Good morning ladies and gentleman and thank you for inviting me to speak to you today.

As someone who started their career as a cadet pilot aged 17, and who now runs a company which owns four airlines, it’s fair to say that ATC has been a constant for most of my life! What has also been a constant during that period is the skill, safety ethos and immense professionalism of those who work in Air Traffic Management. So it is a great honour to address you all this morning.

I will come back to discuss the sector later but I would like to talk initially about IAG.

**IAG**

IAG was created in January 2011 following the merger of British Airways and Iberia. Six years on, the Group has grown through the acquisition of three airlines - bmi, which we absorbed into British Airways, Vueling and Aer Lingus. We have also exceeded our original financial targets and last month announced an operating profit before exceptional items for 2016 of 2.5 billion euros.

We paid IAG’s first dividend in 2015, and those dividend payments continue, plus we announced our first ever share buyback valued at 500 million euros in February.

Our original airlines, British Airways and Iberia, have both strengthened since the merger.

British Airways continues to make good financial progress and has successfully integrated both the Dreamliner and A380 into its fleet, much to the delight of customers. It has also been voted the UK’s number one Superbrand for the last four years.

Iberia has undergone a remarkable transformation. In 2012 it was burning 1.7 million euros of cash every day due to a combination of an outdated cost base and working practices exacerbated by the economic crisis in Spain. In 2015, the airline was profitable and has been revitalised with new aircraft, updated cabins and a modern brand image. It has relaunched routes that it suspended in its traditional Latin American market and started new services to Shanghai and Tokyo.
In addition to the improvements at our original airlines, our new airline acquisitions have added great value to the Group.

Vueling added a low cost dimension to IAG and a more innovative, agile approach. It has expanded across Europe in the past few years, and after a period of consolidation in 2016, will grow its capacity again this year.

One of the reasons why IAG was so keen to buy Aer Lingus was because of its transatlantic network. The airline benefits hugely not only from Ireland’s geographic position as the gateway to Europe but through its strong brand awareness in the US and immigration and customs pre-clearance at Dublin and Shannon airports. Since becoming part of IAG, the airline has expanded its US operation with new flights from Dublin to Los Angeles, Newark and Hartford, Connecticut last year and a new Miami service starting in September.

IAG has a unique structure in the airline industry – one that is the envy of many. Within the overarching Group structure, we have four main independent airline brands all of which have been able to strengthen their profitability and grow despite facing different market conditions, challenges and opportunities.

I am always asked which airlines will join IAG in the future. Many airlines have contacted us wanting to join but we are very fussy about those we target. We need to ensure that only the right airlines join IAG – ones that strengthen the Group and enhance our profit levels.

**ADAPTING TO CHANGE**

Facing challenges, reacting to change and seeking opportunities in adversity is something that is in every airline’s DNA.

Airlines have to adapt immediately whether it’s to security changes, such as the overnight introduction of the liquids ban in 2006, political instability, terrorist attacks, natural disasters or longer term challenges such as political change and shifting market dynamics.

Issues that affect airline operations with immediate effect are implemented swiftly and efficiently. Firstly because they have to be and, secondly, because an airline may have to stop operating if it does not adjust. In most cases, there is a limited period of disruption to customers and the operation while everyone adjusts to the situation which quickly becomes the new normal.
How do airlines react so effectively? Because they always expect the unexpected and are used to adapting to many different types of challenges. During my time as chief executive of British Airways, the challenges we faced as a business included the overnight liquid ban, closure of UK airspace for six days (more on that later..), the collapse of Lehmann Brothers which sparked the financial crisis in 2008 and the discovery of Polonium in our Boeing 767s to name just a few.

Alongside the ability to make operational and commercial changes quickly, it’s vital that airlines are financially robust and able to withstand these shockwaves many of which can have a short – if not longer – term impact on both revenue and costs.

I would like to talk now about longer term challenges and how airlines adjust with two specific examples – Brexit and changes in the longhaul marketplace.

**BREXIT**

On June 23 last year, the British people voted to leave the European Union. IAG did not take sides in the debate as we viewed it as a matter for individual voters but we concluded that in the long term, the UK’s secession from the EU would not have a significant impact on our business.

However, as we expected, we are seeing some financial effects in the short-term, mainly due to the impact of currency which cost us 460 million euros in 2016. IAG reports in euros and our largest airline British Airways is sterling-based so there is a currency translation effect. In addition, both the weaker pound and euro compared to the US dollar increased our airlines’ supplier costs for items such as fuel and aircraft, both of which are paid for in US dollars.

In the longer term, we need to see what the new aviation regulatory environment will look like post-Brexit.

Britain will start the formal process to leave the European Union this month by invoking Article 50 of the EU treaty. Following that, there will be a period of negotiation before the shape of the UK’s future aviation relationships with the EU and the wider world becomes clear.
At IAG, we will press strongly to maintain full access to international markets and to continue effective regulatory arrangements.

The best, and easiest, way to do that is for the UK and the EU to agree a Comprehensive Air Transport Agreement – or, in other words, Open Skies. And we would want to see similar Open Skies agreements between the UK and the seven other markets where an EU Agreement already exists.

Such agreements would be good for all parties. Aviation is a global industry and anything short of Open Skies would be a massive retrograde step for consumers and businesses across Europe. Limiting flying is protectionism and we need a liberal regime to facilitate trade and connectivity between our nations.

I am not overly worried about the challenge of Brexit to IAG. People will continue to fly for business and leisure – and many countries gain economic and social benefits through flights to the UK and by welcoming British tourists and businesses to their shores.

Both nations and consumers will want to continue to benefit from the improved competition, choice and value that liberal aviation agreements bring them.

However what is critical is that we don’t allow the current uncertainty about future arrangements to distract us from the day to day running of our business.

NEXT GENERATION LONGHAUL

Of course, it would be wrong to suggest that airlines are always quick to react to changing environments. However, what is critical is to learn from your mistakes.

One area where legacy airlines were slow to react many years ago was the rise of low cost shorthaul airlines, especially in Europe. Many airlines, including British Airways and Aer Lingus, did not initially perceive the likes of Ryanair and easyJet as a threat – more like a novelty that would quickly disappear.

Over time, they realised that the new kids on the block were not going to disappear. So they eventually adapted to include some of the best features of low cost carriers while maintaining premium service levels in other areas.
It was thought initially that the low cost model, while acceptable to passengers on a 2-3 hour shorthaul flight, would not transfer to the longhaul market due to a lack of consumer demand.

However, in the last couple of years, that perception has changed and the rise of Norwegian has shown that customers are willing to accept a low cost product on longer duration flights.

Having learnt the lessons of being slow to adapt many years ago to shorthaul low cost, IAG is determined to play its part in the longhaul market. That is why we’ve announced plans to launch a next generation long haul operation from Barcelona this summer.

The new operation will either be operated by a new IAG airline or as part of one of our existing airline brands. Destinations being considered include Los Angeles, San Francisco, Buenos Aires, Havana, Santiago de Chile and Tokyo.

We are obviously very excited about this new operation – watch this space for more details!

BLACK SWANS

The most obvious example of immediately reacting to change within ATM is black swans involving airspace closures, whether they’re due to volcanic ash, an IT failure or a nuclear disaster as in the case of Fukishima.

In such instances, it is critical that the ATC provider, regulator and airlines all have plans in place which are shared in advance so that there are no surprises and, critically, no knee-jerk reactions.

I want to discuss in more detail the airspace closure due to volcanic ash in Europe in 2010.

In many parts of the world, these events are a daily occurrence – just ask the Indonesians, Mexicans or Japanese. Around 30-40 volcanic advisory notices are issued across the world every day and they are a normal part of airlines’ operational procedures.

The difference with the European incident in 2010 was that it affected a continent unused to volcanic ash airspace closures. This led to an inconsistent reaction as some national
authorities in Europe panicked and had an overzealous response while others were more relaxed.

The more extreme response ignored the fact that European longhaul airlines fly around the globe over areas where these events are a daily occurrence. They are used to operating under the relevant safety restrictions and making their own risk assessments.

I have to say that I’m not convinced that another similar European incident would result in a calmer and more co-ordinated response across the continent. I fear that there may be panic again, leading to confusion for airlines and frustration for passengers.

One solution is that there needs to be more global information sharing. Countries where these incidents are infrequent occurrences need to learn from states that deal with them day in and day out. The same applies to airlines too.

I am not saying that the situation in Europe hasn’t improved since 2010. It has.

Pan European guidance developed since 2010 is more manageable and relevant. Airlines are able to undertake their own risk assessments which they then put into action and for which they have ultimate responsibility. This means that they have the same procedure whether they are flying into London or Mexico City.

There has also been a welcome proposal to develop column loading charts that assess the risk from volcanic ash. These are more accurate and, while there is less information about risk at different altitudes, we are willing to compromise that for more pertinent charts and smaller no-fly zones. Also, engine manufacturers are conducting further research into safe operational tolerances which have the potential to improve operational resilience.

The industry is moving towards a more workable solution with airlines having more control over their safety procedures for these incidents which they face every day. But there would be a significant step forward if national regulators and airlines took a more global response and shared best practice across the world to deliver a consistent response to the unexpected.

**ATC STRIKES**

Air Traffic Controllers are consummate professionals. Every day we work together to keep our skies open, safe and fluid. It is a noble profession but unfortunately it is a role that can be quite isolated from commercial and customer reality.
This is evidenced by the high level of ATC strikes which have become expected, predictable and a “normal” occurrence in some regions. That is totally unacceptable.

While appreciating fully that many ATC operations are never disrupted by strike action, it has become a critical issue within Europe and we have to do something to stop airlines and their customers being held to ransom.

2016 was a record year for ATC strikes in Europe with 41 strike days. Since 2010 there have been 217 strike days across the continent resulting in more than 35000 cancelled flights and over seven million minutes of delay. A PwC study on the economic impact of these strikes revealed that since 2010, the overall impact is a 12 billion euro hit to the EU’s economy which has thwarted the creation of more than 140,000 jobs.

And in France, since 2009, there have been 52 days of strikes in France alone – today being the 52nd.

Due to the country’s size and location, this means huge disruption for European air traffic with many flights cancelled and delayed and huge numbers of passengers inconvenienced.

These unjustified and disproportionate strikes not only disrupt family holidays and business trips, they have an economic impact. Air transport is an enabler of economic growth and these strikes undermine trade and tourism, negatively affecting jobs and growth across the continent.

IAG joined forces last year with easyJet, Ryanair, Lufthansa and Air France – KLM to create A4E, Airlines for Europe – a Brussels based organisation that campaigns within the EU for a better deal for the continent’s airlines. A4E’s membership has grown considerably since its launch and one of its key areas of focus is calling on the EU and national Governments to take action against this tidal wave of ATC strikes to protect the flying public.

We are not denying the right to strike but there needs to be a proportionate approach to ensure that passengers’ legal right to move freely around the continent is upheld.

 Strikes should be the last step in a negotiation not the first one. Unfortunately, in some countries, striking is always the default reaction.

At the very least, we want to see a 72 hour compulsory minimum notification period for any strike action and minimum service provisions.
We also need to ensure that we have the flexibility to allow other countries’ ANSPs to step in and ensure that overflights can operate above the affected country, thereby reducing some of the disruption.

It was announced last month that CANSO has agreed to work constructively with A4E in the future on this issue. That is very welcome but we also need the European Commission to take action to limit the impact of ATC strikes on consumers.

SINGLE EUROPEAN SKY

I don’t need to spell out to this audience the advantages of the Single European Sky. Improving the management of European airspace would bring so many benefits. Its redesign into an integrated air traffic control system would mean shorter routings with quicker journeys and lower costs as well as reducing the continent’s airline emissions by around 12 per cent. That’s around 20 million tonnes of European CO2 emissions – a very significant amount.

Yet the Single European Sky has remained on the starting blocks for 17 years. The EU seems toothless to be able to push it through due to opposition from several member states. We must put aside national self-interest and drive this forward because the benefits for our industry, our customers and the environment are plain to see. Warm words are not enough and they’ve been said for so long that they have turned cold. The time for talking is over. We need action.

CONCLUSION

Our industry is one of the most exciting in the world and it’s great to be a part of it. Constant change and adaptation is something that airlines live with every day. If they did not, they would not survive. The culture within Air Traffic Management is first and foremost safety-driven and that is how it should be, of course.

However, that does mean that the very risk-averse approach to safety matters can permeate into other areas of ATM where the sector needs to be faster to respond and adapt. It needs to
adopt a more commercial attitude in these areas – like airlines have to, otherwise they would not survive.

Reducing costs is a critical part of a commercial mind set. Airlines operate in a highly competitive markets and must ensure that they are cost-effective. It is a constant focus for us. ATC charges are one of our largest financial outlays so we look to providers to ensure that there is a concerted effort to cut underlying costs. Unfortunately, that is not the case. Within Europe, we cannot wait for a Single European Sky for cost efficiencies. We need to see action now. It is achievable but it needs a change in attitude.

Change can be difficult but we need to ensure that our industry addresses its challenges and adapts swiftly to new demands so that we can all benefit. We also need to ensure that Governments support aviation and make decisions which allows our industry to prosper. Together, we can continue to generate economic and social benefits around the world while upholding stringent safety standards.

Thank you