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2 P.M.

Good afternoon, and thank you, everyone, for that warm welcome. It's always an honor to speak before a crowd that really knows the ins and outs of aviation. Thanks for taking time from your busy schedules to be here.

I want to extend my deepest appreciation to ANA and JITI for organizing this most timely seminar. Thank you both.

You know, with all the talk of liberalization and market access we've been hearing about this afternoon, it reminds me of a story I read in the New York Times recently.

The headline was "Interpreters in Baseball Making Sure Nothing Is Lost in Translation."

It was about how more and more Major League Baseball teams are hiring interpreters for the ever-expanding numbers of Japanese ball players. The numbers are at an all-time high.

Already, the Yankees and Mariners – each of whom has two Japanese guys on their rosters – have hired full-time translators.

They're responsible for helping the players communicate with their teammates and the news media.

The Boston Red Sox also have them. Two, as a matter of fact. One is for their hot, new starting pitcher, Daisuke Matsuzaka, and the other is for a reliever, Hideki Okajima.

When a reporter asked Boston's pitching coach why the need for two translators, when everyone else is making do with one, he had this to say:

“There's no replacing clear communication when you've got to be competitive.”

Indeed, he's right.

And while I can't profess to knowing the first thing about throwing a slider, do know this. Be it baseball or aviation, market forces and competition are causing everyone to re-think the way they do things. The ingredients for success are universal -- compete ... innovate ... thrive.

Today, we can all agree that liberalization has transformed the game of aviation, by changing the dynamics of competition.

When my congressional colleagues and I passed the Airline Deregulation Act in the late 1970s, we had high expectations. We were hopeful that unleashing competitive market forces would help the airline industry soar to new heights.

Not many people still remember how controversial that legislation was. The airlines were almost unanimously opposed to it from the get-go. They preferred the protection from marketplace competition that old-style regulation provided.

I'm very proud that the Congress stayed the course. It was unquestionably the right thing to do. And, it was one of the most profound economic policy decisions in our history.

Deregulation has delivered a dynamic domestic airline industry, where consumers are driving change. They have more options, at lower fares, based on more timely information, than ever before.

The liberalization of international aviation markets is one of the most significant changes taking place in today's global economy.

Fierce competition for air services and more efficient, longer range aircraft are combining rapidly to change the landscape.

In this new environment, airlines will literally bypass destinations constrained by restrictive aviation policies in favor of more liberal markets.

In turn, those who get left behind will see fewer travelers passing through their airports, less cargo being loaded onto planes, and fewer passengers arriving to do business and spend money.

After hearing the details of the Chicago Convention report, I have to say how impressed I am with the quality and the analysis. I can see that we're in agreement that liberalization is where the world needs to go.

But I have to say – it would be really interesting if Japan could just get to the first step, it would realize what countries the world over already know -- that liberalization works.

Right now, Japan and the United States are still parties to a 1952 air services agreement. And, it looks increasingly like the vestige of a bygone era.

Air services between these two great and mighty economies have increased significantly, to be sure, but only in keeping with what regulators will allow.

Efforts to create a liberalized regime more in keeping with the economic philosophy that's brought such huge prosperity to our nations have consistently failed. Long rounds of negotiations have added an opportunity here and there, but Japan has consistently refused to embrace the policy that now characterizes so many of the world's most important aviation markets.

Just last week, as many of you know, both countries failed again to reach a new agreement during three days of talks here in the nation's capital.

With the cherry blossoms in peak bloom outside, negotiators were inside trying to hammer out a liberalization deal as called for in a 1998 MOU.

Some of the issues that the U.S. side sought to resolve were more rights for non-incumbent cargo carriers ... liberalization of pricing rules ... and greater freedom in code sharing.

As it stands now, air fares now are subject to the old school “double-approval” system, whereby fares are allowed to stand only if both countries approve. The U.S. wants to ultimately move toward a “double disapproval” system, where fares are rejected only if both countries raise objections.

On the other side of the table, the Japanese were focused on slots held by U.S. airlines at Narita Airport. Flight counting is what it basically boiled down to. It’s an approach that, frankly speaking, should have no place in a mature economic relationship such as ours.

No word yet on when the next round of talks might be. There’s talk of the summer, perhaps.

The time has come for us to move away from the calibrated view that's currently in the U.S.-Japan bilateral toward a more Open Skies relationship now represented in the U.S.-EU deal.

Talk about a model that works.

It creates a new template for the rest of the world. It's going to create a cadre of airlines coming out of Europe and the United States that will be forced to compete in the largest, busiest, most lucrative aviation market on the planet.

European carriers benefit, because of the ability to treat all of Europe as their point of origin, rather than the individual countries from which they come. The press has largely ignored this very important fact, even though Virgin Atlantic has announced that it's studying the possibility of launching new service to the U.S. from cities like Paris, Madrid and Amsterdam.

Before the ink is even dry, U.S. and EU negotiators have already agreed to begin speaking next year about further elements of liberalization. The EU had made it clear that foreign ownership and cabotage will be on the table.

This transatlantic alliance should send a message across the bow to those who feel that they can resist the inevitability of this model. They should know that they're going to pay a heavy price.

Their airlines aren't going to be as cost effective and competitive as they'll need to be, and that's not how you become a player on the world stage.

Now with all the talk this afternoon about market access, I have to take issue with something I've been hearing lately.

I've become aware that there is some discussion as to whether or not the Chicago Convention is as

up-to-date and modern as it ought to be, and if it should be revised or not.

In that regard, just let me say that the global legal framework of the Convention has served the world extremely well, and continues to do so. I believe that the Convention has worked whenever we've had new needs come up, like aviation security and the environment.

It works because the Annexes to the Chicago Convention allow for relatively efficient updating of ICAO's standards and practices.

While there may be room for improvement in the basic treaty, I believe we should approach any such endeavor with caution.

There may well be arguments for updating a treaty that's been around for more than 60 years by incorporating some of the annexes into the framework itself. That's a question I'll leave to the experts.

But if the nations of the world do decide to explore a possible updating of the Chicago Convention, it would be my hope that they avoid complicating those deliberations by attempting to make it a vehicle for establishing market access.

You may find it surprising that an advocate for liberalization like me should argue against trying to turn the Chicago Convention into a global open skies agreement. The United States argued for just such a treaty back in '44, after all. Why not now?

Well, the answer is that ICAO is not now, and should not try to become, an international trade organization.

My fear is that if we allow ICAO to become a forum for the kinds of aero-political negotiations that have been the province of bilateral exchanges for the

last 60 years, we might well compromise its efficacy in the critical areas of safety, security and the environment.

I honestly believe that ICAO's success as a global aviation agency can be attributed to the fact that it has managed to avoid market access issues throughout its history.

It has helpfully encouraged thinking about liberalization at its air transport conferences. But, it hasn't held itself out as the venue for achieving such liberalization.

Let me make one thing clear. I am in favor of a more liberal environment for civil aviation. I just don't think ICAO is where we should be trying to create it.

So what's the alternative? Well, I refer you to what I said earlier about a model that works – the U.S.-EU pact.

There are others, like bilateral open skies agreements.

Or, perhaps a new MALIAT [**Multilateral Agreement on the Liberalization of International Air Transportation**] that builds on the one we did with others in APEC.

I'd like to conclude this afternoon with this. Regulation is too often the enemy of opportunity and innovation. Countries that are wedded to the status quo will have only themselves to blame when the world of aviation passes them by.

Thanks again for allowing me to share a few thoughts.

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