

Shock factor in aviation

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A key determinant of current politics is the shock factor. In economic terms this phenomenon can be attributed to Milton Friedman, the reputed Nobel Laureate of the University of Chicago School of Economics of the 1950s, who was the father of the phrase: Is it shock, real or perceived, that starts real change?

Friedman's doctrine was based on the recognition that the free market has to be distinguished from the State and function separately and independently. Naomi Klein in her book *The Shock Doctrine*, *The Rise of Disaster Capitalism* (Alfred A. Knopf: Canada, 2007) takes this a step further by building on the theory that the dependence of free market forces on the power of shock has spawned a shock culture, which she calls the shock doctrine.

This doctrine is based on the premise that people who are devastated by a disaster look towards rebuilding what they lost whereas free market forces look for exactly the opposite - to start with a clean slate by exploiting the disaster to their advantage. Klein extends this doctrine to political leaders and cites the Tiananmen Square massacre of 1989 as having given the Chinese political leaders the opportunity to convert much of China into a gigantic export zone.

Aviation Security

In aviation terms, the events of 11 September 2001, initially created a similar situation, which I have called the fear factor in my book *Aviation in Crisis* (Ashgate: Aldershot, 2004).

The air transport industry took a sudden turn for the worse, mainly because, for the first time in the annals of humanity, aircraft were used as weapons of mass destruction. Many feared to take a plane and traffic figures of airlines plummeted. In

addition, a severe economic blow was dealt to the industry when aviation insurers gave seven days notice on September 17, 2001 that war risk third party liability coverage according to policy terms applying to the write back coverage for war, hijacking and other perils would be withdrawn.

The most compelling reason for the cancellations was the emergence of an exposure in terms of third party bodily injury and property damage that was unquantifiable.

The International Union of Aviation Underwriters (IUAW) has assessed that the total losses in respect of third party bodily injury and property damage caused by these events exceeded the previous greatest single catastrophic loss of US\$20 billion caused by Hurricane Andrew in 1992 by a significant margin.

Perhaps the most telling corollary to the shock factor in aviation after September 11, 2001 was that the Convention on International Civil Aviation signed at Chicago on December 7, 1944 (Chicago Convention) - the instrument that gives legitimacy to the International Civil Aviation Organization and lays down principles of international civil aviation - which had hitherto been taken for granted, immediately became important.

Annex 17 to the Convention which is on aviation security, became an instant focus of attention when the international community brought to bear the compelling need to revisit the Annex provisions with a view to strengthening its Standards and Recommended Practices.

The Annex has since been buttressed with provisions on new security measures which, inter alia provide for the strengthening of cockpit doors in aircraft and other security measures.

The world sprang into action at the 33rd Session of the ICAO Assembly, held soon after the events of

September 11 from September 25 to October 5, 2001. ICAO adopted Resolution A33-1 entitled Declaration on misuse of civil aircraft as weapons of destruction and other terrorist acts involving civil aviation.

This Resolution, while singling out for consideration the terrorist acts which occurred in the United States on 11 September 2001, and, inter alia, recognizing that the new type of threat posed by terrorist organizations requires new concerted efforts and policies of cooperation on the part of States, urged all Contracting States to intensify their efforts in order to achieve the full implementation and enforcement of the multilateral conventions on aviation security, as well as of the ICAO Standards and Recommended Practices (SARPs) relating to aviation security.

The Resolution also called upon States to monitor such implementation, and to take within their territories appropriate additional security measures commensurate to the level of threat in order to prevent and eradicate terrorist acts involving civil aviation. Furthermore, the Resolution urged all Contracting States to make

contributions in the form of financial or human resources to ICAO's aviation security mechanism to support and strengthen the combat against terrorism and unlawful interference in civil aviation.

In the weeks and months to follow, the world was also busy trying to cobble together a system which could put the airlines back in the skies. This required indemnities from countries that would cover their national carriers in case of similar disasters and the introduction of stringent security measures at airports and borders.

SARS and Avian Flu

The disastrous events of 11 September also spawned many leaders and heroes. Attention of the world was diverted from local problems and economic crises to a war against terrorism involving the entire world. ICAO, which had so far not been involved in matters pertaining to aviation insurance was drawn into the subject, and has been involved since.

Similarly, the SARS crisis which started in Asia in 2002 and spread to the Western World shocked the world of aviation. From an

aviation perspective, it is important to be aware of the grave risk that may be posed by the SARS virus in an in-flight situation.

To have full realization, the nature of the disease and the manner in which it spreads, has to be fully understood. In general, SARS begins with a fever greater than 100.4. Other symptoms may include headache, an overall feeling of discomfort, and body aches. Some people also experience mild respiratory symptoms. After 2 to 7 days, SARS patients may develop a dry cough and have trouble breathing.

The spread of the disease was attributed to international air travel which in turn focused the immediate attention of the international community to a hitherto moribund provision in the Chicago Convention which requires States to take effective preventive measures to prevent the spread by means of communicable diseases. Similarly, the bird flu crisis, which peaked in 2005 shocked the world and put the aviation community on alert since Avian influenza or bird flu, which is a contagious disease of animals caused by viruses that normally infect only birds and,

less commonly pigs, is caused by viruses which are normally highly species specific, but on rare occasions have crossed the species barrier to infect humans.

Bird flu viruses do not usually affect humans but several cases of human infection through different strains of viruses have been detected since 1997. The main concern is that the virus could gain the ability to spread easily from one person to another.

As these viruses do not commonly infect humans, there is little or no immune protection against them in the human population.

From an economic perspective, a flu pandemic may have different consequences from the SARS outbreak earlier this century. Whereas the impact of SARS was on the demand side, in the form of consumption and the demand for services contracted, a flu pandemic will also affect and impact the supply side, as members of the labour force fall sick and in some cases succumb to the disease.

A flu pandemic will also destroy human and physical capital, reducing global growth potential and having

a significant impact on the global economy. Furthermore, such a pandemic will make investment drop significantly and will not allow a revival for a long time. Deaths resulting from avian flu will reduce the work force drastically and a widespread pandemic could lower the world GDP by 3.6 points than in a case where there is no pandemic.

There is no doubt that the most serious and compelling factor which would affect the global economy and in turn the air transport industry is the psychological factor. Regionally, a virulent global pandemic could have serious results on the confidence of Europe, north America and Asia which have built their economies on their growth potential. There will be a significant loss to business as importers, exporters and the service industry experience a serious drop in demand. A direct corollary to this trend would be the closure of many businesses, lowering future investment and employment.

Safety in Aviation

Aviation safety has also caused ripples of shock in recent times, spurring the international aviation community into action. Several fatal aircraft accidents in August, October and December 2006 brought to bear the need for concerted international action on aviation safety. Regulators and operators re-focused on the safety of civil aviation.

States became aware that there was an onerous burden on them to ensure that, hand in hand with unfettered competition among carriers, rigid enforcement of technical regulation ensuring the safety of flight is necessary. This called for the need to put into operation coordinated global safety management systems (SMS).

Under ICAO's Universal Safety Oversight Audit Programme, States are required to establish a safety programme where aircraft

operators, maintenance organizations and services providers implement appropriate safety management systems. SMS are processes which proactively manage the projected increase in aircraft incidents and accidents brought about by the increase in air traffic movements. SMS require vigilance in the liberalization of air transport and the correspondent increase in capacity.

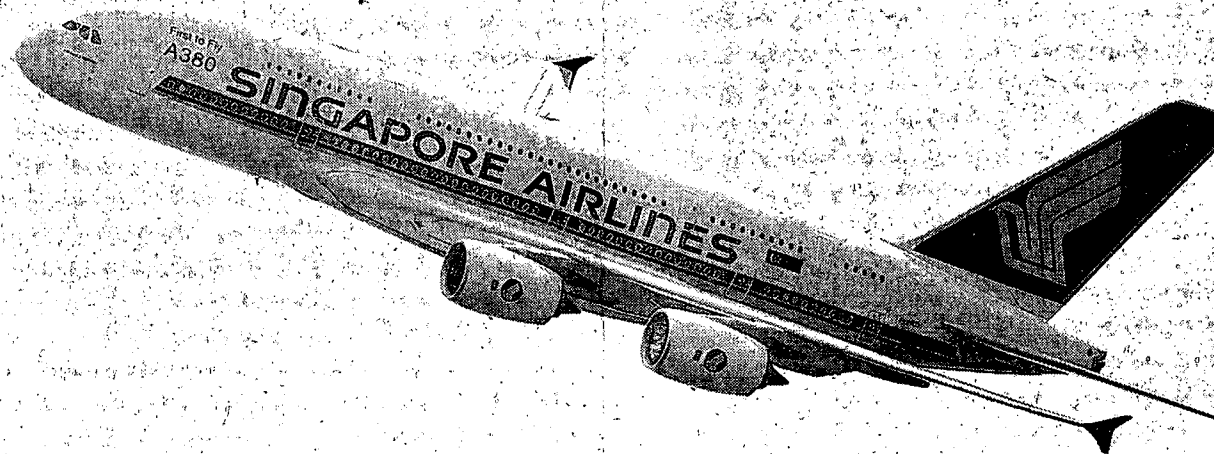
Aviation transports globally 2 billion passengers every year and 40% of the inter-regional goods by value. 40% of tourists now travel by air and the air transport industry generates a total of 29 million jobs annually through direct, indirect and catalytic impacts. Aviation's global economic impact is valued at US\$ 2.960 billion which is equivalent to 8% of the world's gross domestic product.

However robust the Global economy and the air transport may be, in the ultimate analysis, it is incontrovertible that every shock experienced by the industry has had to be absorbed through ICAO. This brings to bear the significant issue that efforts in countering the shock factor would largely depend on the effectiveness of ICAO.

In the determination of ICAO's effectiveness as an international organization lies the overriding principle of universality and global participation of all its 190 Contracting States in the implementation of ICAO policy.

This principle, which has its genesis in the Chicago Conference of 1944 that led to the adoption of the Chicago Convention, has flowed on gaining express recognition of both professionals and scholars.

This is what makes ICAO unique as a specialized agency of the United Nations and establishes without any doubt that ICAO has the potential to handle any threat that confronts aviation.



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