

Keynote Speech

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Looking Beyond 10 YEARS of EU-US Open Skies

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- Ladies and gentlemen, distinguished colleagues, good afternoon and thank you for inviting me to come here today. I am always thrilled to be in Washington DC; a great city which also provides a sizzling setting where aviation leaders meet and interact.
- Some of you may recall that I had the honour to address this audience in June last year. That day, I asked for your permission to speak honestly and openly about the EU-US aviation relations; touching upon the heart of the matter. You indulged me with your consent and attention. What is more: I am privileged to have received another invitation this year. I certainly feel encouraged and inspired to, once again, be as honest and open in my remarks.
- My speech last year aimed to share an honest reflection of our achievements and to share with you a clear vision and outline of new ambitions for accomplishing more together. I realise I brought up some sensitive subjects and was perhaps a bit provocative at times, promoting my dream of a genuine Transatlantic Open Aviation Area. You cannot blame a man for having dreams but you can criticise him for not pursuing them!
- The theme is even more pertinent today, in 2017, as we celebrate the 10 Years Anniversary of EU-US Open Skies (and 25 Years of the European Single Aviation Market, as well as the US Open Skies). The current EU-US Air Transport Agreement (ATA) has been and still

is a great achievement that we need to cherish and protect but also adapt to a rapidly changing global aviation environment.

- The public conference that will take place later this afternoon and the Aviation Round Table tomorrow will provide opportunities to look back, self-assess but more importantly to look ahead and plan intelligently for the future.
- Our Agreement has served us well. The Transatlantic market today is 55 million passengers, this is 6.4 million more passengers and 52 more city-pairs being served than ten years' ago. However, the combined share of passengers carried through EU and US airports has gone down from 61% of total world passengers in 2000 to 38% in 2015¹. This reflects the changing world around us and reinforces the message of ever closer cooperation in relation to developments in international aviation.
- The US and EU are - still - the two most developed aviation markets, but our positions are increasingly challenged, especially by other regions which will grow significantly in the next decades
- All this is a clear indication that while, together, we still represent a significant share of the market, it is imperative that we have a serious reflection on how to make best use of our ATA. In order to ensure that we continue to play a leading role in the global aviation scene, we must pass the test of endurance, adaptability and open minded cooperation. We must be bold and forward-looking, not inward looking and protectionist. If we opt for the latter our influence will diminish even faster.
- But let's first go back to 2007³. The ATA constitutes a defining moment in our aviation relations and it remains the most important air

¹ The combined share of EU and US carriers has gone down from 73% in 1970 to 42% in 2015. In 2008 EU carriers had the highest share of the global traffic with 24% while in 2015 it was down to 19%. US carriers had over 50% of the global share until 1974 while in 2015 it was diminished to less than a quarter (23%).

³ The Agreement was signed on 25 and 30 April 2007 and provisionally applied from 30 March 2008 – but has not yet entered into force.

services agreement in the world. It has served as a model and inspiration for many other comprehensive air transport agreements that the EU has negotiated with partners like Canada, Morocco, the Western Balkans, Ukraine, Israel, Jordan, Georgia, and Moldova. These modern frameworks have yielded more choice and lower prices for the consumer, more opportunities for the industry and higher standards for aviation.

- The 2007 EU-US ATA identified priorities and set a timetable for second-stage negotiations. The second stage agreement signed in 2010 brought significant improvements in terms of regulatory cooperation, market access and extended the role of the Joint Committee. This agreement also includes (*in its Article 21*) a mutual responsibility towards "further expansion of opportunities" and this is exactly what our people and businesses expect from us.
- Let me also recall that 2011 marked the accession of Norway and Iceland to our Air Transport Agreement.
- These facts not only underline the trailblazer nature of the 2007 Agreement, they also show the "forward looking" nature of the agreement.
- For me, our Open Sky Agreement is not a standalone air service agreement with a couple of new elements; it is the key pillar of modern regulatory framework architecture to consistently promote safe, affordable, profitable and competitive international air service operations. This Agreement is therefore the tool and the catalyst to address the current and future challenges.
- **Safety:** Safety always comes first. Our ATA has allowed us to conclude in 2011 the EU-US Bilateral Aviation Safety Agreement. This agreement creates a comprehensive aviation safety framework and offers great economic advantages to the aeronautical industry on both sides of the Atlantic through faster and less burdensome certification of each other's products.

- **Security:** We have a strong track record of co-operation in aviation security with one stop security from the US to Europe, mutual recognition in the area of cargo and the development of the policy regarding carriage of liquids, aerosols and gels (LAGs). This all is a good proof that the US and EU aviation security regimes are equally robust and equivalent in their effectiveness.
- Safety and security are two sides of the same coin and we should never jeopardize one for the other. It is clear to all of us that the challenges facing aviation security have taken a new dimension. With our risk-based approach, an even closer co-operation between the intelligence services with a stronger focus on profiling, we can and will rise to the challenge – together.
- We must fully trust each other in the integrity and efficiency of our respective systems and we should move much faster towards full mutual recognition as well as towards deployment of new technological solutions.
- Firstly, we would like to see the well-established cargo recognition arrangements made more permanent.
- Secondly, we should pursue a risk-based approach and we need to bear in mind that the threats and risks are dynamic elements. We aim to achieve the same security outcome, but in different ways and we should seek to remove duplication as long as equivalence and the highest level of security is guaranteed.
- Thirdly, I believe we need to work much closer together on new threats, like cyber security.
- The overall threat to aviation that we face on both sides of the Atlantic is the same. And so are the solutions. Effective and timely consultation enables the adoption of common decisions, which are more effective and more durable than one-sided ad hoc measures. We are keen to maintain our close relationship with TSA and DHS stays as strong as it has been in the past years. And especially during the last months.

- The laptop ban and its potential expansion to Europe has become an excellent example for us on how much better it is to consult each other and cooperate. What at one point seemed to be a showcase of the US going alone – with disruptions and the creation of safety concerns as a result – has instead turned into a sound holistic strategy by the US - and a demonstration of the strength of our relationship, the trust that we have in one-another’s systems, and our joint leadership to raise the bar of aviation security globally. This is the right way – and together we are much more efficient in defeating our common enemy. I pay tribute to DHS and TSA for choosing this path.
- **Environment:** The EU and the US have always collaborated well in the context of ICAO. This close cooperation enabled us to secure the agreement on GMBM at the ICAO Assembly in October 2016. We will now need to rely even more on that cooperation to make CORSIA a success that fully meets the expectations of the aviation industry and ICAO Member States. Let me also underline that the impact of aviation on global CO2 emissions can only be tackled at global level. The support of the industry on both sides of the Atlantic has been, and will continue to be, instrumental for success.
- **ATM:** ATM modernisation is another global issue requiring a high degree of harmonisation and interoperability. The SESAR project in Europe and NextGen in the US are very similar in their aims for technological solutions and they are world leaders in new ATM solutions. We already work closely thanks to the Memorandum of Cooperation between the EU and the US and, on that note, it is with delight that I can announce the extension of our current cooperation with the FAA in ATM research and development to all phases of ATM modernisation.
- Let me also praise the excellent cooperation with FAA. I am very proud of what we have achieved together and very pleased in being able to build a strong partnership based on mutual trust and respect.

- As you know, our co-operation is institutionalised and co-ordinated in the Joint Committee of the ATA that has helped us to resolve many "doing business" issues and to deal with disputes.
- On some issues, like wet-lease, the Joint Committee was instrumental in finding solutions and the negotiations of a dedicated wet-lease agreement will commence soon. In other cases, like Norwegian Air International (NAI), the Joint Committee served as a platform for raising the issue, however it failed to resolve the matter.
- Last year, I dedicated quite some time to this topic. I recall that the EU made it very clear from the beginning that we cannot tolerate an "à la carte" implementation of the agreement. For us defending the integrity of our EU-US Open Skies agreement, promotion of competition, elimination of barriers and facilitation of access for new entrants have constituted the essence of the agreement all along. Our key responsibility is to act to defend those principles and to react firmly in the face of their violation.
- In response to the unprecedented regulatory delay encountered in the NAI case, the EU initiated arbitration. Following the grant of the foreign air carrier permit to NAI, these proceedings were discontinued. The agreement had served its purpose.
- This whole experience was a genuine test of the integrity of our Agreement. Although the case was very lengthy and took up a lot of resources, it reached a happy (alas, belated) ending. I sincerely hope we all learned from this somewhat painful experience and will remember it in the future as a "one time unfortunate exception" – not to be repeated!
- However we are not there yet as the application for Norwegian UK is still pending and the clock is ticking. There is little doubt in my mind that we will undertake the arbitration procedure if a decision is not made soon. It is for the same arguments and reasons I listed above that we would have no other choice in order to defend the integrity of the agreement. So I will invite the US authorities to resolve this issue as a matter of urgency.

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- The EU summarized its views to the challenges ahead in a document we published in December 2015. It was a holistic “Aviation Strategy for Europe”. I spoke at length about that last year. During the last 18 months we have concentrated on delivering on this strategy.
 - We are currently negotiating air transport agreements with ASEAN, Qatar, Turkey, Tunisia, Brazil, Azerbaijan and Armenia – and we do not exclude the possibility of opening negotiations with other partners. The response of all partners has been very constructive and positive and we are looking forward to signing further win-win agreements soon.
 - We have also refocused our attention on **connectivity** and **competition**. The proposals included in our recent Communication (adopted on 8 June 2017) on "**Aviation: Open and Connected Europe**" are a testimony to this work. With its four strands of work (*Safeguarding competition in air transport; Guidelines on Public Services Obligations & on Ownership and Control; Air Traffic Management Service continuity*), we continue to deliver on all aspects of our Aviation Strategy.
 - A strategy has no relevance if it does not have buy-in. We are therefore reaching out to all our stakeholders and partners. I am really pleased to see how well they have engaged and how close the cooperation has been in implementing the measures proposed to face the existing and future challenges.
 - Some of the issues we addressed in our Communication will also require intense discussion with our American friends. I am particularly pleased and appreciative of the deep dialogue with A4A. Their frequent visits to Europe and their open and constructive attitude have surely deepened EU-US relationship. I would like to thank Nick, Keith, Sean, Cecilia and many others for this and for being so efficient in bringing the valuable US view to our discussions and deliberations.
 - Last year, I also referred to the existing Ownership and Control rules. As you know in Europe we abolished ownership and control

restrictions more than two decades ago, and we don't regret it one second. It was a bold step at the time, and there were many non-believers back then. But they have been proven wrong. Our invitation to you remains to do the same, between us, across the Atlantic. Doing this together would allow us, in close partnership, to be in the lead globally for the decades to come. If we took such a lead, I am confident that the rest of the world would follow.

- However, unfortunately, until now in our bilateral relationship, we remain at zero progress in this area with regard to the liberalisation of ownership and control of airlines. This is nothing to cherish on the 10th anniversary of our Open Skies agreement.
- Furthermore, if we want aviation to consolidate globally – and I am confident that we need genuine global air carriers to replace alliances and JVs - we need to pursue this together at the global level. We need to establish the principle in ICAO that, where countries lift ownership and control restrictions between them, other countries should not hamper that by challenging designation and thus affecting them in the exercise of traffic rights.
- In the context of our **Communication on Open and Connected Europe** we presented interpretative guidelines on our current ownership and control rules. The aim was to improve legal certainty and bring clarity to foreign investors, airlines and national EU regulators. As a next step, the Commission will evaluate the appropriateness of existing ownership and control rules and, if need be, adapt them to remain relevant and effective in a rapidly changing aviation market. This industry needs investments and it needs to bring its regulatory framework into the 21st century. And I will continue to seek your buy-in for that as well!

- Beyond anticipating evolving developments, we must also turn to disruptive challenges.
- A true disruptor for the sector would be the rise of Big Data as a factor affecting all industry and service sectors across the world. How will

the profile of passengers known to big global players such as Google and Facebook affect market behaviour of airlines and airports? In order to respond to this challenge we need to go beyond piecemeal approaches and copy/paste solutions and develop courageous, creative and innovative tools that deliver sustainable solutions. The whole concept of mobility and connectivity is changing and it is important that the regulators and commercial operators be ready to face it.

- A true and already visible disruptive challenge is the rate and speed of technological progress which holds enormous promise for the future use of our airspace. This requires a step-change in the way we manage our skies. Essentially, we are moving from several thousand conventional aircraft in the sky every day to potentially hundreds of thousands of highly connected and automated air vehicles operating in all areas, including cities.
- In this digital future, cooperation at a global level will be more than ever fundamental for the development of global interoperable solutions based on common standards.
- Digitalisation is a trend that cannot be missed. Otherwise the consequences could be similar to what happened to Nokia mobile phones in telecommunications- a true market leader who lost out when not seeing the disruptive nature of the smartphone revolution.
- **New business models** in aviation have already come to stay. New aircraft types are creating new opportunities. Boeing 787 and Airbus 350 are already revolutionising long-haul air travel and so will Airbus 321 neo and Boeing 737 max! We must embrace that rather than encapsulate to preserve today's status quo. And we must find ways how to embrace new business models and make sure the regulatory framework covers all eventualities.
- Talking about emerging business models and potential disruptors leads me to speak about drones and drone technology. They provide a great opportunity to further digitalise aviation and to build on

technology transfer to and from other sectors. **Drone services** are already becoming part of our citizens' daily lives. Building an effective legislative framework will create clear rules for the exploitation of drones and will thereby no doubt contribute to additional economic growth.

- In the EU, we expect to have the new Basic Aviation Safety Regulation approved this year which will allow the development of common EU wide rules for civil drones below 150 Kg. Within these activities, the concept of U-Space, a set of new services and specific procedures to support safe, efficient and secure access to airspace for large numbers of drones, has been identified as a priority in our work. U-Space is the European version of the US Unmanned Traffic Management System and covers altitudes of up to 150 metres.
- The EU is committed to coming up with the early phases of the U-Space by 2019 to allow longer flights with drones and unlock the wider EU drone services market.
- Aviation is growing fast! Even the most pessimistic forecasts are very optimistic. Traffic will grow, new opportunities bring more jobs. The challenge is rather where to get the pilots to support the demand than the fear of losing existing jobs!
- And the real challenge will become the capacity crunch - both on the ground and in the air. We will not be able to serve the growth if we would not invest in new airport infrastructure and if we would not do enough to modernise air navigation services. And mark my words - no jobs will be lost, plenty of opportunities are rather to be embraced!
- One aspect that makes me worried is when the well-functioning international framework for civil aviation is called into question. Civil aviation should not be used for political retaliation and overflights must be guaranteed according to international agreements. We must make this very clear in ICAO and beyond.
- Today, we are not living in the easiest of times. This year has been the first year in my adult life when I wake up in the morning and I do

not think that the world is a better place than it was a year ago. The global trends in the last 12 months have definitely not been supportive for predictable, sustainable and prosperous global development. The economic uncertainty is paired with political uncertainty and in too many places around the globe the conflicts are escalating rather than showing signs of calm!

- The one element of this unpredictability is also visibly present in Europe and will affect our aviation relationship and our Open Skies agreement. It is called Brexit!
- Brexit is surely a challenge! It has already led airlines to cut routes and re-think growth plans and has had impact on airlines revenues and immediate growth forecasts. Brexit – and the unpredictability that comes with it has had clearly negative effects on economies in general and on aviation in particular. This was not the EU's choice.
- But we are at the very early days of our negotiations and there is not much to say at this stage. But it is important to keep in mind that the same approach would apply to all economic sectors and there will not be place for aviation specific carve-outs or exceptions.

Disentangling over 40 years of integration of the second largest European economy from the EU will be a daunting task. I am confident that next year I will have more to share with you, once the negotiations have progressed further. In the meantime, and I do not want to sound too alarmist, the aviation industry should also prepare for the worst.

- The seamless connectivity that we have all enjoyed for decades and come to take for granted is a jewel in the crown of our relationship and of our economies. Those who have will agree that the potential for disruption is real. However, despite this, I remain confident about the resilience of this industry and the people in it and their determination to prevail and to come out stronger.
- However, Brexit and other recent trends have made Europeans ask themselves whether they are better off without a united Europe and

the answer we have witnessed this year is no - Europe is back, optimism overwhelms populism. The benefits of close European cooperation and the understanding of the value added which the EU brings to everyone's daily life and to the competitiveness of our businesses, which was wavering throughout last year, has again been acknowledged. The recent elections in Europe are a clear token of that and one can say that, today, Europe is more united than it has been for a long time and, even in the UK, pro- European sentiments have been gaining more ground but, well, sadly a bit too late.

- Ladies and Gentlemen, we have a great deal to be proud of when looking back and we will celebrate accordingly in the coming hours and days. The European Union is looking back at 25 years of a truly Single European Aviation Market which has generated considerable benefits for people, regions and businesses. I am well aware that you are celebrating the 25 years of Open Skies in US and I am equally well aware that your success story is the same. It is a success based on boldness and openness.
- The success shows that open skies is the best policy option. We have, today more than ever, to gain from working in a coordinated manner with like-minded partners. **Protectionist** policies and practices may sound like a compassionate tune for the domestic audience at first sight but its long term negative consequences on the airline industry would largely outweigh any short-lived economic gain.
- I must admit that we are following, with some concern, the direction which is being taken on the FAA Reauthorisation Bill. I have known the US as a leader in aviation, as a force for good, as the one who for decades pushed international aviation forward by opening up, by nurturing new business models, by innovating. It would be immensely sad if the US were to abandon that role, and to retreat behind a wall. However, I do not believe this would be the desired direction of this great nation.
- As I mentioned, the agreements we signed 10 years ago have proven their value not only by opening markets, and stimulating growth and competition, but by being sufficiently flexible to be adapted to new

challenges. Our Agreement will continue to serve us well in the future if we continue to use the agreement in the spirit of co-operation, trust and leadership. A genuine Transatlantic Open Aviation Area has always been the EU's vision for our aviation relations. And it remains my dream. Its accomplishment would be a challenging task which would require creative and innovative approaches on both domestic and international levels.

- The EU and the US should continue to lead the change and the shaping of the regulatory framework in international aviation for more liberalisation, openness and global connectivity. We must engage in multilateral fora and we must keep together as we share the same values and principles.
- We have healthy and competitive airlines and they would benefit from this. Campaigns to denounce competition have never brought us any success in the past. It is important to put the passengers at the centre of our work and provide them with the safest, most secure and simply the best service. There is no doubt we do this. Our travelling public is also the most demanding and rightly so.
- Against this background, I invite you all to engage in an open-minded discussion to develop constructive solutions to the challenges facing Trans-Atlantic and wider international aviation today. And let's not lose sight of the opportunities that a genuine Transatlantic Open Aviation Area could bring all of us; let's keep that dream alive together and in close partnership.
- Thank you very much for your attention and for giving me the opportunity to address you here today – it has again been a privilege!