

Rt Hon. Geoff Hoon MP, Secretary of State for Transport
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Speech: "Three steps to a better future"

Introduction

Thank you for that kind introduction and thank you also for inviting me along to speak today.

The American politician and diplomat Adlai Stevenson once *said "flattery is great, but you must never inhale"* - so, at the risk of flattering my hosts and my audience, can I just say what a pleasure it is to be back in Washington and among such distinguished and expert company.

Aviation is global not local

In today's globalised world, it's the aviation industry that binds us together. When my uncle and aunt emigrated to New Jersey in the 1920s, it would have taken them a week to sail from England. On Friday, I flew the same distance in seven hours. It's that amazing transformation of our ability to travel that makes aviation key to the aspirations of modern society - whether it's visiting our families, going on holiday or travelling on business.

This means - as I know you all appreciate - that aviation is a fundamentally international business. Standing at London Heathrow airport, the tail fins on the planes belie their origins from tens if not hundreds of different jurisdictions around the world. Which makes it essential - I believe - that we work together in searching for global solutions to the key problems facing the aviation industry today.

A little history

Before looking forward, just let's remind ourselves of how we got here. From the earliest beginnings, the United States has played a central role in the development of the aviation industry. It's no accident that the treaty which still regulates the industry was signed on U.S. soil in 1945. And, when the EU liberalised its aviation sector from 1992, it was

following the lead of the US, which did the same thing - for domestic routes at least - many years before.

And let's just pause for a moment to remember the benefits of liberalisation. Passengers have benefited from the hugely wider range of air services, and lower prices, that competition has brought. And airlines have been able to tailor services that reflect demand - rather than history, or political imperatives.

Now, the world faces economic and environmental problems on a scale previously unimagined, as the credit crunch combines with the challenge of addressing climate change. These are global problems which call for global solutions. Today I'd like to talk about how I believe that by working together, our shared internationalism can produce answers to deliver the safe, sustainable and viable aviation industry I know we all want to see.

Harnessing the energy of the New Administration

I am visiting the United States with a strong sense of optimism about the wealth of possibilities in aviation policy as the new Administration begins its work.

Looking on from London, the level of energy and focus emanating from Washington is impressive. It is tangible - and my hope is that it can be harnessed to produce the economic and environmental answers that aviation needs.

So, with that in mind, I would like to make a simple proposition - over the next twelve months, we have a rare opportunity to take three simple steps that will create a new international regime, and a better future, for aviation.

Joint Action

I am convinced that, if the EU and US act together, by Summer 2010, we could have an industry that:

- at long last is able to run its operations on a truly global level,

- that is supplied by aerospace companies that work on the basis of common and consistent rules,
- and that is in a position to follow a clear and coherent international plan for keeping its emissions under control and in due course reducing them.

This is no pipedream - discussions between the EU and US have been underway on all these issues for some time real progress has been made. We have to continue that progress and build on it with a sense of urgency and purpose.

Three steps

To do that involves following three steps:

Step one is a commitment to complete stage two of the EU-US Open Skies negotiations by June 2010, with the headline objective of liberalising all foreign ownership in airlines to give European and American air carriers a bigger home market and the ability to operate like any other competitive international company.

Both sides agreed in 2007 that the completion of stage one was not enough and that more was needed. Now is the time to push ahead with stage two.

Step two is a commitment to enhance open markets in aerospace products and related services, ending the talk of banning the use of foreign maintenance facilities and allowing a long awaited mutual recognition agreement between the EU and US to come into force. This will save our aerospace companies like Boeing, Airbus, Rolls-Royce and GE, millions of dollars every year, allowing them to focus on developing the next generation of green aircraft we need.

Step three is an agreement between the EU and US on a clear approach to climate change in aviation, involving new fuel efficiency standards and meaningful global emissions goals.

In this way we can move beyond the current international impasse to a new mode of constructive problem solving.

Working together over the next twelve months the US and EU can show real global leadership.

These steps offer the chance of real progress. So let me deal with each of them in a little more detail.

First - ownership and control.

We live in a world where international investment is the norm - and where global brands transcend national borders in almost every part of the economy. This is part of the fabric of our modern lives and has brought us huge social and economic benefits - so opening up investment should not be seen as a threat to aviation. Far from it. Regulatory systems exist which allow national authorities to impose tough requirements on airlines in safety, security, labour rights and other areas.

These safeguards mean there is simply no prospect of aviation somehow descending into chaos if international investment is opened up. In other words, national ownership is no longer a necessary means of ensuring quality in this industry.

Airlines are some of the most capital intensive businesses in the world - and that means they need the same access to capital, and the same flexibility to serve global markets, as those enjoyed by corporations in other sectors.

So what we need is an open framework that will allow strong and efficient airlines to organise their businesses on an international basis to match their international traffic flows.

And that's why the European Union, with full UK support, has made open investment our first priority for the next phase of the EU-US negotiations.

Let me now turn to improving trade in aerospace

Benjamin Franklin famously once said, "*no nation was ever ruined by trade.*"

Well, when it comes to aviation and aerospace, I agree - in this time of global recession, we should be doing everything we can to increase, develop and open up trade. Put simply, this is the time to make trade easier, not harder.

The development, the production and the use of aerospace products is global. And, around the globe, everyone essentially wants to use the same products built to the same high standards.

This means that there is a valuable opportunity to remove the barriers that require aerospace manufacturers to apply different standards and make modifications according to the national market.

I'm pleased to say that the European Union and the United States have already negotiated an agreement on aviation safety that would do a great deal to remove the final technical barriers to trade.

The agreement would allow the Federal Aviation Administration and its European counterpart, the European Aviation Safety Agency, to

recognise one another's work and thereby significantly simplify the process of certifying aerospace products and services.

In other words, it would enable the EASA to improve the service it offers to US industry and reduce the amount it charges US producers.

The European Commission has estimated that overall, this agreement could stimulate trade by up to a billion dollars. For an industry facing the twin challenges of climate change and a global recession, that is a lot of money that could be put to a great deal of good use.

But, I am sorry to say that this agreement is currently stalled.

Speaking frankly, one of the issues slowing down progress is the draft legislation currently before Congress that seeks to give special protection to some US companies in this field.

Rather than see this draft legislation enacted, I hope the drive for change started by the President, and the commitment to open markets espoused by the G20, will now prevail so that this important agreement can go ahead.

Last, but by no means least, let me focus a little more on the environment

Climate change is one of the defining issues of our age. And it is one that the aviation industry must confront - the industry cannot stand still or shuffle sideways in the hope that this issue will go away or solve itself.

But again, I believe that the opportunity is there for the aviation industry to give a lead.

There's a lot that can be achieved by technological improvements and other efficiencies - such as in air traffic control. But it's clear to me that we need to go further than that. The only way I can look the European electorate in the eye and convince them that I am taking aviation emissions seriously is if I can guarantee that those emissions will be capped.

That is what the inclusion of aviation in the European Emissions Trading Scheme is designed to do.

I know that the ETS remains politically, conceptually and legally controversial. But I don't think it makes sense to polarise this debate by concentrating on a legal argument about what the Chicago Convention might or might not mean. Instead, let's look at models for moving forward.

I accept that the US aviation industry is concerned about what it sees as the imposition of the ETS on terms determined by the European Union. Well, the EU came up with the ETS in the absence of concrete

proposals from other nations or regions. But we are not pretending that it is the only possible scheme design in town.

That's why, from the very beginning, we have designed it to interact with other systems that other countries may put in place. So, if the US were to design and implement a broadly equivalent scheme - under domestic law and determined by the political process here in Washington - then inbound US flights would be exempted from the EU ETS.

So there is a clear opportunity for constructive engagement. And I am delighted to see the beginning of serious discussions about cap and trade in Washington.

More widely, I believe the aviation industry can seize the chance to move onto the front foot and work multilaterally to determine its own future. But it needs a global emissions goal to provide direction, backed up by stretching international fuel efficiency standards.

That goal must be consistent with the ambitions and expectations for the Copenhagen Climate Conference. If we can make significant progress, aviation can move away from being seen as part of the environmental problem and, instead, become a clear part of the global solution.

Progress can be made

A new President, a new Administration and new possibilities - this is an exciting time to be back in Washington.

Yes, there are significant challenges to be met - for the industry and for politicians and policy makers on both sides of the Atlantic.

And there are one or two proposals currently doing the rounds that, should they move from ideas for discussion to actual legislation, might do more harm to the aviation industry than good.

Indeed, some of them would undoubtedly threaten and undermine the substantial advances made by the US and EU in 2007 - a prospect that seriously concerns the United Kingdom.

But I am one of life's optimists - so, whether it is breaking down barriers or opening up trade, or whether it is finding a consensus to reach the agreements we absolutely need to reach, I believe that we can make real and lasting progress.

I also have a long memory, so I remember the false arguments we heard from some opponents to the liberalisation of air services and investment when we started the process in the European Union.

For example, some critics told us that liberalisation would lead to the gradual erosion of services to smaller airports.

In fact we have seen precisely the opposite.

In truth, the development of low-cost airlines and secondary airports has opened up a remarkable number of new routes and opportunities for travel - from the UK alone they serve destinations ranging from Scandinavia to the Baltic States, from Central Europe to North Africa and beyond.

Overall there are 170% more city to city connections in Europe today than in 1993. And, across the board, the EU experience of liberalisation indicates that states can open up their markets and open up investment without compromising safety, security or any other regulatory issue. So my essential proposition is this - it is not liberalisation of aviation that we need to fear, it is a retreat into the false security of a protectionism that, ultimately, would protect none of us and at the same time damage all of us.

Conclusions

I said at the start of my speech that our societies are better and our economies are stronger because of the contribution aviation makes. The key, therefore, is to build a better future for aviation by working in partnership and making the right choices, and by accepting that a global industry, with global problems - both economic and environmental - needs international solutions.

And, for me, the choice we face is a simple but crucial one - it is between using the next year to take three progressive steps towards delivering those solutions, or taking a road that would see the aviation industry stagnate, splutter, then decline.

I believe that with vision, determination, hard work and focus we can, and we will, make the right choice.

Thank you for your attention.