

## **Final report**

Tripartite Meeting on Civil Aviation:  
Social and Safety consequences of  
the Crisis subsequent to  
11 September 2001

Geneva, 21-25 January 2002

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# Report of the discussion

## Introduction

1. The Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis Subsequent to 11 September 2001 was held at the International Labour Office in Geneva from 21 to 25 January 2002.
2. The Office had prepared an Issues paper<sup>1</sup> to serve as a basis for the Meeting's deliberations. It analysed the general impact of the crisis on civil aviation, underlining the unprecedented and devastating effects on all sectors of an industry that had already been stagnating before those events.
3. The Governing Body had designated Ambassador Jean-Jacques Elmiger, representative of the Government of Switzerland to the Governing Body, to represent it and to chair the Meeting. The three Vice-Chairpersons elected by the Meeting were: Mr. M.M. Heshmat (Egypt) from the Government group, Ms. R. Gidongo from the Employers' group and Ms. A. Castro from the Workers' group. The spokesperson for the Employers' group was Mr. Mölloney and the spokesperson for the Workers' group was Mr. Ryde.
4. The Meeting was attended by Government representatives from Argentina, Australia, Austria, Bahrain, Belgium, Brazil, Cameroon, Canada, Cape Verde, China, Colombia, Comoros, Democratic Republic of the Congo, Dominican Republic, Egypt, France, Germany, Ghana, Hungary, India, Italy, Japan, Kenya, Republic of Korea, Kuwait, Lebanon, Lithuania, Luxembourg, Malta, Mexico, Morocco, Myanmar, Peru, Philippines, Portugal, Russian Federation, Saudi Arabia, South Africa, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Thailand, Tunisia, Turkey, United Arab Emirates, United States, Venezuela and Yugoslavia.
5. Observers from the European Commission, the International Civil Aviation Organization (ICAO) and the United Nations Conference on Trade and Development (UNCTAD) attended the Meeting and representatives from the following international non-governmental organizations also attended as observers: Aircraft Engineers International (AEI), Airports Council International (ACI), European Cockpit Association (ECA), International Air Transport Association (IATA), International Confederation of Free Trade Unions, International Federation of Air Line Pilots' Associations (IFALPA), International Federation of Air Traffic Controllers' Associations (IFATCA), International Federation of Air Traffic Safety Electronic Associations (IFATSEA), International Federation of Business and Professional Women, International Federation of Trade Unions of Transport Workers, International Federation of University Women, International Organization of Employers (IOE), International Transport Workers' Federation (ITF), Union Network International (UNI), World Confederation of Labour, World Federation of Trade Unions.

<sup>1</sup> ILO, Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis subsequent to 11 September, Geneva, 2002: *Civil aviation: Social and safety consequences of the crisis subsequent to 11 September*, 48 pp.

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6. The groups elected their Officers as follows:

*Government group:*

*Chairperson:* Mr. T. Hodges (Canada)  
*Vice-Chairperson:* Ms. I. Dembsher (Austria)  
*Secretary:* Ms. I. Dembsher (Austria)

*Employers' group:*

*Chairperson:* Mr. M. Mölleney  
*Secretary:* Mr. G. James

*Workers' group:*

*Chairperson:* Mr. G. Ryde  
*Secretary:* Mr. S. Enright

7. The Chairperson welcomed the participants, observing that the Meeting aimed at developing guidance for governments as well as employers and workers on the best social dialogue-based responses to the crisis of the civil aviation industry. Recommendations would also be addressed to the ILO through its Governing Body. He stressed the extensiveness of the crisis in civil aviation, which also affected contiguous travel and tourism activities. Information gathered since the Think Tank on the Impact of the 11 September Events for Civil Aviation, convened by the ILO in October 2001, allowed a more in-depth approach and would enable the Meeting to go further in its considerations and conclusions.
8. The Secretary-General of the Meeting, Ms. Sally Paxton, Executive Director of the ILO Social Dialogue Sector, welcomed the participants and quoted figures to highlight the impact of the events of 11 September 2001 on all segments of the air transport industry. Passenger and cargo transport everywhere had fallen by around 5 per cent or more and by up to 20 per cent, respectively. Moreover, while no big shocks were expected any more in North America and Europe, delayed effects in other regions were continuing. Air transport equipment manufacturing had also been severely affected, losing up to 10 per cent of jobs in the United Kingdom for instance. The employment impact could be gauged from the fact that three jobs were usually lost in the supply chain for each job lost in prime manufacturing. The Meeting provided a unique tripartite forum for governments, employers and workers to discuss the social consequences of the crisis and make recommendations on how to address them. In certain countries, employment protection measures – such as voluntary leave of absence and work-sharing arrangements, voluntary early retirement, periods of unpaid leave, reduction in employment charges – had already been adopted through social dialogue processes. Work was in progress to follow up on the recommendations of a think tank on civil aviation convened by the ILO in October 2001. Results of preliminary research were, for instance, reflected in the Issues paper before the Meeting. In compliance with another recommendation of the Think Tank, a cooperation agreement had already been concluded between the ILO and the International Civil Aviation Organization (ICAO).

## **Presentation of the Issues paper**

9. The Issues paper prepared for the Meeting was introduced by the Executive Secretary, who highlighted statistics to illustrate the general impact of the crisis on the industry. Total international air traffic of European airlines was, for example, down 17.6 per cent in the

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last quarter of 2001 as compared to the same period the year before. Airlines in other regions were in similar trouble, with traffic on the Pacific routes declining 30 per cent. Airline charters had recorded even greater traffic drops. Recovery was not expected in less than two to four years' time. The overall effects on air cargo transport were even worse than for passenger traffic. The ripple effects on airport services, catering, air traffic control, flight reservation systems and air transport equipment manufacturing meant a multiplier ratio of up to 13 lost jobs inside and outside airport perimeters for each airline job lost. Low-cost carriers were the only segment to buck the trend, registering important business increases.

10. In view of the crisis, some countries were debating whether to reverse liberalization moves, such as the "open skies" agreements, and to re-regulate the air transport industry. Airlines' public service responsibilities, as well as restrictions on foreign ownership, were topical issues once again. Government efforts to support the industry were varied around the world. Rather than providing subsidies, however, most were considering measures that would help industry to achieve cost reductions, enhance tourism promotion and facilitate international air travel. Restructuring of the industry in a national or regional scope also lay ahead; the European Union favoured consolidation, while European carriers wanted unified European rules, as did Latin American air companies. There seemed little change in known long-term strategies; however, the most common short-term responses to the present crisis were reductions in staff costs through recruitment freezes, non-renewal of temporary contracts, voluntary furlough, work sharing, pay cuts and pay freezes. Safety and security were also being addressed, e.g. in the United States by measures including the recruitment of new security staff.
11. Responses given to the negative employment effect of the crisis strongly varied between North America, where jobs were cut immediately and negotiations taken up later, and Europe, where social dialogue-based alternatives had been sought from the outset. The loss of jobs in the industry had had dissimilar effects on different categories of workers. Strategies aimed at the maintenance of a core staff had a disproportionate effect on women and minorities, in spite of formal non-discriminatory rules. Training had become more important, as aviation workers were responsible for enforcing increased security measures. Government assistance for retraining was expected. Social dialogue had proven effective in tackling the effects of the crisis. Unions were expecting to be fully involved in decision-making on restructuring programmes and favoured social dialogue at all levels, including regional and international levels.

### **General statements**

12. The spokesperson for the Employers' group provided an introduction to the main points for discussion and recommendations that were to be given by the Employer members from the United States and Peru, respectively. The impact of the tragic events of 11 September 2001 had hit the civil aviation industry very hard, but many airlines were already weak and may have been perceived to have used these events as an excuse for making changes which had been planned long before.
13. The Employer member from the United States argued that the airline business was suffering from very bleak financial and other figures, illustrating that the United States airlines had carried around 9 million passengers in the week prior to 11 September 2001, but then fell to 2 million the week after it. The next weeks saw some improvement, but the opening of military hostilities further dented traffic. In face of this decline in demand, the air carriers had a choice between either cutting capacity if there was no prospect of recovering the loss in traffic, or price-cutting in order to encourage passengers to fly again. Already suffering from declining growth and weak yields, the airlines then suffered a precipitate drop in traffic. Passenger and cargo traffic declined by around 15 per cent

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overall, as did yields and capacity. The total losses for the airline industry in the United States were estimated at \$2 billion in 2001. In order to merely begin to recover, carriers would have to increase their seat occupancy to around 75 per cent to break even. They had already cut 80,300 of their workforce of 567,800 – representing 14 per cent of staff. Half of these reductions had been voluntary, the remainder compulsory. The hard times being experienced in civil aviation had had ripple effects on employment throughout the United States economy. It was clear that airline revenue and profitability had generally been directly related to employment growth in the 1990s, so it was no surprise that, when revenues and profits fell steeply, job cuts were sure to follow. Another major issue was the fact that American and foreign taxes and fees on civil aviation clearly curbed growth and profitability, including a 7.5 per cent passenger ticket tax, as well as various other fees and taxes.

- 14.** The Employer member from Peru observed that the effects of the crisis in Latin America were very strong – when the United States caught a cold, Latin America caught pneumonia, and there had been a considerable decline in passenger and cargo traffic since 11 September. Argentina, Brazil and Chile had projected growth for the coming few years, but the crisis had posed major problems for Varig among other companies. Aviation employers had hoped for a rapid response from government, but there had in general been little or no help, so they had faced increased costs for insurance and security measures. She hoped that the Meeting would give governments a better understanding of the problems, and better communication with the employers, to facilitate improved public policies in this area.
- 15.** The spokesperson for the Workers' group thanked the ILO for this path-breaking initiative and for loosening the formalities to bring about this unique tripartite forum on the industry. He congratulated governments for attending, especially when their representative was a minister or high official. He wished to follow up solutions to the problems being experienced by the industry with employers and governments, in the spirit of fruitful dialogue at all levels, to find answers that would take civil aviation forward. Many trade union members had been among the victims in the tragic events of 11 September 2001, and others had suffered redundancy or short-time working. He accepted that some short-term and immediate measures had to be taken by employers. He wanted to ensure good cooperation between the ILO and ICAO. Dialogue was required to maximize security and to find solutions for the industry as a whole, to help it recover its stability.
- 16.** The Workers' group recognized that the industry remained a target for terrorism, the danger of war persisted, and a climate of fear had ensued, none of which was conducive to social dialogue. It was important for the future to maintain skill levels, promote training and enhance air traffic control systems. The Meeting should look at airlines, airport staff, catering, security and ancillary personnel. He was concerned that security staff were often paid less than workers in fast-food outlets. There appeared to have been an unseemly rush of some airlines to restructure themselves after 11 September, but in such situations the market was not a good guide to solutions, especially in view of public service responsibilities. Workers needed responsible social dialogue with employers and governments, to avoid the dangers inherent in restructuring in a crisis and to aim at restoring stability and dialogue in order to seek global and consistent solutions. Social dialogue was weak in many countries, raising a number of issues around competition, but he was optimistic for the future. The Meeting should endeavour to do all in its power for workers, passengers, employers and others related to civil aviation, to address the issues related to the crisis – this could be of assistance not only to this industry, but also to other crisis-affected sectors, and would show the importance of the ILO as a focus for debate on social and labour issues.

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- 17.** Mr. Morris, Chief Economist, International Air Transport Association (IATA) provided an overview of the industry before and after the events of 11 September, as well as some findings from business customer surveys on the prospects for business travel. He observed that airlines had achieved only marginal profitability in good years, were subject to extensive regulation and open to external shocks, and were facing higher costs coupled with a downturn in demand. Traffic had grown steadily since the 1970s, mostly at around double the rate of growth in GDP, but real revenue growth lagged behind, because premium-rate passengers represented a declining share of traffic. Real revenue per passenger-kilometre was drastically declining in the 1990s, and the price differential between business and economy classes became far too wide. Civil aviation was much less profitable than United States industry in general, and was sometimes loss-making. Low-cost airlines began to affect other airline traffic in North America and Europe.
  - 18.** He observed that by mid-2001, signs of problems of an economic downturn were already apparent in the industry, with cargo levels down 10 per cent, corporate travel in decline, worsening load factors and yields; travel agency ticket sales in France, Germany and the United Kingdom all saw a net decline in the second quarter of 2001, following growth in the first quarter. Net international losses had already reached \$3 billion by the end of August 2001.
  - 19.** He argued that specific issues raised by the events of 11 September tended to reduce revenues sharply – losses during ground stops, safety fears, macroeconomic problems, restrictive corporate travel policies, increased security and insurance costs, exchange rate volatility. All destinations were affected, but especially transatlantic, transpacific and Middle Eastern travel. Overall, there were fewer passengers, travelling shorter distances, paying lower prices, so there was inevitably a large decline in revenues. With regard to the comparison made with the Gulf War traffic decline from 1990 to 1991, he noted that the traffic recovered in two years, but it took another two years for profitability to return – and the impact of those difficulties was much more localized.
  - 20.** IATA's survey of corporate travel trends offered a glimmer of hope – partly because business travellers had delayed travel, while conferences and exhibitions had also been postponed, so that some of this travel would happen in the near future. Business travellers in January 2002 were less preoccupied by security issues than when last surveyed in November 2001, and more focused on price questions. Based on estimated results up to August 2001, and the drop in capacity and traffic thereafter, IATA projected a net loss of \$7-11 billion on international scheduled services for 2001. Passenger traffic forecasts for 2001-05 predicted a recovery by late 2002 for most routes except the North Atlantic (which would regain lost ground by 2004). In conclusion, Mr. Morris anticipated that the long-term effects would be a revival in air travel in line with growth in GDP, and probably further industry consolidation, growth of low-cost airlines and the return of surplus capacity. A revival in corporate travel trends and confidence was an absolute precondition for the recovery of the industry.
  - 21.** An observer from the International Federation of Air Traffic Controllers' Associations considered that the economic impact of 11 September was exacerbated by the pre-September push to move civil aviation into a solely market-driven service, ignoring its role as an essential element in transport infrastructure and economic policy. This economic role of civil aviation was confirmed by the legal provision in the National Railway Labor Act to allow the President to intervene in airline labour disputes to preclude economic damage resulting from disruption in civil aviation. The economic crisis following 11 September 2001 should be seen as a wake-up call that the changes in the industry over the previous decade had made the industry more fragile. This Meeting should use the lessons of this crisis as a basis for developing a more robust industry, with a more dedicated and committed workforce.

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22. The Employer member from Ghana noted that the effects of the crisis on African airlines, which were already rather shaky, had to be seen in the context of their government's subscription to structural adjustment policies and highly indebted poor countries programmes. The increases in insurance costs and the expense of increased security measures could not be absorbed by governments in these circumstances. Some assistance could be provided to airlines for this, but more training was required for security personnel, as well as some extra payments and additional training for cabin crews on security issues. Developing countries' airlines were unable to absorb all these costs, so security would be a joke if governments were not permitted to help the airlines in this, thus the shackles of restrictive loan conditionalities had to be slackened for security measures to be taken.
23. The Worker member from Togo commented that the question of security was related to working conditions, especially in discussions at the home of international labour standards. Rules governing working conditions needed to be respected worldwide, and this was especially an issue in Africa, where Air France, in collusion with the transport regulatory authorities, had accepted ground maintenance on their A340s by unqualified mechanics. Africa's airports should not be allowed to become the weak link in the safety chain. There should be no discrimination in this way, where maintenance of standards does not cross international borders.
24. The Worker member from Thailand, a flight attendant with Thai Airways International, noted that her firm had not experienced much economic impact of 11 September, but had cut expenses by reducing the number of flight attendants per flight and cutting their stays in European destinations, despite the longer flying times because of not flying over war-zone airspace. Therefore flight attendants were not having enough rest, and she was concerned about occupational safety and health and passengers' safety, because cabin crews were often too tired to perform safety procedures in case of an emergency.
25. The representative of the Government of Kenya thanked the ILO for producing very clear and focused documents for the Meeting. Civil aviation in Kenya – the airlines, airports, the civil aviation authority and travel agents – employed around 120,000 people, of whom 13,000 worked for Kenya Airways. The Kenya Transport and Allied Workers' Union represented the bulk of employees working in the airline industry, while the Kenya Pilots' Association represented more than 100 pilots. The industry was regulated by the Government, but ongoing public sector reform aimed to reduce its role and promote privatization. The effects of terrorism on aviation were a major concern for government and the private sector alike. Kenya Airways had to face a massive increase in insurance premiums and a resultant huge revenue loss as an immediate effect of the events of 11 September 2001 in the United States. The Government provided guarantees to support the flag-carrier's insurance payments, to save the company from being grounded. European airlines and travel agents had also appealed for visa fees to be cut until the industry recovered. The negative impact on employment and income of Kenyans dependent on the tourist industry had been severe. New safety and security requirements placed a heavy burden on governments, airports and airlines. He felt that the Meeting should recognize that employees in air transport viewed their working environment as being more risky than before, and they might well bargain for higher wages, but declining capacity made this difficult to win. It was important to arrive, through dialogue, at a harmonized policy on security, emphasizing prevention as the cheapest way of dealing with violence on board aircraft. His Government had taken measures such as stricter immigration regulations and requirements for issuance of passports, stricter checks on passengers, cargo, vehicles and baggage, introduction of public awareness campaigns, regular consultative meetings on airport security, a review of threat assessment measures, and increased law enforcement at airports and around national parks. He supported international collaboration on security and the approach of ICAO on this issue. Kenyans had understood 11 September 2001 very

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quickly, given their experience of the bombing of the United States Embassy in Nairobi, and he stressed the need for passengers, staff and people in general to cooperate in improvements in safety and working conditions in airports and on aircraft. Such problems could be overcome through valuing human life, encouraging respect, coexistence and tolerance for one another and rejecting extremism of any kind. This could help to make aviation industry workers feel valued, and ensure greater cooperation with the public on safety and security measures.

- 26.** An observer from the International Transport Workers' Federation (ITF) commended the ILO for holding a forum on the issue of civil aviation, which had of course been planned well before 11 September 2001, and ever since the last Meeting on this issue in 1991. If there was one good thing that had come from 11 September, it was a renewed public interest in civil aviation issues, as evidenced by the high attendance at the Meeting. He hoped that the Meeting would provide practical recommendations for the ILO Governing Body, and for other international and regional organizations that were involved in decisions on the industry, such as ICAO, the World Trade Organization (WTO), the IMF and the World Bank. He trusted that all these bodies would take the views of the ILO properly into account. He saw the meeting as a model for the future of sectoral activities in the ILO, bringing the importance of the ILO's sectoral approach to greater prominence among workers. He was not against aviation employers making profits, but wanted a fair share to be distributed to the workers.
- 27.** The Chairperson, the representative of the Government of Canada, the spokesperson for the Workers' group and the spokesperson for the Employers' group each spoke on the rewording of certain work clusters and on possible reordering of the items to be discussed in the next sessions of the Meeting, and then reached consensus.
- 28.** The representative of the Government of Germany thanked the ILO for the opportunity to discuss the social consequences of 11 September on civil aviation. The various effects were interlinked and could in some cases lead to a domino effect. There were some signs of increased demand for air travel and reduced international tension, but it was clear that the crisis in aviation predated 11 September, and related to the global economic situation. The possible solutions needed to be examined to see whether they could provide lasting benefits – they would largely have to be private sector initiatives. His Government was opposed to subsidies to airlines which would lead to unfair and distorted competition, and were not allowed according to European regulations anyway. The relationship of civil aviation and the State would be examined within a world conference of ICAO due to take place in 2003. Social measures to address the problems of the industry must be found through social dialogue – they could include a combination of guaranteeing that there would be no compulsory redundancies, examining early retirement, introduction of a four-day week, freezing of salary increases for ground staff and flight personnel. The non-interruption of social dialogue was the most important element. The ILO played a very important role in providing an appropriate platform for fruitful discussion that shaped the future. In Germany, dialogue had led to useful exchange of experience and best practices. It was important to stress the work of ICAO, the European Union and other institutions in discussing the safety/security issue, the regulatory framework and competition aspects, and to avoid having the ILO overlap with that.
- 29.** The representative of the Government of Venezuela reiterated her Government's repudiation of all acts of illegal interference with international civil aviation, and its firm and express condemnation of the terrorist acts of 11 September. She requested a fruitful review of the crisis, followed by a discussion of feasible and useful guidelines to deal with the problems in the short, medium and long term. This should cover not only air transport, but also the tourist industry and users. The Venezuelan delegation to ICAO's General Assembly in 2001 expressed support for any efforts to prevent similar acts being

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perpetrated in the future. ICAO should be the leading organization to coordinate such action, given its experience and competence in these matters. The Summit of Ibero-American Heads of State and Government in November 2001 issued a statement including a paragraph on the severe crisis in the aviation industry as a consequence of the attacks of 11 September, reaffirming the sector's key role in economic development. Latin American airlines were operating in very difficult circumstances, receiving no subsidies (unlike certain North American and other industrialized country airlines) in spite of the extra expenditure on insurance and security. This unfair competition may lead some countries to introduce protectionist measures, and she felt that this issue should be discussed in the Meeting so as to arrive at viable measures to bring about fair competition and avoid damaging even further the air transport industries of developing countries and related activities.

- 30.** The representative of the Government of Egypt thanked previous speakers, especially those from Africa, for their comments. He observed that the civil aviation industry was very closely linked to the development of the economy in general, especially in tourism-dependent economies such as his own. The consequences of the events of 11 September were particularly disastrous for such countries. He felt that Employers' and Workers' representatives had already made important statements that should be taken into account, but it was also essential to bear in mind the interests of governments affected by the crisis when drawing up recommendations.
- 31.** The representative of the Government of Austria commented that the background documentation for the Meeting was very good, up to date and accurate – but perhaps focused on European Union countries too much when referring to Europe in general. Austria's airlines were affected strongly, and Austrian Airlines had a shortfall of around €150 million. To address those difficulties, Austrian Airlines Group presented a comprehensive programme envisaging strategic and short-term measures, including merging four companies for planning purposes, adapting timetables, and restructuring (including some retrenchments). Her Government felt that it was essential to restore consumer confidence and trust in airlines, especially in taking the right security measures. Demand was expected to recover by mid-2002, and the measures to be taken would be similar to those outlined by the representative of the Government of Germany. Subsidizing the airlines was clearly not the solution, so the market economy had to deal with the situation, and the solutions would be found through social dialogue.
- 32.** The representative of ICAO referred to previous statements on cooperation between international organizations such as ICAO and the ILO to address the crisis in the aviation industry, particularly on security and safety issues. He presented an overview of action taken since 11 September by ICAO on aviation security and safety.
- 33.** The 33rd Session of the ICAO Assembly (25 September-5 October 2001) unanimously adopted a resolution strongly condemning the terrorist acts of 11 September and urging all contracting States to strengthen cooperation to assist in investigating such acts and to apprehend and prosecute those responsible. It requested ICAO to review the existing aviation-security-related legal instruments and standards and recommended practices; to consider the establishment of an ICAO security oversight audit programme; and to establish funding for urgent action in the field. The resolution urged contracting States to fully implement the multilateral conventions on aviation security and the ICAO Standards and Recommended Practices, and to take additional measures in their respective territories. A high-level ministerial conference on aviation security in Montreal was convened for 2002, to address the issues referred to in the resolution, with a view to restoring confidence in the industry and aiding recovery. ICAO's Unlawful Interference Committee and Aviation Security Panel had already met to commence the development of an ICAO Plan of Action for strengthening aviation security.

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34. He indicated that the Assembly also reaffirmed the need to ensure integrity of passports and other travel documents. Contracting States were urged to issue travel documents in machine-readable form and in accordance with ICAO specifications. International airports were requested to introduce automated systems for reading travel documents, as an urgent matter. The Assembly noted the action taken by governments to indemnify their carriers for contracting reinsurance after losing the air carrier war-risk insurance after 11 September, which was creating competitive distortions. A resolution urged contracting States to cooperate on developing a better approach to assisting airlines on insurance matters. Enhanced security in relation to economic liberalization was addressed, taking account of air transport's specificity and the readiness of governments to provide assistance to airlines to ensure their continued operations. Such issues would also be tackled at a worldwide air transport conference (24-29 March 2003), as well as reviewing existing guidance material on ground-handling. He referred to a proposed memorandum of understanding between ICAO and the WTO to clarify their respective jurisdictional roles, and to the new opportunity for closer cooperation between ICAO and the ILO.
35. The representative of the Airport Council International (ACI) explained that his organization was created ten years ago to enable airports to speak to ICAO with one voice. ACI had 1,400 members, employing more than 4 million workers. Some large airports employed as many as 50,000 workers at one site. A document with relevant statistics from a survey of members had been made available to participants. Focusing on the conclusions, he stated that, whereas in early 2001 the main task of airports had been to increase their capacities, the main current task was to restore the confidence of travellers, to bring traffic back, in cooperation with IATA, IFALPA, Interpol and others. Severe cost-cutting programmes were being implemented by most airports, and 15 per cent of them had laid off personnel. Airports represented an infrastructure built up over many years, with significant debt-servicing obligations. As global profits were only 2 per cent of gross revenues in 2000, many ACI members had slipped into deficit. Airports had high fixed costs, making it impossible to downsize their capacity like airlines could. However, the revenues of airports depended on the frequency of users. Both sources of airports' revenues – aeronautical and non-aeronautical – had taken a dramatic dive in recent months, with the bankruptcy of several major carriers and the public aversion to air travel. The airport revenues from cargo handling had also dropped sharply, even before 11 September. However, ACI members tried not to increase their charges, or even reduced them to keep airlines in service until traffic bounced back. Non-aeronautical revenues represented 52 per cent of airport revenues. Where – as in the United States – shopping, food and beverage services were located beyond the security checkpoint, new security measures significantly cut into airports' revenues. The same was true for the closing down of parking facilities, which formerly generated as much as 19 per cent of airport revenues in the United States, where new regulations prohibited parking near terminals. Car rental business was down as well, with one of the largest companies up for merger or bankruptcy. The cost of borrowing money for airports had risen, since 70 American airports in the United States were downgraded in Moody's credit ratings recently. Fewer resources for investments were therefore available. An estimated \$16 billion for airport investments were on hold in the United States alone, with important adverse effects on many supplier industries. In the view of ACI, it was the governments' responsibility to protect the public from terrorism. But it was clear that airports had to bear much of the costs, which could be very high. The post-Lockerbie security measures, for example, had cost Heathrow airport in 1988 as much as \$300 million. The present cooperation to improve security would assist in restoring consumer confidence in air travel.
36. The representative of the European Commission referred to the position taken by the European Union. It was of the view that civil aviation should be treated like any other sector in a competitive framework, with due regard to its particularities. The EU had pursued a policy since the early 1990s to allow Member States restructuring their airlines

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with government aid to do so only once. The EU had maintained this policy after 11 September. To compensate for losses, European institutions had taken measures especially focusing on confidence-building. Social dialogue was also initiated by convening the social partners.

- 37.** An Employer member from France provided clarification on a statement made by a Worker member previously, alleging a security failure of Air France in Togo. The result of an in-depth inquiry revealed no such failure.
- 38.** An observer from IFATCA stressed the role of governments to provide aviation with infrastructure, in the same way as surface transport was provided with roads or waterways to meet the transport needs of the citizens. The cost of security and safety measures did not fluctuate with the demand for final services but represented fixed costs. In passing such costs on to commercial users, governments had made things worse, and companies were forced to cut labour costs. Once governments gave up their role to look after the infrastructure, government support to companies was precluded by internationally agreed restrictions. The system of private responsibility currently in place therefore created a domino effect the moment airline revenues declined. It should be kept in mind that the terrorist attacks were meant to harm a nation, not a number of airlines.
- 39.** The representative of the Government of Cameroon stressed the importance of the safety and security of aviation systems for development. The events of 11 September had had a negative impact on the perceived risk profile of civil aviation in Africa. They had also delayed the realization of the United States Department of Transport's initiative in Africa, the Safe Skies for Africa project, which was meant to address the deficiencies in safety regulations oversight, airport security and navigational services. It involved the following eight countries: Angola, Cape Verde, Cameroon, Côte d'Ivoire, Kenya, Mali, United Republic of Tanzania and Zimbabwe. Cameroon had promulgated a new law with respect to unlawful interference with civil aviation and Cameroon civil aviation had accelerated investment in aviation security facilities and related training programmes. However, the costs of meeting the security requirements following the 11 September events raised serious problems for African countries. The full direct impacts on African airlines of the 11 September events were still to be felt, as there was always a time lag between international events and their impact on Africa. The collapse of Air Afrique was, however, indicative. In looking at impacts, it should be recalled that most African countries had no social security schemes such as benefits for the unemployed, and that for every direct job lost, there were three to five dependent families losing income. This lack of a social safety net hindered the rate of airline restructuring in developing countries. The events of 11 September therefore called for greater regional and international cooperation to finance the safety and security of civil aviation.
- 40.** A Worker member from Australia cautioned on IATA's appeal to stimulate the demand for airline services by reducing airfares. It was observed that the experience in Australia had meant that someone ultimately paid for low-cost airfares and competition in an industry like aviation where there are substantial fixed costs. The Australian experience was that Australian aviation workers ultimately bore the cost of unrealistic cuts in airfares. In Australia, the number of airlines was reduced considerably in 2001; there had been ten major regional airlines, six had survived, three of which were still in administration. There has been four main-line carriers, of the three that still survive, one is in administration. Although the domestic market had increased 5 per cent in 2001, there had been a vigorous price war leading to a decrease in the number of companies, due to the high fixed costs in the industry. The collapse of Ansett, the second largest domestic carrier in Australia, caused 16,000 workers to lose their jobs immediately and also lose their pension entitlement, as their pension fund was deficient. An estimated 35,000 jobs in related

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companies were also cut, while Ansett's 2.5 million creditors lost their assets, including the frequent flyers.

41. The representative of the Government of Spain provided information on the aviation industry in his country after the 11 September events. Spain, which held the presidency of the European Union for the first half of 2002, fully supported the EU's position concerning assistance to the sector. The liberalization of the European airline sector begun in 1993 had yielded satisfactory results. The Spanish Government had not provided direct assistance to the sector, only compensation for the days on which traffic to and from North America had been paralysed following 11 September and the increase in insurance costs. Iberia, the main Spanish carrier, had completed the privatization process the previous year. After 11 September it had seen its reserves decline initially by over 30 per cent, followed by a gradual recovery. Currently there had been a 10-15 per cent decline in passengers carried, compared to the same period the previous year. Iberia had recently cut back its commercial programme by 10 per cent, reducing frequencies on all of its domestic and international destinations and cancelling wet leasing contracts, representing a reduction of 28,000 flight hours per year. It had also suspended the planned addition of 19 new aircraft to its fleet and brought forward the retirement of others, resulting in a reduction of 35,000 flight hours per year. In view of this Iberia had opened negotiations with its staff on plans to lay off 2,515 workers, i.e. about 9 per cent of the workforce. Spanish legislation, which attached considerable importance to social dialogue, laid down the obligation to initiate a 30-day bargaining period with workers' representatives. At the end of these negotiations, the company had reached agreements with all of the groups of employees, except for the pilots. The social plan to be applied throughout 2002 was based on voluntary measures, freely accepted by the workers, and provided for compensation over and above statutory amounts for voluntary redundancy, early retirement and unpaid leave of one to two years. Ground staff were the most heavily affected by staff reductions. The Air Europa company had also recently carried out substantial staff reductions. In the manufacturing sector, Airbus España (part of the Airbus group) was currently negotiating with its employees on temporary lay-offs for 40 working days, which would affect some 1,800 workers.
42. An observer from ITF called upon the employers to consider their employees as their partners in advancing the fortunes of their companies, as did South-West Airlines in the United States. Based on a corporate philosophy which included workers as members of the management team, they had a no lay-off policy, enhancing the workers' feeling of responsibility for the well-being of the company. South-West Airlines also encouraged unionization to manage the implementation of its philosophy. The airline's success during the crisis period was a result of that philosophy rather than of their financial strength.
43. The representative of the Government of France thanked the Office for taking the initiative of organizing this Meeting and for the quality of its introductory report. In his country, the civil aviation sector had registered traffic reductions of 7.4 per cent in September and 15.3 per cent in October compared to the same periods of the previous year. The heaviest year-on-year declines had been experienced on the transatlantic (-32.1 per cent), Middle Eastern (-28 per cent) and Japanese (-23 per cent) routes in the two months following 11 September.
44. He observed that Air France had been just as hard hit as the main carriers worldwide. The situation had improved in December, when the decline was only 7 per cent compared to December 2000. However, charter companies serving destinations in the Middle East, the Maghreb countries and Turkey had not recovered. National traffic was also down owing to competition from the high-speed trains (TGV). Airlines had reduced capacity and frequencies, cut unprofitable routes, frozen recruitment and stopped contracting out certain activities. Over 1,000 fixed-term contracts had not been renewed. Paris Charles de Gaulle and Orly airports had registered a 10 per cent drop in traffic in September and 17 per cent

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in October 2001. Some companies had been put into administration. Some had resorted to short-time working. Hundreds of jobs had been cut. Aircraft manufacturing enterprises and their subcontractors, as well as the tourism sector, had also been hit.

45. He informed the Meeting that the French Government had taken measures to assist airlines and their employees in compliance with European Union legislation and the decisions of the European Council of Transport Ministers. The Government had compensated the loss of revenue due to the closure of US airspace and the increase in insurance premiums. As regards the workers affected by the crisis, the Government, in consultation with the employers, was making every effort to preserve the jobs and skills of civil aviation employees. It encouraged working-time reductions. It contributed to compensating loss of earnings incurred by employees on short-time working.
46. He considered that restoring passenger confidence was key to recovery in the civil aviation sector. The French Government had already taken regulatory and technical measures aimed at improving airport security and developing training for all of the staff concerned. France had actively supported the establishment, by a decision of ICAO in October 2001, of an International Financial Facility for Aviation Security to support action by developing countries in this area.
47. He added that civil aviation had a fragile financial base. It was subject to very short business cycles, from six to eight years. Regulatory mechanisms should be put in place to enable the sector to absorb the shock of business cycle fluctuations and to mitigate their negative impact on employment and working conditions.
48. The representative of the Government of the Russian Federation stated that his country had always emphasized security aspects of civil aviation. He welcomed the international community's wish to pay attention to the issue of combating terrorism and improving the security of civil aviation, which was a complex issue that had to be resolved jointly by government and society as a whole. Immediately after 11 September, the Russian Federation took a decision to support the airline industry against increased insurance premiums and war risks: the Government allocated 30 billion roubles. It supported ICAO and the ILO in resolving problems relating to security and the impact of the 11 September events. He referred to the ICAO high-level meeting (19-20 February 2002, Montreal) and he proposed that the recommendations of the present Meeting be presented to ICAO. He had received aggregate data that showed a fairly minimal impact of 11 September on the Russian civil aviation industry, with the average annual growth remaining at 5 per cent. After 11 September, Russian passengers flew just as frequently as before, on business or on holiday. The Government had always maintained a strong emphasis on airline security in all airports, and aviation security staff accounted for 12,000 workers in total. He observed that there was no distinction between domestic and international aviation security enforcement; both were equally strict, as had been the case in the past.
49. The representative of the Government of the United States agreed with the comments made by the representative of the International Federation of Air Traffic Controllers' Associations, which stressed the importance of the responsibility of governments for ensuring aviation security. He added that the United States Congress and President Bush had passed the Aviation and Transportation Security Act into law in November 2001. This law required that, for the first time, security for all modes of transportation in the United States would be the responsibility of the federal Government. It laid down a series of far-reaching requirements to ensure a more secure transport system. This law had come into force on 18 January with respect to the requirement to screen all checked baggage in the more than 400 airports in his country. Other requirements set forth in the law would take effect later in 2002.

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- 50.** He observed that while recognizing the paramount importance of safety and security in the new legislation, the United States Congress clearly intended the Act to help the industry recover its role as a strong economic engine for growth and jobs. The Government was not only creating a new federal law enforcement and screening workforce of 25,000 to 30,000 employees, but this measure would also provide strong private sector growth within the travel, manufacturing and aviation industries. To assist those who were hard hit economically by the 11 September events, the Department of Transportation was providing preferential treatment to displaced aviation workers in filling those vital jobs in the private and public sectors.
- 51.** He welcomed the ILO's close working cooperation with ICAO, which was one of the recommendations from the Think Tank on the Impact of the 11 September 2001 Events for Civil Aviation, held in the ILO in October 2001.
- 52.** The representative of the Government of the Dominican Republic wished to deal with the impact of 11 September on tourism. The impact on the Dominican Republic was tangible – by the end of 2001 the inflow of tourism was down by 6.7 per cent (2.4 million tourists down to 2.2 million). Nevertheless the tourism statistics for the period from January to August 2001 already showed stagnation as compared with 2000. Between January and August 2000, the Dominican Republic had 1,743,500 tourists, while in the first eight months of 2001, it had fallen to 1,734,600, a reduction of 0.5 per cent. Tourism income fell, leading to a reduction in the balance of payments of \$22 million (1 per cent). As distinct from other English-speaking Caribbean countries, the country continued to receive a majority of European tourists; American tourists were less than 35 per cent of total visitors. The dramatic fall in the American tourist travellers had an impact on English-speaking countries in the Caribbean, as pointed out in the document prepared for the meeting in October 2001 at the ILO. The Dominican Republic's stagnation contrasted with high growth over the last 15 years. There was a drop at the end of 2001 of 7 per cent, but the crisis was long term, which could only be resolved through social dialogue that took into account the whole of the tourism sector.
- 53.** He considered that – as demonstrated by the Council for Tourism and the World Tourism Organization, and confirmed by the United Nations Statistical Committee – it was impossible to think about tourism unless air transport was included in the analysis. Eighty per cent of tourists travelled by air to tourist destinations. In facing the short-term challenge resulting from the terrorist attack, social dialogue had to take into account the anti-competitive practices by tour operators and airlines, which were already undermining the capability of tourism to promote sustainable development of tourist destinations. As the representative of IATA had said the previous day, “the short-term challenge is to reconcile the interests of the travelling public with the increased expenses for security”, but the long-term challenge is to have fair competition, domestically and internationally. Analysis of the Dominican Republic's statistics illustrated what had been noted by the World Tourism Organization for Central and South American countries and the world's least developed countries. The tendency showed that each tourist brought constantly less revenue to the tourist destination, because of the control of the tour operators on the whole chain of tourism. These chains were from the travel agency to the local transport operators in the tourist destination and the air transport and charter flights. Social dialogue should continue in the ILO and in all countries to consider what measures should be taken at the national level to avoid this stranglehold certain airlines have over the influx of tourists to destinations, which continued to strengthen the dominance of the tour operators. It was important to evaluate how the regulatory bodies could make it easier for more efficient operators to come in with fairer prices. It was only through regular flights that countries could reactivate air transport, and this could have a general improvement on the tourism and aviation sectors. This would improve tourism because the availability of seats on regular flights would imply a reduction in the negotiating power of the tour operators with

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hotels and in tourist destinations, and would allow the hotels to increase their revenues and be better able to meet environmental standards and pay reasonable wage increases. Considering the measures that could be taken at the national level to combat the dominant position by encouraging new competitors, there was also an important international dimension. The World Tourism Organization, together with Bolivia, El Salvador, Honduras, Kenya, Nicaragua, Venezuela and other countries, was aiming to introduce new multilateral disciplines to combat the effect of the anti-competitive practices by airlines and tour operators. The cooperation that existed between the ILO and ICAO was welcome. The whole international community should work together in seeking solutions that were politically viable for developing countries.

- 54.** A representative of the International Labour Office read out a statement from the representative of International Hotel and Restaurant Association (IHandRA) who was unable to attend the Meeting. The statement expressed concern for the future of the hospitality sector subsequent to the 11 September events, and in comparison to civil aviation. The IHandRA drew attention to the following points: parts of the hospitality industry that were heavily dependent on international business and leisure clients were recording decreases in occupancy of 25-30 per cent compared to the same period in the previous year – and a corresponding loss of revenue. Forward bookings for this sector had showed no signs of improvement, as reservations were continuing to be made sporadically and at the last minute. It was precisely the sector of the hospitality industry that offered proportionally the greatest number of jobs – the hospitality industry accounted by itself for over 50 per cent of all employment in tourism. Since 11 September, the hospitality sector had resorted to a number of schemes to avoid laying off employees (voluntary lay-off schemes, non-renewal of short-term contracts, compulsory leave-taking, etc.), but would be forced to start laying off in the future and cutting positions. As a result, the IHandRA strongly urged the Meeting to make a genuine commitment to support the hospitality and tourism sector through practical and effective measures which would help to maintain employment.
- 55.** An observer from the International Federation of Business and Professional Women and the International Federation of University Women commended the ILO for this timely Meeting. The ramifications of 11 September on civil aviation also affected workers in many other sectors, especially women in food, catering and cleaning services, travel agencies, tourism, hospitality and business in general. Many of these services were considered dispensable, and there were likely to be many job losses in female-dominated sectors susceptible to opportunistic retrenchment, poorly covered by trade unions, and often covered by intermittent, temporary and contract work. She commended the ILO for efforts to obtain gender-disaggregated data, but data collection of this sort was only provided by the United States. IATA has not been collecting such data, so she urged governments, employers and relevant trade unions to pay attention to this issue. Such data would be invaluable in gauging the requirements for social protection and safety nets for women workers in such times of crisis.
- 56.** The representative of the Government of China looked forward to an in-depth discussion on the events of 11 September and its impact worldwide. The impact on China was profound and severe, and could be illustrated in three points. First, the impact was felt on the international tourism market by a reduction in passengers, and on the cutback in foreign trade and cargo shipments. Second, civil aviation had faced steep increases in insurance costs. Third, the impact on aviation security was a major challenge. In response, the civil aviation industry in China had obtained government support for strengthening and improving security on board aircraft, installing more safety equipment and increasing the number of onboard security personnel, and providing airlines with guarantees for insurance costs. In view of the profound impact of the crisis, the discussions were proving

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enlightening and serving the purpose of finding effective measures to resolve the difficulties that participants were facing together.

57. The representative of the Government of South Africa joined the other participants in congratulating the ILO on its efforts to address the consequences of 11 September. The South African Government had not carried out a scientific study of the impact of those events, but it was clear that the civil aviation industry had already been in crisis before then because of high fuel costs, the economic downturn and the devaluation of its currency, the rand. As a result, several carriers pulled out of the South African market, including Sabena, Austrian Airlines and Alitalia. Immediately after 11 September, the national airport company observed a 3 per cent reduction in international arrivals, but that was accompanied by a further devaluation of the currency of around 30 per cent. Consequently, during November and December there was an increased demand for travel to South Africa, which was considered to be a relatively safe destination, and as a result a number of airlines started flying to South Africa or increasing their services, such as Virgin Atlantic, KLM and Lufthansa. He welcomed the efforts of the ILO to deal with the social effects of 11 September and the cooperation between the ILO and ICAO. His Government had been participating in the efforts of ICAO to examine a global response with regard to the economic regulation, safety and security matters related to air transport.

## **Discussion of the Issues paper**

58. The Meeting decided to organize its discussion by grouping the various issues into the following four clusters:

### *Cluster 1*

- general impact;
- economic and capacity impact;
- economic and regulatory framework of the industry;
- restructuring of the industry.

### *Cluster 2*

- employment effects;
- differential impact on women, men and minorities;
- public interest function.

### *Cluster 3*

- social dialogue, social consequences: social plans;
- training and retraining;
- mobility, harmonization of licences;
- conservation of knowledge pool for better days;
- best practices.

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#### *Cluster 4*

- security and safety and the role of human factors;
- technology, investment and funding, notably in security and safety.

#### **Cluster 1**

- 59.** Mr. Morrell from Cranfield University (United Kingdom) presented findings of a research study carried out for the ILO in November and early December 2001 on various aspects of the impact of 11 September on civil aviation; some details might have changed in the intervening period, without affecting the validity of the conclusions. The current downturn in total traffic (in passenger kilometres) was greater than for the equivalent post-Gulf War period. The events of 11 September had turned an incipient recession into a major crisis for the industry. Although the airlines had reacted faster than in the post-Gulf War period, and governments had been quicker to provide support, forecasts pointed towards a further downturn in 2002, with industry operating losses estimated at \$11 billion for 2001-03, or \$27 billion when finance and other charges were included. The study highlighted significant regional differences. North America was hardest hit, while the Asia-Pacific region was least affected, perhaps because the region – apart from Australasia – had not liberalized as much as Europe and North America, and therefore continued to be relatively insulated from competitive pressures. Staff cuts amongst North American airlines had been drastic, but the picture was more varied in the European Union. Although labour had borne the brunt of cost reductions, cost-cutting had also been facilitated by interest-payment holidays, deferrals and various other measures offered by banks, leasing companies and aircraft manufacturers. In the current economic climate, trade unions had mostly adopted a realistic negotiating stance, but could be expected to seek recompense once airline profitability improved. It was considered that major airlines would take much longer than their low-cost competitors to regain break-even levels. Among the factors cited for the latter category's success were dramatic price promotions, a focus on point-to-point interregional routes that were less competitive target destinations, and the economic downturn encouraging even many business passengers to switch to them. Low-cost operators had also taken over some routes dropped by the majors – as had some of the competing majors – and it was conceivable that they could maintain their rapid expansion. Charter airlines, while less significant on a worldwide basis, carried a significant portion of total traffic in Europe, and increasingly served worldwide destinations in the Caribbean, the Middle East and the Far East. Charter operators' winter traffic was also down, and they had reduced their capacities in anticipation of lower summer 2002 bookings.
- 60.** Responding to a request for clarification from the representative of the Government of Canada, he stated that the 9 per cent bounce-back cited for 2003 in his report came from figures generated by Avitas, probably based on expectations of more aggressive policies to produce those kinds of growth rates. While airline stock market values were still below their pre-11 September levels, there was some optimism based on the Christmas traffic figures. A general consensus also existed that further terrorist attacks would greatly aggravate the impact on both world tourism and air traffic.
- 61.** Mr. Morrell noted that airlines had, successfully in many cases, sought compensation from governments to cover the additional costs in insurance, security, airport charges and direct financial losses incurred as a result of 11 September. Immediate cash disbursements had been made in the United States, based on each airline's operating capacities. Loan guarantees had also been offered, although only one airline had so far successfully applied for one – perhaps because terms required an option for the United States Government to take up to a 33 per cent stake in airlines receiving such guarantees. In the European Union, aid had been restricted to losses attributable to 11 September and assistance to retain slots

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that might otherwise have been lost as a consequence of airline cutbacks and consolidation. Financial assistance had also been sought in Japan and the Republic of Korea; the New Zealand Government had stepped in to save the national carrier; and, as its representative had indicated the previous day, the Government of South Africa had bought back shares (formerly owned by Swissair) in the national carrier. The Canadian Government had introduced a security tax. Meanwhile, major flag carriers and network carriers were continuing with their full service network strategies, although some consolidation was underway among alliances. Most large airlines were discounting leisure fares and were considering extending discounts to business travel, previously considered price-insensitive. Although non-essential capital expenditure, including international investment in other airlines, had been cut, 11 September seemed to have become a catalyst for greater domestic consolidation in various countries. While the bankruptcy of some airlines was obviously a major disruption, there were positive signs that they might emerge or re-emerge as viable entities; other airlines were, in any case, seizing the opportunities arising from this. The conclusion was that 11 September might not itself have wrought fundamental change, but had speeded up structural changes in the industry that were already on the way.

- 62.** The spokesperson for the Workers' group welcomed a number of contributions from different speakers, especially those of the ICAO representative that his Organization would be seeking a broader understanding on global security implementation difficulties. ICAO should provide employees with the same recognition it gave to the airlines and airports, and the ILO should, in its dialogue with ICAO, promote the crucial safeguard role of workers in this area. Workers' organizations would help to achieve this objective. Comments from many Government representatives, especially of France, on the concept of licensing of cabin crews across Europe, were similarly welcome: ICAO should be encouraged to examine that possibility internationally. Common, globally harmonized standards were the way forward, as was the commitment of many governments to full social dialogue. Workers looked to the ILO to assist and encourage governments around the world to enter into meaningful social dialogue. Workers also welcomed the new law in the United States shifting responsibility to the Government for aviation security.
- 63.** The spokesperson for the Employers' group noted that, while the global civil aviation industry had been hit hard by the 11 September events, realities were dissimilar in different countries, and called for adapted approaches. Worldwide, the prime shared concerns were security, safety and heavily increased insurance costs. The necessity for civil aviation restructuring had increased dramatically following 11 September, but it was also generally agreed that the need predated those events. So far, measures adopted to reduce labour costs, such as the introduction of part-time working, temporary lay-offs and salary cuts had been insufficient. Employers were concerned that, even if there were further pay cuts to the extent that civil aviation became the worst-paying industry, the sector would still not return to profitability. What was needed was a helpful regulatory framework, including on ownership rules, on alliances, and on labour law and working conditions conducive to a triple-C approach – customer convenience, customer confidence and costs. Convenience meant governmental support for global safety and security standards and for financial resources aimed at establishing those standards. Convenience led to increased customer confidence in the industry's ability to perform punctually, safely and reliably. Security measures were very important to restore customer confidence in air travel. With regard to costs, a unified global solution to address insurance problems was required, as a basis for industry stability and profitability. Employers would be happy to discuss profit-sharing with workers, but emphasized that there first had to be profits to share, before any such discussions. They were similarly agreeable to any necessary changes being developed through constructive social dialogue. Governments should review the necessity for all fees charged to air tickets, as their reduction would help ease the situation. A debate was also

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underway regarding the role of low-cost operators: was it a new industry or did it represent a new model for the industry as a whole?

- 64.** An observer from IFATCA felt the discussions had amply illustrated the importance of civil aviation to national economies. Countries should therefore retain sovereign economic authority over aviation activities within their borders, and support should be given to developing countries to enhance their aviation structures. The industry should also be subject to effective regulation, and supported to ensure it fulfilled its crucial economic and social infrastructure function, while promoting aviation safety and security.
- 65.** The Employer member from Peru reported on the liberalization of Peru's aviation industry. The experience was comparable to that described by the Government representative of Canada, and it underlined the views of both the Workers' and Employers' groups on the important role of governments in developing the sector. Because the Peruvian aviation administration went too far in regulating the system, her company had been unable to set up a low-cost subsidiary, as planned. In addition, all airline operators existing before liberalization had subsequently folded. Such developments did nothing to encourage companies to make the necessarily substantial investments that supported job creation in the industry. It was important to underline that solutions needed to be adapted to the differing realities of developing and industrialized countries; subsidy-based approaches to compensate airline losses from the 11 September events might, for example, be appropriate to developed countries, but there was virtually no possibility of such assistance in her own country.
- 66.** The Worker member from Zimbabwe considered the 11 September events a wake-up call for the industry's stakeholders to work together in order to sustain their sector. He called on the ILO and other international organizations to encourage employers and governments to consult workers, passengers and communities in formulating international civil aviation policies.
- 67.** The Government representative of Australia affirmed his Government's interest in all of the issues listed for discussion under cluster 1, with the principal focus on the economic regulatory framework of the international aviation industry. Governments had a vital interest in the sector, as airlines were centres of technical excellence with highly trained employees, whose service made a substantial contribution to the economy through significant interdependences with other areas. The industry had lost the labour-force equivalent of seven or eight major international airlines following the terrible events of 11 September, and many of its major sections had taken substantial reductions in pay and conditions of service. However, these events had only accelerated and not caused the crisis. If the real causes were to be addressed, it was important to understand the reasons for the industry's vulnerability to external crises. A major factor was the ownership and control restrictions imposed by the bilateral system of negotiating service agreements that required that airlines be substantially owned and effectively controlled nationally, which limited airlines' access to international equity. In a notoriously cyclical industry, airlines were thus forced to rely heavily on debt financing, and governments were consequently called upon too frequently to bail out airlines. Ownership and control rules needed to be modified, and the Meeting should contribute to the development of a more stable, resilient industry by encouraging such changes.
- 68.** An observer from ITF reiterated workers' interest in a strong, healthy aviation industry. Airlines' success was not just in their own but in the public interest. Governments and the Employers' group should agree that when utilizing taxpayers' funds to underwrite commercial air transport providers, such funds should be directed at delivering the public interest function of aviation.

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- 69.** An observer from the European Cockpit Association (ECA) stated that the IATA presentation the previous day confirmed the aviation industry's importance to other economic sectors; its problems generated significant knock-on effects in other sectors. Because it was generally agreed that the industry had considerable difficulty in producing significant profit margins, tens of thousands of jobs were lost whenever there was a crisis. Factors that would limit the social and economic impacts of recessions on the industry should be examined. It was unjust to put the full weight of structural adjustment on workers, and capacity reductions not only had a significant social impact, but also reduced the ability of the sector to return to pre-crisis production levels. The Meeting should recognize this structural fragility and put forward specific recommendations to break the vicious circle. Mechanisms were needed to protect the sector from the economic cycles that were so difficult to cope with and to give the industry some stability.
- 70.** An observer from IFATCA noted that the crisis pointed up weaknesses in cost-recovery measures for navigation service charges. Air navigation services were labour- and capital-intensive, with labour representing 60 to 70 per cent of overall costs. Although recognized as a public service in some countries, in others provision was made by commercial, private entities. The post-11 September period had been characterized by a severe cash flow problem, with reduced income in the subsector derived from the cost-recovery mechanisms, yet assets could not simply be grounded. The immediate impact had been freezes or cuts in workers' salaries, a halt to safety-related investment, and increases in route charges. Most European air navigation service providers continued to train air traffic controllers but others, especially the privatized ones, had stopped training. The estimated shortage of 15 per cent in the number of air traffic controllers worldwide and the age pyramid jeopardized capacity for future needs. The crisis should be an opportunity to catch up on capacity backlogs and investments made in hiring and training staff. Governments and employers should reconsider the cost-recovery mechanisms for air navigation services in a way that permitted infrastructure investment without accumulating profit on the services, supplemented by government support for unaccounted costs and recovery from users.
- 71.** The representative of the Government of Italy questioned whether the projected declines in 2002 carrier traffic were calculated over the whole year, or that they assumed a first-half decline and a second-half increase, as predicted by IATA. He asked if the prevailing wisdom of holding prices steady or reducing them under the present cost-recovery systems would in effect lead to a transfer of the crisis from one air transport sector to another. The need for long-term (10-15 year) investments – and maintaining some surplus capacity at a time of reduced fares and income – suggested that it would be difficult to both sustain the necessary capacity and invest in the future.
- 72.** Mr. Morrell responded that the likely scenario was for a decline in air traffic during the first half and increase in the second half of 2002, with a small overall decrease; the big uncertainty came in estimating the size of the decline and the growth. Second, the liquidity problems in the current crisis could provoke an examination of different ways to share cost burdens among subsectors, based on cost-allocation flexibility among them, for example price discounts or holidays to airlines. However, ultimately the money would have to be found to continue investment.
- 73.** An observer from ITF called upon industry partners not to limit investments to resolve capacity constraints affecting aviation infrastructure, given that infrastructure and many areas of aviation staffing were marked by long lead times in provision. Adequate capacity provision – air traffic, runway, terminal and staff numbers – had marked the crisis in the industry over the past few years. Slowdowns in infrastructure investment, as proposed in United Kingdom air traffic control, should be avoided, since attempts to restart investment very often lagged behind a recovery, thereby exacerbating past investment failures and

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previous capacity constraints. Investment in people and infrastructure should be encouraged straightaway, so as to get ahead of demand, facilitate quicker recovery and higher growth, and improve safety levels by reducing pressure on staff caused by infrastructure constraints in recent years. The net result would be beneficial for flexibility and capacity to withstand shocks within national economies, businesses and other elements of society. Workers' representatives strongly urged partners to support continued investment growth.

- 74.** The Worker member of the Netherlands/observer from Aircraft Engineers International (AEI) contended that safety and security were critical factors. There should be agreement on mandatory safety and security clauses in contracts between air service providers, subcontractors and suppliers by means of service-level agreements. Subcontracting work – line maintenance, passenger handling, etc. – should include responsibility for safety and quality of work as part of the contract.
- 75.** The Worker member from Togo recalled that – faced with difficulties and fragility in the industry, the disappearance of the concept of public service and unprofitable routes – the aviation industry needed to look at subsidies differently from the previous criticism of such measures as constituting unfair competition. The problem that needed to be solved was the judicious and transparent use of subsidies to ensure that they were used for the purpose for which they were intended.
- 76.** The representative from the European Commission began by thanking the ILO and Cranfield University for up-to-date information which was difficult to obtain. The current crisis was due to three factors: structural changes – liberalization and the emergence of low-cost carriers – already under way in civil aviation; the economic downturn; and the 11 September attacks. Proposed measures should reinforce long-term industry stability by focusing on all three causes. Appropriate measures needed to be taken to increase consumer confidence within the existing framework, marked by a “one time, last time” policy on state aid. The EC wished to avoid a war on the issue of government support, and to establish at the same time a common, level playing field based on compensation to companies for specific additional costs. Measures under examination with governments and social partners within well-defined criteria included:

*State aid*

- compensating direct losses resulting from the four-day closure of North American airspace;
- additional costs of insurance, limited in time, but with a possibility of continuing state intervention until the end of 2002 if needs continued, under certain conditions;

*Security*

- reinforcement of security on board and on the ground to be borne by public authorities; an EC working group had been set up on this issue;

*Competition*

- favourable consideration to capacity coordination agreements designed to maintain regular service on less-frequented routes and during off-peak periods;

*Slots*

- retention of slots with “grandfather status” during the summer 2002 season, and depending on the current situation, examination of measures for winter 2002-03;

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*External relations/vendor ownership*

- reserving the right to propose measures for offsetting any predatory pricing losses incurred by Community airlines;
  - defence of Community competence in international negotiations on air transport rather than bilateral approaches, though this idea was blocked by the Member States' Council.
- 77.** An observer from ITF decried the parody of workers' positions on public monopolies and private enterprise. It was hoped that this Meeting could agree that the current economic regulatory framework was insufficient to deal with the current context, marked by, among other factors, continuing instability in airline profit margins for 20 years, and the more recent post-11 September shocks. Workers were open to consider ownership and control changes under the ICAO Chicago Convention bilateral system, provided that they met workers' concerns, notably: the potential emergence of "flags of convenience"; "open skies" agreements, which did not support fair competition (the negative example of El Salvador's agreement with the United States, and other Latin American experiences were cited, as they did not address economic or competitive dimensions); overcapacity leading to consolidation, particularly involving weaker airlines (the EC approach to the problems of European carriers was not supported, and the higher initial costs associated with consolidation in Canada provided another bad example); lack of access to equity, which had led to proposals for low-cost airlines purchasing national carriers, as in Ireland and Switzerland; and the related question of loosening regulations on ownership involving capital from other countries (the experience with Sabena pointed to the need for safeguards).
- 78.** Any process of deregulation and liberalization had to address employees' insecurity fears arising from these experiences, and their desires for secure employment in a stable industry. The way forward lay through greater social dialogue between operators, employers, service-providers and workers; not in ignoring stakeholders' legitimate concerns. Intelligent regulation of the industry was possible, whether the enterprise was public or private, and this was the core of the debate on long-term restructuring for stability.
- 79.** The representative of the Government of Egypt noted efforts under way internationally – ICAO meetings and projects – to examine security and cost questions, including insurance. The recommendations of this ILO Meeting should be shared with other organizations. He endorsed the representative of the Government of Italy's view on studying sources of financing for insurance, safety and security projects.
- 80.** The spokesperson for the Employers' group noted few differences in approaches between the Employers' and Workers' groups, for instance fair competition and open-sky conditions were also important for employers. Post-11 September events showed the need for dramatic change in the industry, but basic problems could not be solved by one conference. Rather, through social dialogue with the Workers' group, the Meeting should work towards small but important steps, such as ways of eliminating the extra burdens imposed by 11 September. The Employers did not want re-regulation, with government assuming entire management of the way forward. Given very different conditions in different regions, generalized deregulation would also not be useful. Short- and medium-term restructuring was needed to ensure long-term economic health. Lack of capital access concerned the Employers' group, and whereas consolidation might not be a magic answer to certain problems, the current situation was not sustainable – it called for a combination of corrective measures, government support and social dialogue with workers, to restructure in ways that might permit profit-sharing in the future.

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81. The spokesperson for the Workers' group proposed a "triple C" approach to the Employers – the need for the following goals to deliver security and quality: competent employees, trained and licensed to recognized standards; confident employees, secure and stable in their employment; well-compensated employees, rewarded for their labour.
  82. The representative of the Government of South Africa supported the views from the representative of the Government of Egypt, and emphasized the importance of taking into account the parallel ICAO work on security and economic concerns after 11 September. Moreover, consideration was needed with regard to the ICAO conference on the framework for further economic regulation and liberalization of global air transport markets. Mechanisms should be found to permit complementarity between the work of the ILO and ICAO on these issues.

## **Cluster 2**

83. The Chairperson opened the discussion on cluster 2 by remarking that it would be difficult to debate employment effects without mentioning social dialogue, thus he would allow discussion of clusters 2 and 3 in the session.
84. Professor Turnbull from Cardiff University (United Kingdom) presented an analysis of the social and labour aspects of the current crisis, showing the fruits of research following the ILO Think Tank meeting's recommendation to collect information on the civil aviation industry's response to the crisis and disseminate it to constituents. The research data came from secondary sources (especially newspaper articles and company web pages), from telephone interviews with representatives of the industry – managers, trade unions and other organizations, and from results of a questionnaire sent to civil aviation unions. The questionnaire looked at the employment effects of 11 September – the initial job cuts announced, their total actual implementation, and subsequent reductions. As a response to the crisis, the research showed that human resources policies could help keep labour costs down and alleviate the negative impact (referred to in tables 3-5 of the Issues paper). An interesting contrast was between North America – where the industry made quick job cuts and then began collective bargaining – and Europe, where discussion, consultation and explanation of the need for job losses came first. The data gave some idea of the scale of job losses in different carriers, but the multiplier effects of 800 grounded aircraft (150-250 direct job losses per plane, and as many indirect jobs lost) would suggest around 400,000 redundancies. The actual numbers would be known later in 2002, from IATA data.
85. The questionnaire asked trade unions about the policies managers used to protect workers in major carriers and low-cost airlines – such as recruitment freezes, non-renewal of temporary contracts, voluntary early retirement, probationary staff not receiving full contracts, voluntary redundancy, working-time flexibility, management and staff pay cuts. Views on their acceptability – under normal circumstances, as a crisis measure or not at all – were measured, and these indicated that such policies were acceptable only as a crisis response. Staff pay freezes and cuts were generally considered unacceptable. Specific groups of employees responded differently – pilots and air traffic controllers particularly objected to reductions in training. Most policies were company-based, but where the civil aviation industry was publicly owned, government policies were important for assisting corporate restructuring; providing financial support; promoting social policies; and raising ownership and public interest issues.
86. Professor Turnbull noted that, according to respondents, social dialogue in some countries meant the right to collective bargaining or consultation, but in the EU it meant new forms beyond existing social dialogue. There was strong support for policies on retraining and

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unemployment benefits as well as protecting services to remote communities, but concern at the lack of social protection in many developing countries.

- 87.** He confirmed that there was very little data on the differential impact of the aviation crisis on men, women and minorities. Disproportionate and discriminatory effects were seen, for example, in catering services (which employed a large proportion of women and ethnic minority workers) because of an overall reduction in services and replacing meals by snacks on short-haul flights. Occupational segregation by gender was apparent among pilots and mechanics (male-dominated) and caterers, cleaners and cabin crew (female-dominated). Contractual discrimination offered shorter contracts to women and ethnic minority workers, while changing shift patterns that were less suited to women tended to encourage their acceptance of voluntary redundancies. In companies where progress on equal opportunities had been made, crisis measures often nullified those achievements. Professor Turnbull concluded by thanking those who had contributed data to the study, and outlined the research on comparisons between civil aviation in North America and Europe currently being undertaken jointly with the Massachusetts Institute of Technology.
- 88.** The spokesperson for the Workers' group commented on Professor Turnbull's study, noting that headline job losses were partly aimed at obtaining government assistance, but such funds had subsequently been used more to benefit shareholders than to mitigate job losses, maintain routes in the public interest or enhance security measures. The suspension of bonus payments was a key issue – skilled workers being laid off would often move to another industry and/or country to avoid the cyclical problems their airline was facing, and would no longer be available when the recovery came. Workers had made concessions to retain their employment in these difficult times, but the Workers' group insisted that these losses be made up during good times in the industry, as a reminder to employers. He noted disproportionate employment effects on women, minorities and specific occupations. Equal opportunity policies and achievements were often wiped out by “last in, first out” rules. The industry had often had confrontational labour-management relations, and cutting workers' benefits to smoothen out the business cycle was understandable, but not when workers at United Airlines, for example, were currently demanding their first pay increase since 1994. Better ways had to be found to manage, through social dialogue and human resources development policies. It was essential to enhance social dialogue, and to ensure that companies were committed to it rather than only paying lip-service. Airlines observing social dialogue responsibilities within the EU should not ignore such dialogue in countries where no legislation existed. He considered that social dialogue at global, national and enterprise levels could help avoid confrontations, enhance human resources planning to overcome cyclical problems, and provide a better future for the civil aviation family.
- 89.** The spokesperson for the Employers' group felt that all parties should refrain from criticism of specific companies. He observed that Professor Turnbull's data only covered job losses, but should also have considered downgradings, recruitment freezes and transfers to other companies or countries. Airlines, airports and air traffic control authorities had all taken temporary measures for 2002, which might be extended if the recovery was delayed, so he asked how the recovery could be accelerated, and whether the temporary measures could be renewed. Smarter measures could find ways to retain skills through greater flexibility, primarily in working time. The employment impact on women and minorities was largely felt among blue-collar workers and management specialists.
- 90.** On the public interest function, he noted competitive imbalances where some countries received government support while others did not. A global, unified approach was needed on security – government funding for such measures would come from taxpayers; enterprise-based measures would in the end be funded by customers.

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- 91.** The representative of the Government of Canada noted an inherent dilemma in harmonizing the public interest and employees' interests with regard to the way employment effects impacted on women, men and minorities. It was difficult finding a satisfactory balance between the seniority principle and the public policy goal of preventing negative effects from falling disproportionately on women and minorities. There was increasing evidence that the public was frustrated because their interests remained unmet by global and flag carriers, and it was fair to ask if 11 September had triggered a review of local air carriers' products comparable, for instance, to the re-evaluation of the high-tech sector by both investors and the general public, based partly on the sector's overcapacity and many of its companies' failure to generate any profits. A similar process had taken place some 50 years before with respect to national postal services, which once controlled the movement of business correspondence, mail and documents worldwide, but were subsequently supplanted by courier services. It should be considered whether 11 September might trigger public evaluation of air travel products, distinct from the safety and security dimensions of the crisis. Internet web sites and public complaint agencies were replete with complaints about airline travel, related to the erosion of service levels and the public's assessment of the value of loyalty programmes. Capacity reductions had also caused frustrations, which were being aired. Although airlines were highly dependent on business-travel revenue, frustration with the product was pushing business travellers in many countries increasingly towards business-focused charter services; some global carriers were introducing new products for business customers almost on charter-service basis. It was important that the public interest function in cluster 2 received significant attention in the Meeting's deliberations. Governments had an overriding interest in the industry's stability, but addressing the cyclical nature of the industry required reflection on the role public interest had played over the years in determining which carriers should continue to fly or not around the world.
- 92.** The Worker member from Argentina referred to a possible change in standards on airline ownership and the linkage between regulation and employment. Given the strategic nature of civil aviation, policy usually mandated that ownership and operation of airlines were restricted to nationals, so that they could defend the interests of the country. The concept had been broadened to include nationals of groups of countries or regions which share interests, such as the European Union. In the field of air transport, alliances, mergers and similar types of agreements were the norm to avoid the takeover of national airlines by multinationals, as was the case in many other businesses. Changing rules on airlines' ownership posed many risks, as the unfortunate cases of privatized airlines in Venezuela and Argentina illustrated. Over the past five years, there had been more disappearances in the airline industry than those recorded in the previous 50 years, with devastating employment and economic effects in many Latin American countries. The ITF preferred "fair skies" to "open skies" policies. It was interesting to note – from the ILO report to the Meeting and many other studies – that deregulation introduced in the United States in 1978 had led to greater sectoral concentration and oligopolies, rather than the intended increase in competition: around 70 per cent of the market was controlled by one group. It was foreseeable that an "open skies" agreement between the United States and Latin America would lead to the eventual domination of the market by one or two of the large mega-transporters from North America, and to the complete disappearance of national airlines and of many jobs. She observed that just one mega-carrier from North America had more planes and resources at its disposal than all the companies in Latin America or Africa put together. The disparity in operational and financial capacities gave such mega-carriers a considerable "dumping" ability, through the option of lowering prices as necessary until national airlines found themselves bankrupt, at which point, as had happened in Chile and Central America, prices could then be raised again with prejudicial effects on users. International air transport was currently governed by bilateral agreements based on the principle of reciprocity. The World Trade Organization's attempts to include international aviation – starting with the repair and maintenance of airlines, reservation systems, and the

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marketing of services – in the General Agreement on Trade in Services (GATS) needed to be resisted, as the new regime would eventually lead to an industry under the total dominance of global carriers. There was also a risk that the industry could, as in shipping, develop towards a system akin to flags of convenience. Interestingly, promoters of total deregulation of air transport made no reference to security. Because the economic and social rights of workers were also human rights, the ILO should be at the centre of any discussions on the above issues in the various multilateral forums.

- 93.** An Employer member from Ghana asked the Meeting to consider the diversities existing in the aviation industry around the world in seeking a solution to the social and safety consequences of the crisis subsequent to 11 September. Before that date, Ghana Airways had taken steps to successfully resolve the dire financial situation in which it found itself, including changes in management, and reduction in operations and staff costs (through negotiated salary and flying allowance cuts). The effects of 11 September had been immediate and profound, requiring further drastic cuts in operations, leading to a 33 per cent fleet reduction, as there was no way in which salaries could be further reduced. The only other option – lay-offs, perhaps a sensible alternative in developed countries – was not considered socially acceptable, given the lack of any social security system in the country. The international nature of aviation meant that Ghana Airways’ pilots and other crew were members of international trade unions, with regulatory flight and duty-time limitations governed by international standards. Employers and governments from developing nations were asking the ILO, together with ICAO and IATA and other concerned forums, to consider these factors in formulating solutions, as should developing country workers and the international trade union organizations to which they belong. Developing countries should, at every opportunity, also appeal for the creation of a level playing field.
- 94.** A representative of the European Commission congratulated Professor Turnbull for such detailed and interesting data gathered over such a short period. The European Commission itself usually relied on Eurostat data, which were heavily aggregated and, since they were published two years after the event, were inappropriate to address crisis situations. The Commission was therefore exploring alternative data sources to use as input for policy development. He agreed with the views of the representative of Canada, stressing that social consequences should tackle the underlying factors, and not simply focus on crisis measures. Measures should take into account ongoing structural changes, and the cyclical nature of the sector. A few days previously, the Commission had issued a communication on a dynamic approach to addressing the social aspects of corporate restructuring, requiring a balance between flexibility for business and security for workers. Such an approach was considered necessary to maintain human capital and employability. Forward-looking human resource planning and skills enhancement were core issues in the approach, as was the development of mechanisms favouring active partnership between the social partners. The communication aimed at stimulating dialogue between the social partners in order to identify and develop best practices in this area, comprising employability of workers and adaptability of companies to the new industrial environment. The Commission expected contributions based on existing Community policies and taking into consideration the support provided by various European funds. Contributions would also be expected to link competition and employment policies, and include the promotion of corporate social responsibility. In the context of the European Union, it was interesting that French and English terminology on “public interest function” were the same, but that the concepts behind those words usually differed greatly. At the global level the issue was even more complex.
- 95.** A Worker member from Togo assured Employer and Government members that trade unions were interested in finding solutions to shared problems. The crisis subsequent to the 11 September events had ricocheted onto Africa and been aggravated because some

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European airlines and investors who had begun to invest or consolidate certain projects in the region had suddenly withdrawn, leaving their staff with uncertain futures. Monopolies of surviving air transport operators had since developed, leading to increased fares, although wages and salaries had remained stagnant. The bankruptcy of Air Afrique had led to 4,000 job losses, without any guarantee of any compensation or continuing social cover. In addition, instead of social dialogue, governments in French-speaking Africa were practising repression of workers. Governments should be encouraged to respect relevant ILO standards. The speaker pointed out that most States had ratified the ILO instruments on the subject.

- 96.** The Employer member from Uganda thought that the discussion should focus on the impact of the 11 September incidents on airports as well as the aviation industry. In her country, Uganda, the airport's business performance had been seriously affected due to reduced revenues from landing and air navigation fees, lower levels of activity resulting from the closure of operations by some airlines, and flight reductions by other companies. Despite reduced revenues and reduction in employment among ground handling staff, security had to be tightened with increased investment in new equipment and recruitment of new staff, and consequently more training. The airport had been compelled to go back to body frisking methods for security checks, thereby requiring three or more hours' advance check-in time for the departure of a large aircraft. The impact of 11 September on a landlocked country like Uganda could not be overemphasized, and the situation required collective efforts for the industry to return to economic health.
- 97.** The representative of the Government of Austria reported that Austrian Airlines planned savings of between 10 to 12 per cent on its labour costs, mostly in administrative jobs. No one would be able to predict as to how many additional posts might be cut in 2002-03. A new package on employment conditions with a reduction in salary was now being intensively negotiated at the Works Council of Austrian Airlines and changes in the collective agreement would have to be made accordingly if the new package were to be adopted.
- 98.** An observer from ECA agreed with the view that problems in the aviation industry today, particularly the employment situation, had not entirely been the result of the incidents on 11 September, but were also partly due to the slowdown of the worldwide economy. The current employment figures in the industry suggested that the industry as a whole should be doing better. Based on available information, he estimated that more than 1 million jobs had already been lost in the United States in the overall economic crisis, while the aviation industry alone could claim 10 per cent of recent employment losses. Since the workforce in the industry had not accounted for 10 per cent of the total workforce in the country, the aviation workers this time were paying a bigger tribute to the crisis. For the industry to recover from this situation, as a service industry it would have to guarantee to consumers a safe and efficient mode of travel, while ensuring that the industry reacted to the crisis in an employment-friendly way. To achieve this, governments and public authorities would have to assist social partners by guaranteeing sound social dialogue mechanisms whereby information flowed and consultation was maintained between management and workers. This would help the industry to counteract the cyclical nature of the situation. The Meeting was urged to recommend a concrete social dialogue procedure in line with those provided in the European Union treaties.
- 99.** The Employer member from the United States stressed that the events of 11 September had not been due to the failure on the part of the aviation security system, but should be attributed to a lack of intelligence and law enforcement resources. Fighting aviation terrorism was not a proper function of the aviation industry, and industry consumers should not be expected to pay for security measures against terrorism that was in effect an attack on the State. Despite the difficult situation now faced by the industry, aviation

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deregulation carried out since 1978 had brought about huge benefits to the public and to employees, including a more than 37 per cent reduction in travel fares, a massive increase in employment opportunities and salaries among the highest in the entire economy. Deregulation should be looked at as a way of expanding the industry.

- 100.** The representatives of the Governments of France and Germany noted that the Meeting's conclusions to be considered later should include reference to access to aviation services as a matter of public or general interest.
- 101.** An observer from ITF, considering that many participants in this Meeting had no direct experience with social dialogue, elaborated on the European model of social dialogue in the civil aviation sector which existed at company, national, multinational and EU levels. EU social dialogue in which organizations from both sides of the bargaining table in the civil aviation sector of the 15 member States had existed for 12 years. Dialogue functioned as an information and consultation body which provided both social and technical expertise on all aspects of EU legislation. The experience had been positive, but the success or failure of social dialogue depended on the quality of information provided to workers by management and the timeliness of consultation at any level of social dialogue. Experiences had shown that social dialogue was most successful when workers were allowed to make inputs before decisions had been taken. While some managers had been reluctant to allow workers full participation in decision-making processes, these structures had served well in the recent crisis. Social dialogue at EU level still required improvement as some employers were not receptive to any good ideas from workers and vice versa, but workers preferred to be involved in discussion of issues rather than being kept out of decision-making processes. She urged the establishment of tripartite national social dialogue schemes for the aviation industry in all member States which would involve social partners in the development of national aviation policy.
- 102.** In reaction, the representative of the Government of Egypt challenged the contention that participants at this Meeting had no experience in social dialogue, mentioning other systems for social dialogue in the countries represented here.
- 103.** The Worker member from Australia also commented on social dialogue, referring to the remark that social dialogue could not be exported made earlier by the spokesperson of the Employers' group. Observations of companies participating in social dialogue outside their home countries did not necessarily measure up to the same standards when at home, notably with airline employees. The social dialogue conduct of some European airlines outside of Europe was quite different and would not even be contemplated much less acted upon in their countries. Social dialogue should not have borders and workers performing the same jobs should not be treated differently regardless of their country postings.
- 104.** The Employer member from France acknowledged the difficulties in evaluating the impact of post-11 September employment. Statistical disparities resulted from mixing the employment impact of restructuring due to the economic slowdown before 11 September with those resulting from the September events. One should examine the events preceding September 2001 to assess the origin of the problem that the industry faced today. Prior to the incidents some companies had already been operating with recruitment freezes. As for Air France, the previously envisaged creation of 2,000 jobs had not in fact materialized. By contrast, 45,000 new jobs had apparently been created in the United States in security- and safety-related activities since 11 September. It had been pointed out that low-cost operators were doing very well: the impact on employment of these companies' operations had not been adequately discussed at the Meeting.
- 105.** The Employer member from the United Kingdom shared some initiatives taken by major airlines in the United Kingdom. He also agreed with the view that 11 September could not

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have been entirely responsible for the critical situation in the aviation industry today. For example, British Airways (BA) had already been affected by the economic slowdown before that day, compounded by the impact of the foot and mouth disease, which had seriously affected travel to the United Kingdom. Faced with huge revenue losses amounting to 48 million for the weeks following 11 September, BA had announced, after consultation with its workers, its plan to reduce 7,200 jobs, including 1,800 job cuts announced just prior to 11 September. It had offered its employees three voluntary schemes: (1) voluntary unpaid leave ranging from three months up to a year; (2) voluntary temporary reduction of hours of work by 20 per cent from six months up to a year; and (3) voluntary pre-retirement permanent part-time scheme at the age of 55 and 50 for ground staff and flying staff respectively. BA had achieved a reduction of 4,000 jobs by November 2001, and was expected to meet the overall target by March 2002. This was a win-win situation as no one had been obliged to take a particular scheme. Some had opted for more education and training, others had decided to devote more time to their families, while others had travelled. The airline industry had thus reduced costs, retained highly skilled workers, and eliminated or reduced further training costs when those who opted for training returned with higher skill levels as the industry rebounded. Moreover, these voluntary schemes had created a family-friendly workplace, in addition to a considerable saving on post-recovery recruitment costs. Nevertheless, collective efforts had to be made to encourage the travelling public to come back to flying if the aviation industry was to emerge from this crisis. In November 2001, BA announced a major review of business operations to deal with record losses – currently the company was losing £2 million per day – and it would continue to cut costs by improving productivity and efficiency and maximizing profitable businesses so as to remain a global, competitive and full-service airline offering world-class service. This was the strategy that would ultimately lead to employment security.

- 106.** The Worker member from Colombia outlined concerns with discrimination between majority and minority groups in the industry. With little thought for the quality and quantity of work, airlines were cutting costs with measures such as reducing Colombian cabin crew's rest time on flights to the United States and Europe. Given the special characteristics of civil aviation, specific standards in the form of legislation had been adopted but were not necessarily applied in practice. As a result, cabin crew worked long hours with insufficient rest periods, tiring them out and reducing their productivity. A Canadian study demonstrated that passengers were most concerned with safety, a factor to be borne in mind as restructuring continued.
- 107.** The Worker member from South Africa recalled that ILO Convention No. 111 prohibited employment discrimination on grounds of race, colour, sex, religion, etc., and was the basis for South African legislation on employment equity and affirmative action. The legislation recognizes historical job discrimination against blacks, women, and people with disabilities, including in aviation occupations such as aircraft engineering, maintenance, air traffic navigational services and cockpit crews. The 11 September events had led to cost-cutting measures at South African Airways, including a flattened management structure (retrenching 70 middle managers, of which 60 were black), a moratorium on recruitment, especially through pilot and engineer cadet training, and projected lay-offs of cabin crew. This resulted in a differential impact based on gender and race in negation of ILO Convention No. 111, national legislation and employment equity. A delicate balance should be found between cost-cutting measures and the need to contribute towards equitable enhancement of skills in the industry.
- 108.** The representative of the Government of Brazil noted recently created tripartite forums to discuss needed changes in tourism and civil aviation in his country. The forums involved employers and workers with government officials concerned with planning, regulation and finances. A government recommendation determined that collective bargaining was the

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best way to implement social dialogue. Although 700 employees had lost their jobs up to November 2001 as a result of the 11 September events, employment had grown as a whole during the year. The Government had introduced new regulations for airline insurance coverage, while some companies had been forced to restructure.

- 109.** The representative of the Government of Switzerland described the precarious situation of Swissair, whose entire fleet which had been grounded for two days after the 11 September events. A task force composed of representatives of the federal and cantonal administrations, employers and workers had been set up in October 2001 to deal with the labour market impact of the crisis, including establishing a job centre to deal with the problem of redundancies – some 4,000 employees had lost their jobs – and to support the implementation of a redundancy package.
- 110.** The representative of the Government of the Philippines recalled his Government's firm response to terrorism and sympathy for the pain felt by Americans along with the rest of the world as a result of the 11 September attacks. These had altered daily life, led to a clear reluctance by people to take public transport and altered our safety and security concerns. Governments had a duty to provide answers to these concerns. Efforts must be intensified to back up the statements of the ICAO President and implement ICAO recommendations on air safety, as well as support the action plan adopted by ICAO's 33rd Assembly in 2001. For its part, the Government of the Philippines had convened a national aviation security summit attended by major industry players, resulting in the adoption of resolutions and plans on cargo handling, screening, marshals and other security precautions. This followed the philosophy that if safety was expensive, accidents were even more so.
- 111.** The representative of the Government of India stated first, that India's security system was one of the best since the country had long faced terrorist threats; it had been further strengthened but there had been no dramatic overhaul. Second, he urged the adoption of recommendations to assist airports in addition to airlines whose situations too often dominated deliberations on post-11 September events.
- 112.** The spokesperson for the Employers' group outlined what appeared to be a consensus on several points:
- civil aviation was a highly cyclical industry with corresponding swings in employment, but well-understood capacity needs – both aircraft and workforce – to meet surges in demand;
  - social dialogue over employment within the industry was crucial, provided that it was oriented towards solutions to the industry's problems, not just discussion, and grounded in local regulations, procedures and customs;
  - public interest had to be clearly defined and established as a guiding principle in the search for global solutions on air traffic security and fair competition.
- 113.** The spokesperson for the Workers' group agreed with the Employers' group on the need for social dialogue to lead to practical solutions, as well as on the desirability of an early warning system to identify problems. Trade unionists did not feel that there was one correct model of social dialogue, and were keen to learn about other forms, particularly those outside of Europe. They were particularly impressed with the experience of dialogue at Swissair, and suggested that the type of redundancy package envisaged by Swissair be extended to all workers, including those based in Africa, and that the States that owned Air Afrique could learn from this example to the benefit of its 4,000 employees. The discussions so far had touched upon issues affecting women and minority employees in the current situation without being conclusive; the ILO could assist by providing more in-

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depth analysis and proposals. Above all, the industry should be encouraged to plan for its future in a meaningful and collective way.

### **Cluster 3**

- 114.** The spokesperson for the Employers' group recalled the need for solution-driven social dialogue on a worldwide basis. Though a good human resource practice, and important to develop shared commitment in an enterprise, social dialogue could not be a pretext for abdicating management responsibility in running a company; a balance had to be struck between this responsibility and social dialogue. Dealing with the social consequences of retrenchments depended on governments providing adequate social security nets. Training and retraining were clearly important for the future, as was retention of skilled employees. On many of these issues, more information should be exchanged on best practices.
- 115.** The spokesperson for the Workers' group declared that trade unionists did not want to take away management's responsibility to run enterprises. They did want civil aviation workers of all categories to enjoy the same freedom of association and collective bargaining rights, including the right to strike, which were set out in ILO Conventions as did other service industries. The ILO should also promote government-funded, long-term training for certain job categories to overcome continuing labour shortages in the industry. Training should be considered an investment, not a cost. Yet, most airline pilot cadets were now funding their own training – up to £100,000 – which reduced access to these kind of careers for many prospective candidates, and atypical for a transport industry. The ILO should also work with ICAO and member governments to harmonize global standards on training and licensing of safety and security occupations, thereby enhancing mobility and employment.
- 116.** The representative from the European Commission provided information on the principles of European social dialogue, which depended on mutual support between workers and employers, reflected common practices in member States, and was a continuing process, consisting of:
- information: the basis for dialogue;
  - consultation: the process by which the EC consulted its partners;
  - negotiation: the process by which social partners might conclude binding agreements;
  - dialogue between the social partners and/or the EC.

Types of European social dialogue included:

- at company level: European works councils;
- at inter-professional level: social dialogue committees;
- at sectoral level: 26 sectoral dialogue committees, whose outputs included projects, exchanges of experience, joint statements/opinions, common principles or codes of conduct and formal agreements.

Sectoral social dialogue was part of the institutional framework of the EU, derived from partners which: relate to a specific sector or categories organized at European level; are a recognized part of member States' social partner structures, have the capacity negotiate agreements and are representative of several member States; have the structures to ensure effective participation. Lobbying groups and non-governmental organizations could not be a part of such structures. Consultative Committees differed from sectoral dialogue

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structures in that they could be composed of organizations or individuals with specific knowledge of a subject who gave opinions on Community policy but on which the Commission retained full initiative rights.

- 117.** An observer from ITF called for training and retraining to be regulated by government legislation, not left to the industry and its economic well-being. Training should also respect high standards and result in licensing to enhance mobility. Most cabin crew currently were unlicensed but the EU had brought forward a proposal to generalize this in the Community; the French Government's support for the cabin crew directive was appreciated.
- 118.** An observer from the International Federation of Airline Pilots' Associations (IFALPA) reiterated that training of pilots and flight engineers required a long lead time. The forecasts of a 9 per cent increase in airline capacity by 2003 meant that such training should already have started. Moreover, piloting skills were "perishable" and needed to be constantly maintained. Also, many low-cost carriers do not support *ab initio* training and many others were cutting back. This led to less uniform standards and reduced access to a career as a pilot. All airlines should help to achieve training objectives with governments supporting the necessary investment.
- 119.** An observer from ITF contrasted the defence of global market flexibility, capital mobility and freedom of ownership and production with the refusal to harmonize equivalent employees' rights, including mobility. This led to social dumping and an inability to meet global needs. The licensing of cabin crew was illustrative: at present laid off crew in different countries have difficulty in getting jobs elsewhere because their skills were not recognized. Redundant mechanics were similarly unable to cross borders for jobs. European governments needed to rethink their position on licensing which was not very costly, and to extend employees' mobility rights – a pillar of the European Community – through such mechanisms as the JAR licensing system.
- 120.** The spokesperson for the Employers' group agreed that training was an investment, but not that the ILO should promote global standards on training and licensing. Many employers also did not agree that European social dialogue was applicable to other countries, given that dialogue should be adapted to local circumstances. The licensing issue was European, whereas the principal problem elsewhere was one of work permits, an issue which was best solved within ICAO.
- 121.** Several Worker members questioned the Employers' approach to training. For example, why should safety training for cabin crew or pilots' standards be different in Africa, Europe or America, and why should there be global standards for markets and not for social matters and training? Air transport standards in particular were not susceptible to market determination. Moreover, training and retraining should be placed in the context of general education, and supported by subsidies. In the absence of national resources, training resources should be pooled as had been the case within Air Afrique's 11 member States. Wider sharing of best practices was indeed desirable, but this depended on supervisory mechanisms or institutions to ensure scrutiny, sharing and application of such practices.
- 122.** On social dialogue, the Worker member from Brazil applauded measures taken in Brazil to set up social dialogue forums. Nevertheless, this had not prevented accelerating job losses – 4,000 during 2000-01, and 2,000 more at the beginning of 2002 – resulting in workers on the streets without proper compensation or indemnities. Some Brazilian companies had laid off cabin crew, replacing them with crew hired at up to one-quarter the salary, and attempts had been made to intimidate trade union officials. Trade unionists had protested

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against these activities, but the Brazilian Government had not acted as it did not wish to alter the labour laws.

- 123.** The Employer member from India noted that training and retraining was a continual financial process. To avoid that they should be the first casualty of downturns, governments should provide financial support as well as tax benefits which would benefit employers and employees, especially in times of crisis to protect and promote human capital.
- 124.** The Employer spokesperson observed that best practices varied widely around the world. It was difficult to assess which combination of measures worked best, and none was universally adaptable. According to Swiss research, attempts to combat cyclical tendencies by profit-sharing in good times and cost-cutting in crises was often counterproductive – it appeared wiser to preserve some profits that could be used to revive airlines in crises, as well as some profit-sharing, and he requested good social dialogue and trust on this issue.
- 125.** The Worker spokesperson agreed that no “one size fits all” solutions existed, but found Professor Turnbull’s categorization of measures that were acceptable, unacceptable or only acceptable during crises was useful, with due adaptation to local circumstances. Best practices could not be imposed – cyclical problems had to be better analysed through continuing social dialogue on good ways of flattening out peaks and troughs. Some measures unacceptable to workers could be avoided by improved counter-cyclical planning. He noted that innovation and creativity meant that best practices were constantly changing.

#### **Cluster 4**

- 126.** The Worker spokesperson observed that security, safety and the role of human factors were critical issues in the industry: the Meeting needed to ensure optimal safety and security for staff and passengers. The Workers’ group felt that safety and security standards must be of a global nature, with no boundaries and no weak links to the industry’s chain. Global standards required resources, effective application and appropriate training.
- 127.** The Employer spokesperson also agreed that security and safety were of utmost importance in the airline industry. The responsibility for security in the industry lay with governments (like other transport industries); that for safety lay with airlines, working collectively and proactively in maintaining customers’ convenience and raising standards. Security measures to minimize risks and to maintain and regain passengers’ confidence called for increased investment in technology and staff, not just procedures.
- 128.** The Worker member from Morocco requested that occupational health be considered, noting that aircraft cabins and cockpits were not mentioned in safety and health legislation. He urged the ILO to study the health effects of jet lag, pesticides, infectious diseases and poor air quality in aircraft, ionizing and non-ionizing radiation, and to work with the WHO on those issues. In addition, the ILO should examine ergonomic factors in aircraft. The ILO also needed to work with ICAO on legal protection against work-related violence for the ground and air staff, including an international accord on “air rage”.
- 129.** The Employer member from the Netherlands emphasized the primacy of security and safety issues for staff and passengers. In the end, its cost would be passed on to customers, so it was essential to avoid unnecessary delay or disruption for them. Some governments had stated that they were at war against terrorism; wartime measures are received

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differently, but customers should not be discomforted, and the respective responsibilities of governments and airlines for safety and security needed to be clarified.

- 130.** An observer from ITF observed that workers could play an important role in enforcing security. Staff must be encouraged to report safety and security lapses. In some countries, workers were threatened with dismissal or legal action if they reported such problems. He cited a British example in which airline pilots and air traffic controllers reported many breaches in vertical separation rules between aircraft. Subsequently, investigations of flying levels and distances between flights led to action to improve flight safety. He urged the ILO to work with ICAO on encouraging the reporting of safety and security lapses, on taking appropriate remedial action and on preventing sanctions being taken against people who reported such problems.
- 131.** The Employer member from Ghana stated that aviation security was a matter for Governments, and the fight against terrorism was the international community's responsibility. ICAO urged that action on security must be commensurate to the risks, but actions such as confiscating nail-clippers and harassing pilots and crews were seen as knee-jerk reactions, while it was inconsistent to withdraw metal cutlery and glasses from in-flight meals while continuing to sell duty-free knives and glass-bottled drinks in departure lounges. Reinforced security measures had sometimes increased the frustration and fear of passengers, and "unruly passenger syndrome" remained an urgent problem. The cost of security measures had to be paid by somebody, and it was difficult to see where funding for this in developing countries would come from. Bulletproofing cockpit doors would be difficult and expensive, while armed "sky marshals" would be problematic. Funding was required for equipment, maintenance and training on this, to level the playing field somewhat. Illustrating that complete security required support from the community in general, he concluded that excellent security at airports and on airlines was no guarantee against rocket-propelled grenades or missiles. Expanding on the issue of funding, an Employer member from Peru stated that the ILO should recommend that countries and the international financial community envisage concluding agreements to convert external debt to "civil aviation security" investment funds. This would enable the immediate implementation of strategies and procedures for security in countries where financial resources were insufficient while also helping to revive confidence in the air transport sector. The ensuing increase in the number of passengers and air freight volume would have an inevitably positive impact on other economic sectors given the multiplier effect of the industry as well as that of tourism in general.
- 132.** The Worker member of the Netherlands/observer from AEI noted the absence of any statement on the root causes of terrorism and how they could be resolved, apart from the representative of the Government of the Philippines. Until this sensitive problem was tackled, and addressing it required very strong cooperation among governments, the world would continue to live in fear. While it was illusory to believe there could be complete protection against a determined group of terrorists, governments had a responsibility to take appropriate action to protect passengers and staff against unlawful acts on any form of transportation. They should set and enforce minimum safety and security measures on any means of transportation regardless of whether the operator was private or state-owned. A strong appeal should be made to the United Nations to address terrorism's root causes, as investment in this area would likely have greater returns than those aimed at protecting the entire world against terrorism. In order to promote social dialogue on the subject, airlines and other civil aviation employers should be willing to facilitate their workers' attendance of various forums on security and safety.
- 133.** The representative of the Government of Kenya argued that all causes of insecurity, not just terrorism, had to be addressed. Ordinary, criminal acts could be an equally disastrous threat to civil aviation. Other human factors that could contribute to insecurity included

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tensions at workplaces and homes, revolts, strikes, drug addiction, unruly passengers, political differences and ideologies. These causes were unlikely to be detected by traditional tools, such as X-ray machines, metal detectors or dog sniffers. While governments had overall responsibility in reducing or eliminating insecurity, employers, workers and governments had a collective role in resolving issues that might lead to aviation insecurity. Efforts by the ICAO to establish an international fund for aviation security were commended.

- 134.** An observer from IFATCA considered the current downturn in air traffic to be only momentary: 5 per cent annual growth rates were bound to return, although prediction of the doubling of the 1997 traffic might not be reached until 2020. The challenge, though, remained maintaining aviation safety at current levels, considering that the United States Federal Aviation Administration (FAA) estimated that the coming decade would, on average, witness the loss of a commercial airliner every week, simply due to increased air traffic. The ILO and ICAO should urgently undertake a joint study of the impact of safety practices, of economic liberalization, new technologies, deregulation and restructuring on civil aviation, and their effects on each worker category.
- 135.** The representative of the Government of Ghana stated that prior to 11 September, his country's security was sufficiently adequate for its international airports to qualify for the United States FAA category 1 rating, enabling Ghanaian aircraft to fly directly to the United States. Additional security demands from 11 September had stretched the country's financial capacity. Since terrorism really targeted nations rather than enterprises, governments in developing countries were willing to assume their responsibility for aviation security but were hampered by scarce resources, with donor conditionalities also often preventing them from soliciting funds to support aviation-related projects. Because every international airport had become part of a global chain, security measures at every airport had to be equally effective to avoid weak links in the system. Ghana supported the idea of creating an aviation security fund to be availed to all ailing countries to acquire state-of-the-art technology and training for adequate security measures.
- 136.** The Worker member from Colombia stressed the responsibility of cockpit and cabin crew for the safety of passengers. In addition to continuous stressful conditions, aircraft's enclosed space exposed crew to biological agents resulting in a wide range of work-related illnesses and they should be followed up by very competent medical services. Rules on working hours and rest for cabin crew and pilots should also be clarified, and airlines should be prevented from interpreting standards too flexibly as was currently the case. The high risks of flight work needed to be recognized, and consideration given to reducing the retirement age. The possibility of an air crash was an expected risk that crew members accepted in the course of their work. However, existing legislation did not consider cabin crew as high-risk or maximum-risk personnel.
- 137.** The representative of the Government of the United States recalled his country's new Aviation Security Act passed into law in November 2001, and which became effective the previous week. The law required the inspection of all checked baggage at all the 429 commercial airports in the United States. Some of its other provisions included the federalization of the thousands of passenger and carry-on baggage screeners, and their training to increase their contribution to both aviation security and service to the flying public. In establishing the workforce, the aim was to have a group of highest-quality people instilled with pride in their work, and commanding the respect of the travelling public. The screeners were to be offered an attractive career path, including varied, stimulating work and promotion opportunities. The FAA had issued the previous week guidance for training crew members in dealing with potential threats, especially hijacking, as required by the new law. Airlines had 60 days to incorporate the FAA's guidelines into their training programmes on the basis of which their crew members must then be trained

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within six months. For the record, his delegation wished to correct a point in the information note prepared by the ILO for the October Think Tank and which had been recirculated to the Meeting, where it was somewhat overstated that “for a long time airline security in the United States has been a weak point in the global airline system”. While there was certainly room for improvement in airline security in the United States, and the new law represented an acknowledgement of the fact, on a global level, aviation security in the United States was good.

138. An observer from IFATCA reiterated the role the human factor plays in the safety equation, which was for a long time a concern of his organization. Current staff shortages in air traffic control had led to excessive use of overtime with the attendant danger of controller-fatigue. The ILO should look at the regulatory framework for hours of work for cabin and cockpit crew, ground crew and air traffic controllers.
139. An observer from ITF pointed out that safety and security regulations were often not adhered to because of weak regulators. National governments should improve their control of regulators while strengthening their capacities in terms of specialized personnel so that they could cope with increased workloads. In view of globalization, strong coordination between national and international regulators had become necessary, and the possibility of a global regulator on key issues for the safety of the system as a whole, such as working time, should be considered.
140. Another observer from IFATCA cautioned that the push for security should not be allowed to override fundamental civic rights. The ILO should ensure that these, including the right to privacy of aviation employees, were respected in security vetting.
141. The Employer spokesperson welcomed any measures to improve safety and security in the industry, provided these also aimed at improved customers’ confidence as well as their convenience. Any measures should avoid imposing additional financial burdens on the sector.
142. The Worker spokesperson hailed the United States efforts following 11 September, particularly on security. It was not often that trade unions congratulated employers and governments, but the Workers’ group had been particularly impressed to hear that the workforce being recruited would be one with pride in its service, because the job was extremely difficult and often of low status. It was hoped that the United States example might be followed by others. Security had no boundaries; there had to be consistency across the whole of the aviation network to avoid weak links in the chain. The position of developing countries with regard to assistance to meet unified standards had to be considered in this context. Governments should also promote the independence and integrity of national aviation security regulators. Workers had put forward proposals to address health and safety concerns of aviation workers. On overtime, it was necessary to consider that the longer people work, the less productive and efficient they become, and the service, safety and security then suffer as a consequence.

### **Consideration and adoption of the draft report and final Chairperson’s summary**

143. At the eighth sitting, the Meeting adopted the present report and final Chairperson’s summary.

Geneva, 25 January 2002.

*(Signed)* Ambassador J.-J. Elmiger,  
Chairperson.

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## Closing speeches

The Secretary-General emphasized the distinct characteristics of the Meeting: a more flexible format of proceedings to encourage freer debate, and its being open to participation by all governments of member States. Although the Office had provided an Issues paper and some expert presentations, it had been participants' own contributions that had added greatly to a common understanding of the issues and how best to address them. The general consensus on the important contributions of civil aviation to global and national economies, and the linkage between global economic growth and air traffic development, is striking. The events of 11 September only precipitated a crisis for an industry that was already vulnerable. Both short- and long-term solutions to stability, profitability and employment were needed. The employment effects of the combined cyclical downturn and 11 September events would have been worse without efforts to avoid lay-offs. The best practices discussed by the Meeting needed to be disseminated and adapted to local needs and circumstances. More work remained on training and retraining, safety and security, occupational safety and health issues. The discussion had demonstrated the importance attached to social dialogue by all parties, not only as a crisis tool but as an ongoing process for a positive and long-term relationship between workers and employers, where governments had a critical supportive role. The Meeting had, hopefully, laid the groundwork for a long-lasting dialogue. As requested, the ILO would enhance its cooperation and collaboration with relevant international organizations, including ICAO and the international financial institutions, to promote tripartite consultation and continued social and technical dialogue.

Mr. Hodges (representative of the Government of Canada; Chairperson of the Government group) expressed his group's thanks to the Chairperson and the entire secretariat for helping to make the Meeting a success. He commended the efforts and cooperation of all participants in the Working Group on Recommendations, noting, however, that true success would only be achieved when what had been accomplished at the Meeting was translated into actual improvements in delegates' respective countries.

Mr. Mölleney (Chairperson of the Employers' group) noted that the 11 September crisis and its repercussions could not be undone. The Meeting had, however, helped create the basis to tackle those repercussions, while highlighting the fact that those effects could not be dealt with in isolation from other developments within the industry. Although some constituents back home might be unhappy with the compromises reached on some issues, it was important that the Meeting's decisions be translated into actual action. On behalf of his group, he wished to express special thanks to the Chairperson for the way in which he had guided the work of the Meeting and his active assistance in finding a way through all the issues. He also thanked the ILO for the organization, the infrastructure and the tremendous effort put into the Meeting.

Mr. Ryde (Chairperson of the Workers' group) stated that the week's proceedings had confirmed something he had understood over all the years he had worked in aviation as a trade unionist: the special nature of the industry and people who worked therein. The final conclusions just agreed gave a firm foundation to improve the lot of aviation as a whole. Workers were thankful as the number and quality of Government representatives at the Meeting was proof of commitment to the industry. They were equally thankful to the Employers for the pragmatic approach during the Meeting. While it had not been possible to bridge all differences, it has helpful that the Meeting had identified areas where and why such differences persisted. Although the final document did not give satisfaction to all sides on every issue, it had something for everyone, and its implementation would be helpful to the industry. Everybody's approach at the Meeting had been committed and serious. Developing countries' requests for assistance to cope with the additional demands imposed by 11 September were supported, especially given the global nature of aviation.

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The Workers' group joined the other groups in expressing thanks to the Chairperson, the secretariat, and the interpreters for their remarkable efforts which had allowed the Meeting to complete its work.

The Chairperson noted a special spirit in the Meeting that was specific to civil aviation: a special chemistry and capacity for openness and social dialogue, a frankness in negotiations rarely encountered in an ILO meeting at such a high level. Everyone had helped to ensure that the Meeting was not just a succession of speeches but a genuine meeting with practical results. Participants had demonstrated a good capacity for consensus-building, which was often difficult in tripartite meetings, and it had been an honour to chair the Meeting. He thanked all participants and the entire secretariat, including those who worked out of the limelight, for an outstanding performance. He also requested the secretariat to thank the experts for presentations, which had enabled participants to be even more acquainted with the issues at stake, and the interpreters who had made everybody understand everybody else. Wishing everyone a happy and safe return home, the Chairperson declared the Tripartite Meeting on Civil Aviation: Social and Safety Consequences of the Crisis subsequent to 11 September 2001 closed.

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# Appendix

## Final Chairperson's summary

### General considerations<sup>1</sup>

1. The Meeting noted that civil aviation makes a very important contribution to the global and to national economies. It also noted the linkage between global economic growth and air traffic development. It was recognized that aviation provides an important infrastructure which is in the public interest, including for island, land-locked, tourism-dependent and least developed countries, as well as for countries covering a large land mass. Any solutions – short, medium or long term – should take account of the unique situation facing these countries.
2. The aviation industry is cash-flow dependent and is characterized by cyclical demand. The airline industry provides a vital national and international service that has on average achieved only marginal profitability in “good years”, even in those countries where the industry has achieved major economies of scale.
3. The sector is a significant source of direct and indirect employment, including in many related sectors (hotels, tourism, travel).
4. The Meeting agreed that the industry was already experiencing weaknesses before 11 September. It was suffering from the global economic slowdown.
5. It was recognized that there is no single aviation market and that there is a need to break down the impact on countries, segments and related sectors. Nevertheless, the crisis affected the air transportation industry in its entirety. It was pointed out that some operators in the sector did have positive results and profits, especially the low-cost airlines.
6. The Meeting noted the work done by other international organizations on aviation-related matters, notably by the International Civil Aviation Organization (ICAO). It recognized the role of ICAO in promoting safety and security in civil aviation. It called for better coordination between the organizations, based on their respective mandates, to avoid duplication of work. The recommendations of the present Meeting should be presented to the competent bodies of ICAO.
7. The Meeting recognized that the existence of a vibrant civil aviation industry is in the public interest. The availability of and access to air transportation can serve as a powerful engine for national economic growth, benefiting the public as a whole whether or not the individual is a consumer of air transportation. Therefore, the interests of public safety and security dictate that governments play an active role in the protection and maintenance of a civil aviation infrastructure. Additionally, it is in the national economic interest to ensure the civil aviation infrastructure provides adequate capacity for growth in the aviation industry.

### Challenges

#### Stability: How to create greater stability

8. There was agreement on the need to find solutions to bring the industry back to stability, to restore revenues and profits, protect the knowledge base and continue investments in infrastructure improvement. The long-term stability of the sector is very important both from a regulatory and an economic standpoint.
9. Government intervention and assistance as well as international assistance should, to the extent possible, be encouraged.

<sup>1</sup> A Think Tank on the Impact of the 11 September 2001 Events for Civil Aviation was held from 29 to 30 October 2001. The Chairperson's summary of that meeting contained a number of conclusions which this Meeting has confirmed.

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10. It is most important now to restore passenger confidence. Increased security and other measures could help to bring the passengers back and make it possible for the industry to rebound soon.

### Managing the employment impact

11. The Meeting noted that already before 11 September several airlines had already announced redundancies or had plans in place to manage the envisaged downturn of the industry.
12. The employment effects of the cyclical downturn combined with the 11 September events were significant, resulting in the loss of approximately 400,000 jobs and affecting all segments of the air transportation industry – for instance, airlines, airports, air navigation services, equipment manufacturers, catering companies, parking and car rental facilities.
13. In addition, a number of other measures with regard to human resource policies were taken, such as recruitment freezes, non-renewal of temporary contracts, voluntary early retirements, voluntary or compulsory redundancies, reduced working hours, and pay cuts or pay freezes. Most of these measures are of a temporary nature but may well last until about 2003 or until the industry takes off again.

### Training and retraining

14. The need for training and retraining was underlined, both in the interest of the employees and of the enterprises. It is the responsibility of governments, including in the framework of ICAO, to set safety and security training standards. Long-term and continuing labour shortages have been affecting and may continue to affect some of the occupational categories, including cockpit crews, air traffic controllers and licensed engineers.

### Restructuring

15. The current crisis is a combined result of the structural changes facing the industry, the cyclical pattern and the 11 September events. Intelligent, efficient and sustainable structures require a common understanding.

### Insurance

16. The Meeting recognized that the effective unavailability of war risk insurance came close to forcing a complete shutdown of the world's aviation system in late September 2001. Only through governmental intervention were a variety of stop-gap measures put into place to offer alternative coverage, while work went forward to find national, regional or international solutions on a permanent basis. Unfortunately, many of the stop-gap measures are due to expire in the coming weeks or months, notwithstanding the fact that work has not been concluded on efforts to find effective permanent substitutes.

### Safety and security

17. The implementation of harmonized safety and security standards poses a global challenge. Governments, social partners and other stakeholders all have an important role to play in addressing safety and security. However, the development and enforcement of safety regulations are the responsibility of governments in the framework of relevant international institutions.
18. Reinforcing a culture of safety and security throughout the aviation chain, by training and retraining employees, will give passengers a renewed confidence in the industry. This, in turn, will help to stabilize the industry.
19. Security issues and costs have to be managed, with governments meeting appropriate responsibilities to defend the public against the threat of aviation terrorism. However, it must be recognized that the implementation of additional security initiatives will put the civil aviation industry under considerable additional cost pressure. It should be recognized that these initiatives should be adequately resourced.

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## Safety and health of aviation workers

20. Flying personnel are exposed to safety and health hazards particularly as it relates to passenger violence. Flying personnel should be provided with appropriate training to ensure their safety and that appropriate legal protection should be in place to deal with disruptive passengers. This will also require appropriate support from enforcement authorities.

## Social dialogue

21. Social dialogue is understood to include all types of negotiation, consultation or simply exchange of information among representatives of governments, employers and workers on issues of common interest relating to economic and social policy. It can be either bipartite or tripartite and can take place at all levels – workplace, enterprise, national, regional and international.
22. The selection of the appropriate levels at which social dialogue will take place, the parties involved, their commitment to the process, training to effectively participate in the process, the possible need for regional or national models are essential preconditions for effective and transparent social dialogue.
23. There was agreement that changes in the industry where necessary – stability, restructuring, security and safety – needed to be discussed through a meaningful, transparent, results-oriented and productive social dialogue, reflecting existing and anticipated conditions.

## Best practice

24. The Meeting considered that there was no single model of “best practice” and none was sufficiently adaptable to the circumstances and needs of different countries. Best practices are not static; their workings should be monitored and experiences shared. Best practices in crisis periods were intended to be of a temporary nature, and may not be suitable under normal circumstances. Socially acceptable human resource policies could help to develop long-term, proactive human resource policies, building confidence between management and workers.

## Recommendations

### ***Fundamental principles and rights***

25. Civil aviation workers and employers should enjoy the benefits of fundamental principles and rights at work, in particular the right to freedom of association and to collective bargaining.

### ***Safety and security***

26. Governments, social partners and other stakeholders have an important role to play in addressing safety and security. Governments have responsibility for the safety and security of their citizens and should ensure that appropriate security measures are in place for the aviation industry, and where appropriate, consistent with ICAO standards, recommended practices and guidance material. Furthermore, initiatives like that of ICAO to establish an International Financial Facility for Aviation Safety (IFFAS) can contribute to the improvement of safety in the industry, particularly for developing countries which may not be able to finance the costs of improvements in this field.
27. The important role of aviation workers and employers in providing and implementing safety and security should be recognized. The role of certain categories of workers, for instance, cabin crew and ground staff, including air traffic controllers, could be strengthened through training based on harmonized global standards, taking into account ICAO standards which cover a certain category of workers.<sup>2</sup>

<sup>2</sup> The Workers’ group considered that licensing should be the mechanism by which the objectives of this paragraph could be achieved, but no consensus could be reached on its inclusion.

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## ***Occupational health and safety***

28. Where aviation-specific protection does not exist, comprehensive occupational health and safety legislation and regulations should be applicable to all civil aviation employees, including flying personnel.

## ***Training and retraining***

29. Different possibilities for finding alternative employment opportunities or reskilling should be pursued and measures taken that would allow the conservation of a very highly skilled workforce in the long term. Governments should consider funding long-term training and retraining for all categories of workers, which should be viewed as an investment in the national aviation industry. International cooperation on providing training should be encouraged.
30. Governments should, through the ILO and ICAO, consider establishing minimum global harmonized standards for training of all safety- and security-sensitive aviation occupations, thus promoting enhanced opportunities for continued employment, and the retention of skills within an expanded aviation labour market.

## ***Differential impact on men and women***

31. All stakeholders need to take appropriate action on any differential impact of the current situation in the industry on men, women and minorities, particularly occupational segregation and contractual differentiation.

## ***Restructuring***

32. The orderly evolution in air transport services should be ensured within the framework of ICAO and of its principles of sovereignty and reciprocity, so as to facilitate the participation of all nations in the provision and the enjoyment of economic benefits resulting from aviation services.

## ***Social dialogue***

33. In order to contribute to the development of a resilient aviation industry for the twenty-first century, social dialogue at the workplace, enterprise, national, regional and international levels should be encouraged. European social dialogue on civil aviation provides one such model. However, different circumstances may require different approaches.
34. Social dialogue has helped to find innovative and socially responsible solutions to the crisis but much more needs to be done. Social dialogue should include the provision of information on the situation of the company to all stakeholders. It should be based on good faith and seek to minimize all possible negative social consequences. Cooperation and dialogue between the social partners and with governments is vital to this end. The government should be an active partner in social dialogue as appropriate. Social dialogue should be an ongoing process.
35. Tripartite aviation consultation forums should be established or strengthened at national and regional levels to ensure the involvement of the social partners in the development of national aviation policy.

## ***Role of governments***

36. Governments should recognize the critical public interest role that civil aviation plays in the overall economy and afford it an appropriate place in national or regional strategic planning.
37. Governments should encourage consultations among the social partners in civil aviation at all levels.
38. In order to promote industrial stability, governments' social policies should ensure the provision of unemployment benefits, health insurance, and training and retraining for furloughed and unemployed workers.

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39. Governments could provide support (including funding) for security and insurance costs to avoid labour conditions and job cuts from being the main focus for adjustments. Governments are urged to extend all stop-gap measures to allow sufficient time for the development of permanent solutions to the war-risk insurance problem.
  40. Governments should continue to ensure the independence and integrity of national aviation safety regulators.
  41. Governments should continue to ensure that their national aviation authorities have the necessary means and resources for the effective oversight and implementation of all components of an increasingly global yet fragmented industry.
  42. Governments, acting nationally, and in coordination with ICAO, should consider the establishment of effective legal protection and remedies against violence at work for flying personnel, including a review of jurisdictional issues and establishment of safety requirements and procedures.
  43. Governments should ensure that the fundamental workers' rights of aviation employees, including the right to privacy, are protected and respected in cases where such employees are subject to security vetting due to the sensitive nature of their employment.

### **Best practices**

44. Information on best practices concerning socially acceptable human resource policies should be shared and broadly disseminated. These practices could take the following forms, for example, voluntary early retirement, educational leave and/or voluntary furlough. In times of crisis, the following measures can also be considered, for example, working-time adjustments, the non-transferral of probationary staff to full-time contracts, voluntary redundancy, recruitment freeze and/or forgoing of bonus pay.

### **ILO action**

45. The ILO should:
  - (a) further investigate the impact of 11 September on civil aviation in developing countries and disseminate the results;
  - (b) undertake, jointly with ICAO, an urgent study of the impact on employment and safety practices due to the restructuring of the aviation industry;
  - (c) in cooperation with national governments and international organizations, collect data on employment in the industry, disaggregated by gender and minorities, where available, and disseminate the results;
  - (d) collect data and undertake aviation-specific occupational safety and health research in the framework of its existing programmes in this domain;<sup>3</sup>
  - (e) promote within ICAO, and other safety regulators, a "human factors approach" in the security domain, which maximizes the quality of human resources, in terms of elements that impact on the performance of security and safety functions;
  - (f) enhance its cooperation and collaboration with aviation safety and economic regulatory bodies, relevant international organizations, including ICAO and the international financial institutions, to promote economic cooperation and the importance of tripartite consultation and continuous social and technical dialogue;
  - (g) participate, through a Governing Body delegation, in the preparatory meeting and subsequent ICAO Worldwide Air Transport Conference scheduled to take place in March 2003; and

<sup>3</sup> The Workers' group considered that this research should cover the health impact of changing time zones, the effects of cosmic/ionizing radiation, the impact of aircraft disinsection and pesticide sprays, violence and stress, ergonomic design of check-in stations, fatigue, hours of work and aircraft cabin air quality. No consensus could be reached on its inclusion.

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- (h) establish a small standing tripartite strategy forum for aviation to provide guidance for its activities in this sector.

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**Liste des participants**  
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**Membres représentant les employeurs**

**Miembros representantes de los empleadores**

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Mr. Michael Yao Foli, Chief Pilot, Ghana Airways Ltd., Accra

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### Members representing the Workers

### Membres représentant les travailleurs

### Miembros representantes de los trabajadores

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Ms. Pornpimom Ahrens, Thai Airways International Union (TAIU), Bangkok

Sr. Pedro Azambuja, Federação Nacional dos Aeronautas e Aeroviários (FNAA), Rio de Janeiro

Mr. Fred Bruggeman, Secretary-General, Aircraft Engineers International, Capelle a/d Yssel

Sra. Alicia Castro, Secretaria General/Vicepresidenta /Diputada Nacional, Asociación Argentina Aeronaut, Buenos Aires

Mr. Eddie Chew, President, Singapore Airlines Staff Union, Singapore

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Mr. Mohan Retna, Vice-President, Singapore Airlines Staff Union, Singapore

Mr. Roy Pek, Assistant General Secretary, Singapore Airlines Staff Union, Singapore

Mr. Kenny Chipato, International Transport Workers' Federation (NAWU), Harare

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Mr. Junichi Ishikawa, President, Japan Federation of Aviation Industry Unions (Koku-Rengo), Tokyo

Mr. Andrew Maswanganye, South African Transport and Allied Workers Union (SATAWU), Johannesburg

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Mr. Bhavish Munboth, Fédération internationale des organisations syndicales du transport, AMSLEU, Vacoas

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Ms. Ilona Ritter, Vereinte Dienstleistungs Gewerkschaft, Berlin

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### **Others Autres Otros**

Representatives of United Nations, specialized agencies  
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Représentants des Nations Unies, des institutions spécialisées et  
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Representantes de las Naciones Unidas, de los organismos  
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#### **European Commission**

#### **Commission européenne**

#### **Comisión Europea**

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#### **International Civil Aviation Organization (ICAO)**

#### **Organisation de l'aviation civile internationale**

#### **Organización de Aviación Civil Internacional**

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#### **United Nations Conference on Trade and Development (UNCTAD)**

#### **Conférence des Nations Unies sur le commerce et le développement**

#### **Conferencia de las Naciones Unidas sobre Comercio y Desarrollo**

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**Airports Council International (ACI)**

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**European Cockpit Association (ECA)**

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**International Air Transport Association (IATA)**

**Association du transport aérien international**

**Asociación de Transporte Aéreo Internacional**

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**Confederación Internacional de Organizaciones Sindicales Libres (CIOSL)**

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**International Federation of Air Traffic Controllers' Associations (IFATCA)**

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**Fédération internationale des femmes de carrières libérales et commerciales**

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