how airlines should compete in the market and how consumers should be protected.

On the other side, airlines tend to operate through alliances and joint ventures in order to maximize control over the market and minimize competition.

A safety net should be created to protect customers not businesses from the market forces.

Dr Yiannis Paraschis (CEO, Athens International Airport)

Liberalization indeed appeals to more investments and attracts international capital. Aviation is a growing industry which needs not only the appropriate infrastructure but also a capital that may be difficult to reward and manage. Private airports attract more traffic but currently 75% of all airports worldwide are still public. In Europe, liberalization can lead to the formation of investor groups and both airlines and airports are able to deliver returns but the cost of capital may be increased.

Regulators should consider the consumers in order to secure a healthy and environmentally sustainable market.

All airlines still remain "national" despite the various long-haul routes expansions and connectivity is not yet as strong and developed as it could have been.

Above all, the priority should be the safety of people and then economy, liberalization and environmental impact will be examined and developed.

Session 3: The Industry Position and Challenges – Part 2
Moderator: John Hanlon (Head of International Government and Industry Relations, Norwegian Panel)

Haydar Yalcin (Deputy Director General, Turkish DGCA)

Even if the market conditions are positive, politicians do not like taking more risk by eliminating restrictions. However, liberalization leads in the creation of more jobs.

Ownership and control are sensitive but the same holds true for strategic issues that have social, political, commercial and technical management effects.

Politicians should take critical decisions and the timing is really important. Liberalization may be initially applicable at the regional level.

Jeffrey N. Shane (General Counsel, IATA)

The concept of effective control is of vital importance and is currently a big problem as the priority is being shifted towards security and safety. Effective control needs surgical reconstruction in the aviation industry which is the sector with the most regulations compared for example to maritime sector.

Foreign investments are really essential but complexities such as the "national flag" are important for governments.

Mauro Oretti (Co-Author of "Airline Choices for the Future")

From the business perspective, removing restrictions can lead to increased profits, growth and more sales. However, from the regulatory perspective, governments are not harmonized yet as in reality their decisions are based on emotional elements and not on rational ones.