



**Remarks of
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I'm delighted to be able to join you all today for ACI-NA's annual international air service seminar. It's good to see so many familiar faces. And it's good to be able to meet to discuss a subject about which Secretary Mineta and I care deeply – international air services.

I'd also like to take this opportunity to introduce you to someone else who cares deeply about – and will soon be helping to care for -- this subject, Karan Bhatia. As some of you may know, Karan was confirmed by the Senate last week as Assistant Secretary for Aviation and International Affairs in the Department of Transportation, and will shortly be sworn in. I know Karan looks forward to meeting and working with you all. I'd like to start my remarks this morning, though, by talking about something other than international air services. I could not let this opportunity pass without spending at least a few moments noting two recent events of significant aviation import: Congress' reauthorization of the nation's aviation programs, and recent changes at the FAA.

FAA reauthorization has, I know, consumed the attention of many of us here today. It was the principal focus of my remarks to ACI-NA when I last addressed you in July, and has been an important focus of many of us in the intervening four months. Securing passage of this piece of legislation was one of President Bush's and Secretary Mineta's major transportation goals. It has required enormous hard work and commitment by many – including the Secretary, many members of Congress and their staffs, FAA Administrator Marion Blakey and her predecessor Jane Garvey, and the many stakeholders in the aviation industry, including all of you here today. You are to be congratulated on the product.

The reauthorization will bring vital stimulus to the economy overall and to airports in particular. It has been estimated that the \$14 billion in airport construction projects alone will drive the creation of 650,000 jobs – with a total of \$60 billion in new and continued programming to benefit aviation. When the appropriations process is complete, we will be able to take major steps forward in our plans for the U.S. aviation industry.

In addition to critical infrastructure funding, the reauthorization legislation includes many other provisions that will help carry the aviation system forward in the next few years. The environmental review process for airport projects will be streamlined in an effort to speed projects to completion without circumventing the laws and regulations that help preserve our environment. There are programs and initiatives aimed at reducing airport delays by allowing more collaboration among the affected parties. Also, there are provisions to improve safety and bolster aviation research. These and other parts of the bill will help to put the government and aviation community on a sound footing as we look to move beyond the difficult times of the last few years.

Reforming the Federal Aviation Administration – a key goal of Secretary Mineta since his tenure as chairman of the National Civil Aviation Review Commission – has been another significant development in the past month. Many of you may be aware of the Secretary's announcement last month of the creation of a new Air Traffic Organization (ATO) within the FAA. The ATO will consolidate the FAA's air traffic services, research and acquisitions, and Free Flight Program activities into a leaner and more efficient organization, with a strict focus on providing the best service for the best value to the aviation industry and the traveling public.

As you already know, we've hired Russ Chew, formerly with American Airlines, to lead the ATO. Russ is a proven industry leader and we are fortunate to have him. As Russ has said, we must create a culture in the ATO that fosters performance, not only within the FAA, but with our partners in industry. I think you will see some very tangible results from the ATO.

Of particular importance to the airport community is the expectation that the ATO will, over time, improve the ability of the system to handle future growth. While the extreme airline delays of several years ago seem to be a distant memory, it is inevitable that the same level of demand will be placed on the system again. Although the FAA has already undertaken a variety of efforts to avoid the kind of gridlock we experienced in the past, the creation of a performance-based, customer-focused organization will pave the way for even greater improvements and efficiencies.

Let me now turn to the subject of international air services, and let me start with a statement of the Administration's approach to this subject. This Administration believes deeply in free trade – including free trade in air services. To quote President Bush, "Open trade . . . helps dismantle protectionist bureaucracies that stifle incentive . . . [It] reinforces the habits of liberty that sustain democracy over the long term."

Free trade is not only a moral imperative, it is an economic imperative too. Open trade in

aviation functions as an engine of economic growth and growth of jobs. While I suspect few in this room need persuading, the evidence that liberalization of air services benefits American businesses, communities, labor, and citizens, is substantial. A George Mason University study a few years ago suggested, for example, that the addition of a single new direct air service from a U.S. city to a European market creates anywhere from 440 to 2,900 jobs, depending on the amount of service already enjoyed by the American gateway. Other studies have suggested that when a U.S. city gains daily access to a new international market, the city experiences an economic increase of \$265 - \$720 million per year from the direct spending attributable to the flight and the visitors it brings.

Suffice it to say, then, that for a variety of reasons we are very much interested in a vigorous international aviation agenda. That international agenda has several focuses. First, it is focused on the liberalization of markets that remain subject to market-distorting restrictions – for example, restrictions on the numbers of carriers that can be designated on frequencies, capacity, pricing, code-sharing, etc. There are a number of significant U.S. bilateral air services markets that remain subject to such limitations, including Japan, China, and even the UK.

We remain firmly committed to the policy of seeking – as a first and preferred option – Open Skies agreements in such markets. I am pleased that, over the past three years, we have managed to conclude eight new bilateral Open Skies agreements, bringing our total number of Open Skies agreements to 60. This number is a testament to the success of the now 11-year-old U.S. Open Skies initiative and to the policy of deregulating international aviation.

However, we have also demonstrated our willingness to work with our international partners to liberalize incrementally or through “phase-ins,” where necessary and appropriate. We will continue to do so – not only because the benefits to carriers and consumers from such incremental liberalization can be substantial, but because we are convinced – and experience has demonstrated – that trading partners that get a “taste” of liberalization soon develop an appetite for more thoroughgoing deregulation.

In this regard, let me draw your attention to air services agreements recently concluded with three important U.S. trading partners in Southeast Asia – Hong Kong, Thailand, and Vietnam. With Hong Kong, we succeeded in negotiating an agreement that permits each side to operate increased fifth freedom opportunities for both cargo and passenger services carriers, as well as greater code-sharing. With Thailand, we concluded an important agreement that creates full open skies in the area of all-cargo services. And with respect to Vietnam, Secretary Mineta recently signed the first comprehensive air services agreement ever concluded between our two countries – a landmark agreement that will afford U.S. and Vietnamese carriers substantially greater access to each other, including the possibility of the first direct service between the two countries.

In addition to seeking to further liberalization on a bilateral basis through agreements such as these, the Administration continues to be actively engaged in seeking liberalization on a multilateral or regional basis. With their ability to multiply the

benefits of liberalization geometrically, regional or multilateral agreements offer exciting possibilities as a vehicle for promoting international cooperation in aviation.

Regionally, we have worked actively within the Asia Pacific Economic Cooperation forum — APEC — to address aviation issues. The U.S. and six other nations are parties to a multilateral aviation agreement that establishes one large open aviation market between the parties, and that creates a fresh, new approach to the legal framework for international air services. Significantly, the agreement is open to accession by both APEC and non-APEC economies, thereby creating a streamlined mechanism for expanding commercial aviation opportunities beyond a bilateral or even regional context.

Focusing on another region – the transatlantic – I know that you are all aware of the discussions in which we are currently engaged with the European Commission. We have now met twice, at the staff level, to discuss a wide range of subjects of interest to one or both sides. While much work remains to be done, I am pleased at the progress that has been made towards the goal that both we and the Commission share – a meaningful substantive, trade-liberalizing agreement. The United States has made clear its strong interest in these discussions as a vehicle to further liberalization of the transatlantic market, including the adoption of Open Skies freedoms in currently restricted markets. We are also interested in and open to other European ideas of how to create more seamless international markets, less distorted by governmental interference. Clearly, the potential benefits to American communities, carriers, and consumers from a more open, integrated North Atlantic market could be substantial.

Finally, in addition to our focus on bilateral, multilateral and regional initiatives to liberalize air services, I should also mention the active international agenda that the United States has in the area of aviation safety and certification. Many of you here may be less familiar with the FAA's efforts in this area. Over the past 8 years, the United States has concluded 42 bilateral aviation safety agreements (BASAs) with significant trading partners including France, Germany, and the UK. These agreements provide for technical cooperation between the FAA and their foreign counterparts to facilitate the reciprocal certification and acceptance of civil aeronautical products and services. In so doing, they promote efficiency and harmonization in aviation markets.

The United States also is taking seriously its obligation to assist those developing countries where aviation safety remains an aspiration. Through its Safe Skies for Africa program, the United States has rendered direct technical assistance to eight countries in Africa. Recognizing as we all do, how important air transportation is to economic development, the assistance – modest though it is – we render these countries has a direct linkage to helping them escape poverty. And – if I might challenge you all here today a little bit – I'd urge that ACI as an organization think about what it can do to assist your counterparts in less developed countries – whether through technical assistance on issues of aviation safety and security, or through mentoring in updated airport management and marketing practices. We at the Department would be delighted to assist in making connections in this regard.

Let me stop here. Thank you for inviting me today. And thank you for the tremendous work that you all do in supporting this country's air transportation system.

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