



Thank you for such a warm welcome, and the opportunity to address this esteemed gathering of leaders of our industry. Looking back through the highly respected previous speakers, I am also extremely honoured and grateful to join John and his predecessor, Duane Worth as the only speakers recently who represent those professional people who deliver the fantastically safe and reliable transport system, which is our industry.

In the next 10 minutes, I would like to suggest to you that as successful and groundbreaking as the EU-US Stage 1 and 2 agreements are, they are not complete and will eventually fail unless we follow up with complementary regulatory changes.

Forgive me for stating the obvious, but the main purpose of the vast majority of aviation is to transport people and things around our economies. It is true that some people fly for military or private purposes, but this group above all, does not need to be told that civil aviation is an infrastructure industry, and no developed economy of any size around the world can survive long without us.

So within our industry, what is the role of an air transport agreement? Do ATAs 'enable' aviation as the press releases following a successful negotiation normally claim? Mr. Bisignani, here at your table just a few months ago, scoffed at the notion that ATAs did anything other than stifle the industry. Are they to regulate and improve safety, security, competition, etc.? Although there is an element of these topics addressed by ATAs, these are national responsibilities and so not the prime function, which I suggest is the protection of a population's access to that vital infrastructure. Economies which are not supported by strong communications infrastructure, both telecommunications and physical roads, railways, maritime and civil aviation infrastructure are seriously handicapped and do not serve their populations as well as those which are.

From the Chicago Convention of 1944 to the creation of the EU single aviation market in 1997, aviation was, with a small number of exceptions, very much a nationally regulated industry. This meant that it was clear which regulations applied on safety, competition, tax, consumer protection, employment and the environment, etc.. Since 1997, we have started to tear up that template and de-regulate, or liberalise our industry.

In some respects, this has led to clear improvements – the EU for example, has seen more services, at more competitive prices, from a greater variety of business models. Real, tangible improvements for the EU consumer. However, we are still experimenting with this new template and I would like to suggest some areas where it not serving us well.

If we acknowledge that we provide not just a discretionary product – such as an electronic appliance or motor car, where if one supplier fails to provide what the market wants, another can easily do so – but that we are part of the economy's infrastructure. If we acknowledge that civil aviation enables the rest of the economy to communicate and trade, then we must acknowledge that our market must be regulated to ensure best service to the wider economy. All national civil aviation systems had national civil aviation safety regulators; all had competition regulators, tax regimes, consumer protection, environmental and employment regulations. One of the assumptions which was true before 1997, but is no longer true is that airlines, in particular, would know which regulations would apply to them and could plan their businesses accordingly.

So the unique challenge offered to the negotiators of the EU-US 'open skies' agreements since 2002 has been to recognise the vital role played by the various market regulators in ensuring that the populations they served continued to have access to safe, secure, fair airline infrastructure as they removed the barriers which assured this through national provision.

I would argue that the new pattern of liberalised agreements has not yet secured what our populations would want. Consequently, I would argue the current situation favours the cowboy operators over reputable airlines as they play one tax system off against another, set one regulator off against another, promote a race to the bottom when it comes to consumer and employment protection and therefore

start to undo all that has underpinned the development of our two great continents, which have led the world in developing democratic, stable, free societies based on trade.

In the context of the 2 recent EU-US agreements, there is some light – albeit some way down the tunnel. I would like to publically applaud the vision and courage of John Byerly of the US Department of State and Daniel Calleja of the European Commission, who led those negotiations to difficult but ultimately successful conclusions. In terms of developing market opportunities, whilst some will still complain, they lead teams which have achieved a great deal in the face of significant political obstacles. In particular they understood and addressed some of the areas I have been speaking of in quite novel and groundbreaking ways. Articles on safety and security cooperation go a long way towards rationalising the potentially expensive and futile path of different answers to the same problems. Articles on competition and consumer protection seek to ensure high – but not conflicting – levels of protection for passengers and shippers. And particularly unique and innovative were the articles on employment and social regulation, which seek to ensure that growth flowing from the agreements benefits employees as well as the consumer, rather than destroying their livelihoods and the professions they serve.

In Europe the conflict between a single market for aviation and 30 or more different employment regimes has begun to create significant problems. Safety is called into question when the safety authority of one member state is asked to regulate an airline which operates, not just into, but from many member states; tax is being avoided by employment through one tax area whilst the services which the taxes are raised to pay for, are delivered by another; and the benefits of a coherent framework for managing a mobile workforce is denied; with cowboy employers exploiting this lack of provision and reputable airlines forced to adopt multiple, sometimes conflicting employment models with all the inflexibility and cost of duplication that entails.

The Trans Atlantic agreements of the last decade have recognised this and have set a path to start to address it. The European Commission has publically recognised the challenges which lie within the EU and have promised to report back to the EU-US Joint Committee on its progress in addressing those shortcomings. The joint committee itself is charged with ensuring that the greater opportunities afforded by the wider freedoms encompassed by the agreements benefit all stakeholders, specifically including those professional people John and I represent.

So, in conclusion, my call to those who take on the negotiations to liberalise air transport agreements between national systems; as well as to those administering the current supra national markets, is to address the need for appropriate tools. Tools which allow reputable airlines to operate to a clear, unduplicated set of rules on security, safety, competition environmental and consumer laws and deny the cowboys the ability to slide, anti-competitively between the cracks. Tools to allow good employers to have a clear, balanced ability to negotiate and agree changes to terms and conditions for employees which allow the airline and its shareholders, passengers AND employees **all** to benefit from the improved market access.

In a multinational market place, national employment law will not do – particularly for an industry which is by definition, mobile. The Second Stage agreement, and the European Commission in particular, has explicitly recognised this and we must now work together to create a structure which delivers the best tools for managing the people crucial to the success of our industry. The most powerful trading blocks in the world have been built on benefits of trading being shared between all stakeholders; owners, managers, customers and employees. Good companies which seek to uphold these principles are being undermined by those who seek to operate in the shadows, avoiding tax whilst benefiting from the protections it buys, avoiding regulation yet trading in the regulated marketplace and in particular exploiting differences in employment regulation. If we are not to go back to the destructive industrial relations of the end of the 19th century, with employees then pitted sometimes violently against employers – then we need to provide the modern and effective people management tools for our dynamic, vibrant and successful industry to fill the void which currently exists.

Thank you.