

**Speech by Director General Freight Transport and Aviation,  
Mr. Mark Dierikx, at the opening of the second Airneth Annual  
Conference,  
The Hague, April 17, 2008.**

**EU – US open skies: competition and change in the worldwide  
aviation market**

Ladies and gentlemen,

Somewhat more than a year ago my Minister delivered a speech during the first Airneth Conference. Minister Eurlings informed you about a major decision the European Council of Ministers had taken just a few weeks before. I refer to the signature by all European Ministers and the European Commission of the open skies agreement between the European Union and the US. A year later there is again something to celebrate and that is: the coming into force of this Agreement at the end of March.

I would take the opportunity to say a few words on this historical agreement. Some people may argue that it is not a perfect agreement and that the result falls short of the initial European ambitions. That may be true to some extent, however at the same time I think that the agreement is unique in its form. It addresses issues, which have never been addressed before, like the notion of Community air carrier. Some of those issues have been agreed upon in phase one, for some it means only a first, initial step. Issues like wet leasing, the Civil Reserve Air Fleet as well as the reservation for Government financed air transportation under Fly America traffic have not been solved satisfactory yet. In particular the latter is politically controversial in the US and it may take a while before we will have a true open market. The same goes for convergence issues. However, the establishment of a Joint Committee with far reaching powers in respect of the implementation of the first phase is unique. It provides a basis for discussing, coordinating and hopefully solving implementation issues to be addressed on a regular basis between both parties. Regretfully, the issue of relaxation of foreign ownership & control rules in the US could not be solved till now, and I am afraid that, given the existing political environment in the US till the

Presidential elections in November, it will be almost impossible to find solutions till the second part of 2009.

Phase 2, for which the European Commission recently invited input from EU member states and stakeholders, will be equally challenging and a lot of creativity and political goodwill is required. I guarantee you, it won't be easy for either side. Our shopping list is an extensive one, and so is the list from the US. It includes a number of controversial items like the environment, infrastructure constraints such as airport congestion, night bans etc etc. but we are on the right track and in my opinion there is no way back.

From what I just said you may conclude that I belong to those who are in the camp of the optimists, which I am. Some of us in Europe are less positive of what has been achieved thus far and argue that from an US perspective their main goal has been achieved and that market access to London Heathrow is secured and therefore the US will be less interested and committed to solving the outstanding subjects from phase one and the additional items under phase 2. The agreement offers indeed US carriers additional access to London Heathrow, although often at a high price for slots. However it means more competition and direct services to new destinations and connecting services to hub airports of the legacy carriers from the US. For the consumer these developments are great news.

For the incumbent carriers it means new challenges. European airlines have thus far reacted in different ways. Some of them take a more active approach in starting operations on a stand alone basis which become possible under the new arrangements, whereas others are more cautious waiting for European Ministers to decide on whether or not to denounce the agreement due to a lack of progress at the end of 2009. Happily last week, the US Department of Transportation has decided positively on the application for Anti Trust Immunity by the Skyteam alliance. This allows for additional commercial cooperation between the Skyteam partners, European and US carriers alike. Again good news for consumers.

Whatever progress will be made in the coming year and a half, this agreement has historical value, both in scope and impact. I feel this agreement will serve as a template for other agreements the EU will conclude in the coming years.

In other words I think the agreement between the EU and the US will in the coming years become the multiplier and possible template for other interesting markets which so far have been less than liberal. Just to give a few examples, Canada, India, China, Japan, Korea. I realize that this will not come overnight, but I have good hopes that other countries too will realize that liberalisation of market access is one of the main prerequisites for the aviation sector to become a normal economic activity comparable with other economic sectors in society.

Governments and the aviation sector have many challenges to cope with nowadays. Sustainability is a key concept for the Dutch Government. Growth in air traffic should go hand in hand with improvement in the environment and securing a high level of safety at the same time. This requires enormous efforts by all concerned on a national, EU and international level.

In the negotiations with the US a solution for the introduction of an Emission Trading Scheme is just one example.

Our agenda is overburdened with topics like this one to safeguard the future. The commercial implementation of phase one and a satisfactory outcome of the next phase of the EU – US negotiations is just one important element on this ambitious agenda.

Last but not least, I would like to congratulate Airneth for the good work this Institute is doing in bringing research and knowledge institutes, governments and the aviation sector together to discuss fundamental questions about the future of the aviation system on a continuing basis.

As new director general for civil aviation and freight transport in The Netherlands, I heartedly support knowledge and innovation based networks. I therefore support the innovative scientific network of Airneth and the high quality it represents. The tailor made scientific output from the events is beneficial for sound and carefully balanced policymaking.

The issue of Open Skies I commented on is a good example in this respect. In my opinion it is of great importance to analyze the whole range of effects of recent and upcoming worldwide liberalization agreements, for aviation in general and more specifically for the European or Dutch situation. Off course we can expect more competition and lower ticket prices, which are positive

for the consumers. But is this a lasting scenario? Much depends on the market behavior of airlines in future. Also, more traffic leads to bigger environmental and capacity challenges, which must be solved somehow.

I'm confident that this Airneth conference will give us interesting insights on these questions. Airneth already addressed this subject last march in a smaller scale seminar focusing on the EU-US agreement. The results of this seminar were very promising!

I wish you success in your discussions today and tomorrow and I hope you will let us know about the results of this conference. Thank you for your attention and wish you a fruitful annual conference.