

**STATEMENT OF  
CHRISTA FORNAROTTO  
DEPUTY ASSISTANT SECRETARY FOR  
AVIATION and INTERNATIONAL AFFAIRS  
U.S. DEPARTMENT OF TRANSPORTATION  
before the  
ACI-NA CONFERENCE  
December 3, 2009**

I would like to thank Greg Principato and Debby McElroy for inviting me here today. I have worked very closely with Greg and Debby both during my time on Capitol Hill and in my capacity at the Department of Transportation and have enjoyed our collaboration on important aviation initiatives. Today, I am particularly pleased to be here to discuss with you the Department of Transportation's aviation agenda which is managed by my office.

As you know, on November 12, 2009, Secretary LaHood and Administrator Babbitt held a forum on the Future of the US Aviation Industry. The forum brought leaders from airlines, airports, government, labor, manufacturing, academia, and the consumer and analyst communities together to begin a national dialogue on the health and future competitiveness of US aviation. That discussion only began to scratch the surface of the issues we need to address, and that is why the Secretary intends to form a federal advisory committee to examine the U.S. aviation industry, its competitiveness, and its

ability to respond to the evolving transportation needs, challenges, and opportunities of the global economy. Airports provided important ideas and comments at the forum and will continue to be an important part of the future of US aviation discussion given the critical role they play.

Looking outward, the Department's policy on Open Skies Agreements fosters a competitive international marketplace. This Administration is committed to opening aviation markets around the globe to our airlines, our airports, our communities and most importantly, to U.S. consumers. The United States now has 94 Open-Skies aviation partners in regions all around the world. We are continuing our active efforts to bring more partners into the global Open-Skies aviation network. On a case-by-case basis, we assess whether, with countries not yet ready for Open Skies, an incremental approach to liberalization, which moves us closer to our Open-Skies goal, is the most productive way forward.

The Department of Transportation welcomes our partnership with U.S. airports. Your support has been a critical element in the success of the U.S. Open-Skies policy, and I look forward to continuing our collaborative

approach to international aviation liberalization. I will touch on two very significant ongoing negotiations: Japan and the European Union.

Japan is one of the largest international markets for U.S. airlines. However, the U.S. – Japan air services agreement has historically been one of our most restrictive. After over a decade of pressing Japan to accept Open Skies, we have an extraordinary chance to succeed as we continue negotiations. Open Skies would strip away the numerous restrictions that currently govern U.S.-Japan civil aviation relations thereby allowing greater competition among U.S. carriers in the market. A new agreement with Japan would create additional opportunities in the Japanese and Asian market that could benefit a wide array of U.S. carriers, shippers, communities, and the traveling public. There remain significant issues to be resolved in this effort, which we will continue to address in our next round of formal negotiations next week.

The second significant negotiation is with the European Union. As you know, the first-stage Open Skies plus agreement with the EU fundamentally transformed the framework within which transatlantic air services operate.

Trans-Atlantic cooperation was achieved in areas such as security,

competition policy, and consumer protection that goes well beyond what is contemplated in our more traditional open-skies agreements.

The Agreement represents a first stage of opening markets and enhancing cooperation. The European Union and the United States have begun second-stage negotiations to build on the accomplishments that we have already achieved. These negotiations are challenging, but the United States continues to engage in a productive dialogue as the second-stage negotiations develop.

The fifth round of second-stage aviation negotiations were held in Brussels November 9-11. Progress was made on a number of important issues, including security, regulatory cooperation and the role of the Joint Committee. In-depth discussions were also held on other elements of a second stage agreement, such as market access, cooperation on environmental issues and the social dimension (labor issues) of the agreement. Further work remains in these areas. Investment is a central issue for the European side and the U.S. has made it clear that changes in the regime for foreign investment in U.S. airlines, as envisioned by the EU side, would require action by the U.S. Congress. Finally, the U.S. continues to

stress the importance of rigorous implementation of the "balanced approach" to noise-restrictions at European airports. Negotiations will resume in Washington, D.C. the week of January 11, 2010 and we have set aside the week of February 15 for further negotiations in Madrid.

I also wanted to touch on three other markets of interest to our aviation stakeholders: China, Cuba and Africa. The U.S. and China have enjoyed a longstanding, cooperative aviation relationship for many years now. The aviation liberalization agreements reached in 2004 and 2007 represent major steps forward in U.S.-China aviation relations. By 2012, U.S. passenger carriers will be able to operate at least 23 daily flights to China, more than doubling the number of flights that had been available in 2007. For all-cargo service, entry and frequency limitations will be removed for U.S. and Chinese airlines operating all-cargo services in 2011.

Our ultimate objective with China is to reach liberalization of passenger, as well as cargo, services through an Open-Skies agreement. The 2007 Protocol calls for the U.S. and China to resume negotiations in 2010 to discuss a framework towards full liberalization. We are looking forward to the continuing development of our aviation relationship and to resuming

negotiations towards greater liberalization of the aviation agreement next Spring.

Another emerging market is Cuba. The United States has had a moratorium on scheduled air services between the United States and Cuba since 1962. The charter business, however, has been thriving in this market for a number of years, supported mainly by Cuban-American and other travelers specially-licensed by the Department of Commerce. In April 2009, a presidential directive called for the easing or removal of restrictions on family travel. The changes to U.S. Cuba travel implemented by Commerce have led to a significant increase in the number of travelers to Cuba this year.

Several U.S. airports have approached the Department expressing their interest in accommodating this increased traffic by allowing flights from their airports to Cuba. At this time, however, a federal regulation administered by Customs and Border Protection allows flights to Cuba only from three U.S. airports: John F. Kennedy in New York City, Los Angeles International, and Miami International.

The Department of Transportation has been part of a Working Group headed by the Department of State to examine whether charter services should be allowed from additional U.S. airports to Cuba, and if so, from which airports. That effort is ongoing and we look forward to continuing a dialogue with aviation stakeholders on this issue.

Finally, the U.S. Department of Transportation estimates that nearly 2.5 million people traveled between the United States and destinations in Africa in 2008. We welcome the initiatives of both U.S. and African airlines to establish and strengthen our aviation links. For these efforts to succeed, ensuring safety and security is of paramount importance and that means implementing and sustaining the standards of the U.N.'s International Civil Aviation Organization for the safety of aircraft operations and the security of airports. In Africa today, while only a few countries satisfy those conditions, important progress is being made. The Department established the Safe Skies for Africa program which provides capacity building and training to numerous African nations to strengthen safety and security procedures. The Federal Aviation Administration conducts multiple safety oversight programs every year as does the Transportation Security Administration for the security of airports and operations. U.S. efforts

complement those of ICAO, which has targeted the sub-Continent for intense activity in the same areas.

We are also working to foster more open-skies agreements with Africa. Currently, we have 20 open-skies agreements Continent-wide including Kenya, Liberia, Uganda, Ghana, Nigeria, and many more. We are currently working toward new agreements with Angola and Equatorial Guinea.

Another aspect of DOT's aviation authority is the responsibility to consider requests for antitrust immunity for global airline alliances. This is an important topic for all stakeholders – consumers, policymakers, airline employees, and of course the airlines themselves. We all agree that enforcement of the antitrust laws plays a critical role in ensuring vibrant competition in all industries, including the airline industry. We also agree that any exemptions from the antitrust laws need to be subject to careful and extensive scrutiny. In accordance with our statutory authority, the Department prudently grants antitrust immunity in cases where doing so would enhance competition and provide consumers with a broader choice of options and other benefits. Furthermore, the Department does not grant

antitrust immunity where the result would be harm to consumers because of a substantial reduction in competition.

Each step of the way, the Department must consider the public interest. In the statute, Congress set forth a wide range of factors that the Department should consider as being in the public interest, including the availability of a variety of air service, maximum reliance on market forces, the avoidance of unreasonable industry concentration, and opportunities for the expansion of international services. These factors form the backbone of the Department's statutory mission. Most importantly, we make each decision on a case-by-case basis, in consultation with the Justice Department, and using our experience and understanding of the aviation industry in analyzing the issues of each case to weigh competitive effects, transportation needs, and public benefits.

Finally, I would like to take this opportunity to mention an important Obama Administration initiative that has an important impact on transportation and more specifically, aviation. Secretary LaHood, Housing and Urban Development Secretary Donovan and Environmental Protection Agency Administrator Jackson have created a high-level interagency task force,

called the Sustainable Communities Partnership, to better coordinate our work on transportation, land-use, and environmental planning.

The Sustainable Communities partnership is working to meet President Obama's challenge to our agencies to work together to build sustainable communities.

This partnership will guide our work to:

- Provide more transportation choices.
- Enhance economic competitiveness.
- Support existing communities.
- Coordinate policies, and leverage investment.

The partnership will focus on smart growth and regional planning and seek to increase mobility and inter-modal connections and to encourage mixed use development and mixed income housing close to mass transit.

The work we are doing within the Sustainable Communities Partnership is supported by the efforts within DOT to advance the concept of Livability.

Livability as it relates to aviation is cooperative planning to ensure that safe, efficient airport service can be conducted while being good neighbors.

Airports and local governments need to cooperate to ensure compatible land uses close to airports and airports can work to lower their noise impacts and footprints.

Under direction from Secretary LaHood, we have formed a multi-modal team to develop strategies to advance the idea of livability within our existing programs and upcoming reauthorizations.

As part of this initiative, we are looking at the development of aviation in a sustainable manner. While this can be challenging, the Obama

Administration believes our national aviation policy must continue to balance the need to reduce air traffic delays and expand capacity with the need to improve the environment and quality of life of people who live and work at and near airports.

Rural communities are an integral focus of the DOT's sustainability initiative, including ensuring access to transportation services. The Essential Air Service program and the Small Community Air Service Development Program are important to assisting rural communities in connecting to the national air transportation network in a sustainable way.

Further, at the Department of Transportation, the FAA plays an important role in sustainability initiatives. It develops and provides guidance on planning, construction and design activities, as well as environmental programs. It also works with industry to identify sustainable best practices and provides Federal funding for environmental sustainability projects and research. For example, the City of Chicago has been a champion of upgrading and enhancing airport capacity in a sustainable way through the O'Hare Modernization Program. It was through that project that the City developed the Sustainable Airports Manual which serves as a blueprint to help communities across the country develop and implement similar projects.

Implementation of NextGen will also have positive impacts on the environment including more fuel efficient and quieter operating procedures,

the introduction of new airframe and engine technologies and developing alternative fuels. We need better and more efficient air traffic infrastructure that will optimize our air routes and improve the use of airport terminals. Airlines need to fly more efficient, cleaner and quieter routes which translate into greener routes. All of that can and will be achieved through the implementation of NextGen. That is why the Obama Administration funded NextGen in the FY2010 budget at \$865 million, an increase of \$170 million from FY09 -- because it understands the importance of moving forward on modernizing our air traffic control system.

In closing, I again want to thank Greg Principato and Debby McElroy for inviting me here. Aviation is critical to our economy – it is the backbone for our domestic and international commerce, contributing to our economy, our mobility, and our ability to compete around the globe. I hope that all of you will join the Obama Administration and DOT in its efforts to improve aviation safety and competition and to do so in a sustainable way. We look forward to working together. Thank you, I would be happy to answer any questions you may have.