

**Keynote Speech of Mrs. Karla Peijs, Dutch Minister of Transport, Public Works and Water Management before the International Aviation Club, Washington, DC, May 3, 2005**

Ladies and gentlemen,

It is a pleasure and an honour to be here today. It's good to be back in the United States. As a member of the European Parliament I visited the US frequently before as a member of a delegation that maintained the relations with the US.

I only arrived the day before yesterday, and I am delighted to have the opportunity to address you and share my perspectives on the relationship between the US and the Netherlands in general and in particular with regard to the challenges we face in aviation.

Yesterday, I had a productive meeting with my good friend, Secretary of Transportation, Norman Mineta. It was clear from our conversation that we're still on the same wavelength about many issues. It is not surprising that Mr Mineta and I agree on so many things.

The US and the Netherlands have had close ties since the days of the American Revolution. Amsterdam was the first foreign ally to help the American Colonies in the uprising against the British rulers.

This year we also commemorate the 225th anniversary of John Adam's arrival in the Netherlands. You all know that Adams was the first vice president and then the second president of the United States. But what many people don't know is, that he was also America's first official ambassador to the Netherlands, and a pioneer making friends and doing business with the Dutch.

After a number of rejections, he eventually succeeded in securing a loan from Dutch bankers. This was quite an accomplishment, I can assure you. The Dutch in general and Dutch bankers in particular are not exactly known for their generosity.

Our friendship is based on shared values like democracy, free enterprise and security. But despite this long history, personal contact remains essential to reaffirm the purpose of the relationship on a regular basis. I am always surprised by the scope for misunderstanding between countries, resulting from a lack of insight into each other's societies.

That is why I am so pleased to be here – particularly at this critical phase of our aviation industry.

Ladies and gentlemen,

Both the US and the Netherlands have been pioneers in the field of aviation. In the 1970s, the US started the process of liberalization. And like the US, the Netherlands is also a trailblazer in aviation. The facts speak for themselves. KLM was the first European airline to implement the hub and spoke system developed in the US. By linking European and intercontinental flights, KLM was able to build a world-wide network.

Despite the limitations of a very small domestic market. As far back as 1990, the Netherlands concluded an Open Skies Agreement with the United Kingdom – two years before the formation of the internal European market.

In 1992 the Netherlands was the very first country that signed an Open Skies Agreement with the US, clearing the way for the joint venture between KLM and Northwest. The economic advantages are considerable. Liberalisation of the market has led to lower prices, more frequent flights and better service. And transatlantic traffic between the US and the Netherlands has increased by 70%. All to the benefit of our economies, our businesses and our people!

Another example: in 2003, KLM and Air France took the initiative for the first transnational merger of two major European airlines. Now, in 2005, this seems

completely normal. The partnership is very successful and has created - in terms of turnover- the biggest airline in the world with increased growth coming from the improved connectivity offered to passengers. And, I should add, it is also a very profitable enterprise.

But in the summer of 2003, news of the impending merger set off a heated debate in my country. National carriers had formed the basis for global aviation for decades. It was a sensitive issue for many. Our national carrier – Royal Dutch Airlines – was preparing to merge with a strong foreign partner. Some accused them – and us – of selling the national crown jewels. Others predicted the end of Amsterdam Airport. Despite the public outcry, the Dutch government consented to the merger, fully convinced of the long-term benefits.

Of course, the government also took precautions, insisting on a number of safeguards and guarantees to protect the public interest. We are free market liberals but not naïve. For at least the next five years KLM-Air France will be serving 42 key intercontinental destinations from Amsterdam. And be assured, this list includes a number of American cities, like New York, Washington and Chicago. In addition, KLM's status as our national carrier within the Air France-KLM holding company is guaranteed for the coming years.

The pioneering mentality in the Dutch aviation sector has enabled us to accomplish a great deal. Despite the relatively small domestic market of 'only' 16 million people, Amsterdam's airport is the fourth largest in Europe, the ninth largest worldwide, and bigger than Hong Kong. Some forty million passengers pass through it each year. And did you know that KLM serves 142 international destinations from Amsterdam? This network quality is vital to our economic competitiveness and business climate.

Of course, with our prime geographical location, at the gateway to Europe, we have a head start over other European countries. But we could easily lose this lead if we don't continually invest in our economy. By the way, this is also the reason we're expanding the port of Rotterdam and, if necessary, the port of Amsterdam.

I'm sure it will come as no surprise when I tell you that the Dutch government advocates continued liberalisation of the aviation industry.

And you'll be even less surprised to learn that we're also great supporters of an Open Aviation Area between the EU and the US. The EU-US market is the largest in the world, accounting for sixty per cent of the global aviation market. The bilateral Open Skies agreements have shown the level of economic growth that we can achieve by lifting restrictions. Within an Open Aviation Area, the growth will be many times greater.

This is why an internal EU-US aviation market is the logical next step.

The Netherlands fully supports the European Commission's efforts to come to an agreement on an Open Aviation Area. And our support will continue.

A little over a week ago, the EU's transport ministers agreed to vote on a framework for negotiations with the US next June. I trust that the framework will be adopted and that negotiations will resume shortly thereafter. And I hope they will prove successful. For this to happen, political leaders from both continents must be willing to look beyond their vested interests.

Former Secretary of Transportation Samuel Skinner recently raised this point at a seminar that was held in Chicago last April. He referred to 'old-Europe thinking' - too many requests - versus 'old-America thinking' - too few concessions. As he sees it, the time is ripe for a deal between the US and the EU. I couldn't agree more! *Open Skies need open minds!*

I just cannot imagine that the 'New World' adopts a less progressive policy on issues like ownership than the 'Old World'.

We can't let this chance pass us by. Whereby I plead for a phased approach capturing immediate practical benefits in the first phase. For us in Europe it is

essential to have a joint understanding about the second phase before moving forward.

But an EU-American deal is not the only challenge facing us. We – industry and governments alike – need to make preparations that will guarantee the sector a healthy future.

A future where aviation will grow by six per cent annually and where we look forward to no fewer than a billion new passengers over the next ten years. Passengers who have never flown before.

We can expect more than just increases in volume; the structure of the market itself will be transformed. The aviation market is in a process of continual innovation. With the US taking the lead in many areas. Just think of the boom in low-cost carriers, which first made their mark in the US a decade earlier. Now we're seeing strong growth in general aviation.

And there is no reason to expect this growth to taper off, particularly with initiatives like Eclipse. We can also expect the trend towards rationalisation – including mergers between major airlines – to pick up speed. Just think of America West and US Airways, or Lufthansa and Swiss Air. More airlines are sure to follow.

The explosive growth in the aviation industry, the liberalisation trend and the continuous innovations – like low cost general aviation – will give rise to new issues.

Issues that both the market and national governments will have to address on both sides of the Atlantic, like airport capacity, air traffic control and environmental protection.

Secretary Mineta has taken the initiative to develop a strategic plan for a next-generation air transport system in 2025. A system that meets high standards for mobility, safety and capacity.

I applaud this move. The EU's SESAME program is investigating many of the same issues. This program is expected to improve air traffic management and air safety in Europe. I would be very pleased to see the US and the EU collaborating in this area.

Ladies and gentlemen,

Issues like traffic and airport capacity and the environment are at the top of the European agenda. Heathrow and Frankfurt have major capacity problems to contend with.

For other EU airports, including Amsterdam, these sorts of problems are lurking just around the corner. Air pollution and noise pollution are two other hot issues at the moment – in the political and public arena.

Addressing these issues

is key to finding the right balance between the need to grow and maintaining public acceptance of aviation activities.

We have to foster debate on market incentives, like tradable slots and emission trading. In addition, I would really urge you to accelerate aviation and aircraft technology developments to reduce noise and emissions.

Ladies and gentlemen,

I hope I have given you an impression of the joint challenges that we face to ensure that aviation can fulfil its full potential as the most global form of transport.

But before ending, I just want to say a few words about a very important European development. Our new constitution.

This will be voted on by several countries in the next few months. In Holland on June 2<sup>nd</sup>. Before becoming a Minister, I was a member of the European Parliament for 14 years. It will therefore not surprise you if I say that I am very much in favour of this European Constitution.

It creates the conditions for both more democratic governance and leaner and meaner decision making structures.

In addition to answering questions about our aviation policy, I am therefore also happy to answer any questions you may have on this topic.

Thank you.