



**Remarks of
Greg Principato, President, ACI-NA
Before the Seminar Hosted by
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Mr. Nagai, thank you for the kind introduction.

It is a pleasure to speak at this JITI seminar.

JITI is widely respected for its excellent research and recommendations on critical transportation issues. The transportation community in Washington DC values JITI's excellent seminars which provide a forum for discussion of important transportation challenges. And of course everyone also knows about the wonderful receptions JITI hosts in conjunction with those seminars.

As many of you may know, ACI-NA represents the state, local, and regional governing bodies that own and operate commercial airports in the United States and Canada. Our member airports enplane more than 95% of the domestic and virtually all the international airline passenger and cargo traffic in North America.

Economic Impact of Airports

The other speakers did a great job addressing multiple airport situations. I will be discussing U.S. airports more generally as economic drivers including the importance of international air services in that equation.

Throughout history, economic development has been closely tied to transportation which supports travel and trade. Rivers, railroads and now airports are the circulatory system for

moving people and goods which is key to developing and sustaining economies. Airports act as engines and catalysts for their local, regional and national economies and are vital links to the world economy.

Companies cite location of transportation links as an important factor in deciding on where to locate their headquarters and plants. That was my experience working for a State Governor who was very successful in attracting investment. Naturally, airports engaged in construction also provide jobs as everyone discovered when FAA was shut down for two weeks last summer. For example, the shutdown potentially jeopardized 50 jobs at Tucson International Airport, 220 jobs at Fresno Yosemite International Airport and 270 jobs at the Port Authority of New York and New Jersey airports.

ACI-NA is in the process of completing a detailed study examining the economic impact of U.S. airports on their communities and the U.S. economy as a whole. While I cannot yet provide you the details, I encourage you to check the ACI-NA website in a few weeks for the results of the study, which will provide impressive empirical data reinforcing the critical role airports play in generating economic activity and commerce in their communities.

Importance of International Air Service

Clearly international air service is a key spur to economic activity at larger North American airports. International air service links are becoming increasingly important as airline alliances optimize their networks for increased profitability. Airports are essential components of the aviation system that support this service.

Over the last five years, the level of international seats and flights at U.S. airports has performed better than the level of domestic seats and flights, based on year over year comparisons. Even at some of the worst periods of the U.S. economic recession, when seats and flights declined for international and domestic services in 2009 over 2008, the international component decreased less than the domestic. Most recently, when comparing 2011 to 2010, international flights grew 0.6% while domestic flights decreased 0.9% and international seats increased 3.7% while domestic seats increased only 0.4%.

The latest data from the Department of Transportation indicates that in terms of passengers, international traffic increased by 2.2%, whereas domestic traffic increased by a smaller 1.4% based on the first 10 months of 2011 compared with the same period in 2010.

According to Department of Commerce data, international travel resulted in \$134 billion in U.S. exports in 2010, making it our largest service export. Foreign visitors spend more than domestic travelers with the long haul visitors averaging \$4000 per visit. This is even more powerful when one considers that every additional 65 international visitors to the United States translate into one additional travel-related job according to the Bureau of Economic Analysis. And these largely are jobs that cannot be outsourced.

International air service also assists in increasing U.S. exports of goods, particularly high value goods. Indeed, more than 40% of U.S. exports, by value, are transported by air. In addition to the jobs generated through the exports of goods, cargo services generate jobs at U.S. airports handling and sorting cargo as well as other related logistics.

This is why airports, as economic engines for their local and regional economies have focused on a number of international aviation issues---they want to maximize their economic impact. These international issues include:

- Open Skies air transport agreements
- U.S. entry procedures
- U.S. visa procedures

Open Skies Agreements

ACI-NA has been an early and staunch supporter of the U.S. Open Skies policy because it provides for new and competitive air services and pricing options facilitating travel and trade and the related economic development and employment opportunities.

The U.S. Open Skies policy has been a success with over 100 Open Skies agreements. However, the United States still has some major partners, such as Argentina, China, Hong Kong, Mexico, Russia and South Africa, which do not subscribe to an Open Skies approach. ACI-NA believes that the Departments of Commerce, State and Transportation should continue their efforts to conclude liberalized or Open Skies agreements with these important markets.

I was heavily involved in industry efforts to promote the landmark 1998 U.S.-Japan Agreement that expanded the bilateral market by nearly 40% and was the precursor to the more recent Open Skies Agreement.

ACI-NA also encourages the U.S. Government to improve its current Open Skies model agreement to include items such as:

- seventh freedom traffic rights for passengers which could provide consumers with more price and service options and enhance the access of U.S. communities to the global economy.
- liberalized airline ownership and control regime which would provide U.S. airlines with access to more potential sources of capital and U.S. airports and consumers with more options. This is well overdue. Let's treat airlines like real businesses.
- enhanced consultation on aviation security and mutual recognition and/or harmonization on aviation security in order to increase security and facilitation of travel and trade. The current administration has made important strides in this area and I would like to see harmonization as the norm in the years ahead.

U.S. Entry Procedures

The number of foreign visitors to the United States is also affected by air passengers' perceptions and experiences at U.S. Ports of Entry. Therefore, U.S. entry procedures can act as barriers to increased travel and trade and their associated economic and employment benefits.

ACI-NA has been a long standing proponent of international trusted traveler programs in order to facilitate travel and to help mitigate the chronic shortage of U.S. Customs and Border Protection (CBP) Officers at Canadian preclearance airports and U.S. airports. The shortage of CBP Officers means some airports are experiencing long wait times and problems obtaining flights outside of CBP's normal hours. CBP's Global Entry and NEXUS programs allow previously vetted passengers to use kiosks thus freeing up CBP Officers to focus their attention on passengers who are less well known. We have urged and want to work with CBP on getting the message out about these valuable programs. In that vein, I urge all of you who are eligible to sign up for these programs as I have found my participation to be a real advantage.

So it is no surprise that we were pleased when President Obama announced on February 19 that the Global Entry pilot program will be converted into a permanent program soon as part of the initiatives to promote travel and tourism. He also stated that Global Entry will then be implemented in four additional airports---Charlotte Douglas International Airport,

Denver International Airport, Minneapolis-St. Paul International Airport and Phoenix Sky Harbor International Airport--- increasing the number of U.S. airports with Global Entry to 24.

ACI-NA is also actively engaged with CBP on looking at innovations to its processes in order to enhance facilitation while maintaining security.

Certainly, we also will continue to press for:

- funding for additional CBP Officers at airports
- more flexible use of CBP staff
- intensified efforts to conclude and implement agreements on Global Entry with more foreign partners
- exploration of whether CBP needs to see every passenger with his checked baggage and other improvements.

We are also urging that Global Entry be used as the primary vehicle to enroll passengers in the Transportation Security Administration's (TSA) new pre✓ program---both for the security benefits as well as the powerful incentive this would offer to register more people in Global Entry.

U.S. Visa Procedures

ACI-NA has expressed its concerns regarding the U.S. visa process in its filing on the President's National Export Initiative and in comments and meetings with the Department of State. Obstacles to obtaining visas discourage citizens of growing economic powerhouses, such as Brazil, China and India, which have increasing middle classes, and other countries from visiting the United States. They may well opt to visit countries with less burdensome visa procedures. The China Tourism Academy states that 47 million Chinese tourists went abroad in 2009, but according to the Department of Commerce only about 525,000 visited the United States for a miniscule 1.1% of the total. In short, U.S. visa procedures can be an impediment to traveling to the United States and thus prevent the creation of the related employment in the United States.

We welcome President Obama's recent announcement of initiatives to improve the visa processing for foreign visitors e.g. increasing non-immigrant visa processing capacity in China and Brazil by 40% in 2012 and ensuring that 80% of non-immigrant visa applicants are interviewed within three weeks of the receipt of the visa application. We view these initiatives

as a good first step in improving the facilitation of air travel and tourism and we appreciate the Department's ongoing efforts in this regard.

We will continue to argue for more consular officers and flexibility in how the U.S. visa process is applied, for example, longer validity for visas. We also are interested in exploring avenues to deal with the problem of having a few consulates in some very large countries which is a drawback to obtaining a visa since the time, cost, and effort of a trip to the consulate must be factored into the traveler's calculations.

International travel is a powerful economic stimulant. At a time when we are looking for budget friendly ways to grow the economy, we have got take all steps possible to promote international travel.

ACI-NA will continue to work with the Administration and Congress to develop strategies which will enhance the opportunities for international air service and which will allow airports, airlines, passengers and shippers to take advantage of those opportunities that have been negotiated.

Other Issues

I have been focusing on international issues of importance to U.S. airports. I would also like to touch on some issues that are important to the viability of U.S. airports generally not only those which have international air service or are working to secure international service. Some airports are facing air service challenges with the ongoing consolidation including the decrease in the number of low fare carriers. In order to respond to these changes, U.S. airports need more flexibility from FAA regarding airport incentives or their participation in community programs supporting airline service to their communities.

One of the problems encountered by all airports, but which particularly hurts smaller airports, are increasing regulatory requirements which usually are unfunded mandates on airports. Many smaller airports have a limited ability to absorb the financial burden posed by increased regulation. Some of the areas of concern include the implementation of Safety Management Systems, enhanced deicing guidelines, and possible changes in interpretation of noise regulations. TSA requirements regarding screening equipment and procedures can also result in costs imposed on airports by requiring reinforcement of floors and other construction. ACI-NA is working on all of these issues. For example, ACI-NA is working with TSA and other

associations on identifying and eliminating useless and duplicative regulations in the In-Depth Security Review.

We also know there is work to be done at home, e.g. increasing and improving airport infrastructure in order to accommodate increased demand. We have urged Congress, the President and all the various committees and commissions looking at ways to cut the deficit and promote growth to remove the federal, Nixon-era shackles on airports and give U.S. airports the same freedom our competitors have to invest in their future. But that is a whole other speech.

Thanks very much for the opportunity to join you and I look forward to the following panel discussion.
