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U.S. DEPARTMENT OF TRANSPORTATION
BEFORE THE CORPORATE COUNCIL ON AFRICA
CAPE TOWN, SOUTH AFRICA

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GOOD MORNING. IT IS MY GREAT PLEASURE TO BE HERE IN CAPE TOWN ON WHAT IS MY FIRST VISIT TO THE AFRICAN CONTINENT. AND IT IS MY HONOR TO REPRESENT THE U.S. DEPARTMENT OF TRANSPORTATION BEFORE SUCH A DISTINGUISHED AUDIENCE. I HAVE BEEN LOOKING FORWARD TO THIS EVENT FOR QUITE SOME TIME AND I WANT TO THANK OUR HOSTS AND CONFERENCE SPONSORS FOR THEIR HOSPITALITY.

I THINK ALL OF YOU TODAY ARE WELL-VERSED IN THE STRONG RELATIONSHIP BETWEEN AVIATION AND ECONOMIC GROWTH. AVIATION IS AN ENABLING INDUSTRY. BUT YOU PROBABLY HAVE HEARD ABOUT THIS LINK IN THE CONTEXT OF BROADER DISCUSSIONS OF HOW AFRICA MUST (QUOTE) **“CATCH UP”** (CLOSE QUOTE) WITH THE REST OF THE WORLD.

TODAY, I DO PLAN TO TALK ABOUT AVIATION AND GROWTH BUT INSTEAD OF DISCUSSING THE ISSUE IN THE CONTEXT OF AFRICA “*CATCHING UP*”, I WANT TO SHARE WITH YOU WAYS I BELIEVE AFRICA COULD ACTUALLY **LEAPFROG** THE REST OF THE DEVELOPING WORLD. I WILL TALK ABOUT AVIATION INFRASTRUCTURE FINANCING, AIR TRAFFIC MANAGEMENT, SAFETY OVERSIGHT AND ECONOMIC LIBERALIZATION.

RECENT EXPERIENCE IN THE UNITED STATES SUGGESTS THAT LONGSTANDING ASSUMPTIONS ABOUT AVIATION INFRASTRUCTURE DEVELOPMENT ARE OBSOLETE AND ARE CONSTRAINING GROWTH. U.S. TRANSPORTATION SECRETARY MARY PETERS IS FOND OF SAYING THAT WE NEED TO APPLY 21ST CENTURY SOLUTIONS TO 21ST CENTURY PROBLEMS. BY EMBRACING THIS IDEA -- AND THE LATEST TECHNOLOGIES, IDEAS AND CONCEPTS OF COMMERCIAL FREEDOM THAT GO WITH THIS APPROACH -- IT IS NO EXAGGERATION TO SAY THAT AFRICA COULD JUMP TO THE FOREFRONT OF AVIATION IN THE DEVELOPING WORLD.

LET ME BEGIN WITH THE DEVELOPMENT OF INFRASTRUCTURE. SOUND, WELL-MAINTAINED INFRASTRUCTURE IS THE FOUNDATION FOR A ROBUST ECONOMY. WITHOUT IT, WE CAN'T HAVE RELIABLE TRANSPORTATION OR COMMUNICATIONS NETWORKS LET ALONE ECONOMIC GROWTH AND

PROSPERITY. THE CONVENTIONAL MODEL FOR FINANCING INFRASTRUCTURE IS TO USE TAX RECEIPTS TO FUND CONSTRUCTION OF ROADS, BRIDGES, AIRPORTS, AND DAMS. AFTER ALL, INFRASTRUCTURE IMPROVEMENTS BENEFIT THE PUBLIC AT-LARGE IN A WIDE VARIETY OF WAYS INCLUDING THOSE I JUST MENTIONED. THERE IS CERTAINLY LOGIC TO THAT APPROACH AND IT WORKED WELL – IN THE LAST CENTURY – IN THE UNITED STATES. IN THE NEW MILLENIUM, HOWEVER, THE LIMITATIONS AND FLAWS OF THIS FUNDING APPROACH ARE BECOMING QUITE APPARENT.

WHY? . . . THE DEMAND FOR INFRASTRUCTURE IS DRIVEN BY THE NEEDS OF BUSINESSES AND INDIVIDUALS WHEREAS TAX RECEIPTS AND THEIR ALLOCATION DEPEND ON OTHER FACTORS. INFRASTRUCTURE FUNDING COMPETES WITH MANY SOCIAL PRIORITITES IN THE BUDGET PROCESS AND CAN'T WIN THE BATTLE EVERY TIME IT ARGUABLY SHOULD. TOO OFTEN ESSENTIAL PUBLIC WORKS ARE UNDERFUNDED WHILE PET PROJECTS OF QUESTIONABLE VALUE MOVE FORWARD. THE MISMATCH BETWEEN WHAT'S NEEDED AND WHAT IS BUILT IS COSTLY.

IN THE U.S., WE ARE NOW LOOKING TO ALTERNATIVE WAYS TO FUND INFRASTRUCTURE. THE BASIC CONCEPT IS SIMPLE: ALLOW SUPPLY AND

DEMAND TO DETERMINE WHAT IS BUILT, WHEN, AND WHERE. THE VEHICLE THAT SEEMS BEST SUITED FOR THIS APPROACH IS THE PUBLIC-PRIVATE PARTNERSHIP OR 'PPP.' UNDER THIS MODEL, THE PRIVATE SECTOR FUNDS THE CONSTRUCTION AND OPERATION OF INFRASTRUCTURE BY COLLECTING FEES FROM USERS NOT TAXPAYERS. LITTLE OR NO COST IS IMPOSED ON THOSE WHO DO NOT DIRECTLY BENEFIT NOR DO THE PROJECTS DIVERT FUNDS FROM OTHER IMPORTANT GOVERNMENT PRIORITIES SUCH AS PUBLIC HEALTH AND EDUCATION. THE GOVERNMENT'S ROLE IN THIS MODEL REMAINS CRITICAL – BUT IT IS TO ENSURE SAFETY, EQUITABLE ACCESS, AND COMPETITIVE PRICES. GOVERNMENT IS NO LONGER THE OWNER AND OPERATOR. THE HURDLE THAT WE ARE TRYING TO OVERCOME IN THE UNITED STATE IS A KNEEJERK OPPOSITION TO THE IDEA OF PRIVATE OWNERSHIP OF INFRASTRUCTURE. AS A RESULT, COUNTRIES OTHER THAN THE UNITED STATES SUCH AS AUSTRALIA AND THE U.K. HAVE BECOME LEADERS IN THIS FIELD.

IN AFRICA, THE CASE FOR PPP AND SIMILAR MODELS IS EVEN MORE COMPELLING THAN IN THE UNITED STATES AND ELSEWHERE AS THE PERCENTAGE OF GDP SPENT ON INFRASTRUCTURE HAS BEEN IN LONG-TERM DECLINE. I ENCOURAGE YOU TO CONSIDER PPP'S AS A WAY TO JUMPSTART DEVELOPMENT OF AVIATION INFRASTRUCTURE AND THEREBY

LEAPFROG THE U.S. MODEL WHICH HAS BECOME OVERLY RELIANT ON VOLATILE TAXPAYER FUNDING.

AIR TRAFFIC INFRASTRUCTURE PROVIDES YET ANOTHER ARENA WHERE AFRICA CAN LEAPFROG ITS WAY TO SUCCESS. SINCE ABOUT 2003, THE UNITED STATES HAS BEEN WORKING ON INITIATIVE CALLED THE NEXT GENERATION AIR TRANSPORTATION SYSTEM OR 'NEXTGEN' FOR SHORT. OUR PROJECTIONS SHOW THAT AIR TRAFFIC WILL ROUGHLY TRIPLE WITHIN THE NEXT 18 YEARS AND THAT OUR EXISTING AIR TRAFFIC INFRASTRUCTURE CANNOT BE SCALED-UP TO MEET THOSE DEMANDS. THUS WE MUST COMPLETELY RE-THINK AND RE-ENGINEER THE MANAGEMENT OF AIR TRAFFIC IN THE UNITED STATES. UNLIKE PAST INITIATIVES WHICH BROUGHT FORTH ONLY INCREMENTAL CHANGES, NEXTGEN ENTAILS A TRANSFORMATIONAL RE-ENGINEERING OF THE AVIATION SYSTEM. MANY OF THESE TECHNOLOGIES ALREADY EXIST AND OTHERS ARE JUST OVER THE HORIZON.

UNHAPPILY FOR THE UNITED STATES, EUROPE, JAPAN, AND OTHER DEVELOPED AVIATION MARKETS, WE HAVE AN EXTENSIVE NETWORK OF INCREASINGLY OBSOLETE AND EXPENSIVE RADARS. TO REACH THE CAPABILITIES OF NEXTGEN, WE WILL HAVE TO INVEST BILLIONS OF

DOLLARS TO TRANSITION FROM GROUND BASED RADAR TOWARDS SATELLITE BASED-TECHNOLOGIES FOR COMMUNICATIONS, NAVIGATION AND SURVEILLANCE. IN REGIONS OF AFRICA WHERE RADAR COVERAGE IS SPOTTY OR NON-EXISTENT TODAY, NEXTGEN TECHNOLOGY CAN BE DEPLOYED STRAIGHT-AWAY AND RADARS CAN BE BYPASSED ALTOGETHER.

THE KEY TECHNOLOGY HERE IS AUTOMATED DEPENDENT SURVEILLANCE – BROADCAST OR (ADS-B). ADS-B RELIES ON GLOBAL POSITIONING SATELLITES TO GIVE EVERY AIRCRAFT THE CAPABILITY TO REPORT THEIR OWN POSITIONS WITH UNPRECEDENT ACCURACY AND TIMELINESS. IN CONTRAST, RADAR IS A CENTRALIZED, ACTIVE DETECTION SYSTEM WHICH HAS UP TO 12 SECONDS OF DELAY IN AIRCRAFT POSITION INFORMATION.

WHAT IS REVOLUTIONARY HERE IS THAT ADS-B WILL NOT ONLY BE BETTER BUT ALSO POTENTIALLY MUCH FASTER, SAFER AND CHEAPER THAN THE RADAR TECHNOLOGY IT WILL SUPPLANT. A SINGLE RADAR INSTALLATION COSTS ABOUT USD 6 MILLION TO BUILD AND PROVIDES COVERAGE OF A FEW HUNDRED MILES AT MOST. IN CONTRAST, THE COUNTRY OF TANZANIA, FOR INSTANCE, COULD HAVE NATIONWIDE ADS-B SURVEILLANCE FOR ABOUT USD 2 MILLION ACCORDING TO SOME ESTIMATES. BESIDES BEING MORE ECONOMICAL, ADS-B ALLOWS FOR MORE FLEXIBLE AND

EFFICIENT FLIGHT ROUTINGS FOR OPERATORS AS WELL. FINALLY, SATELLITE-BASED NAVIGATION ELIMINATES THE NEED FOR MOST GROUND-BASED NAVIGATIONAL AIDS WHICH REPRESENT ANOTHER SET OF SIGNIFICANT INFRASTRUCTURE COST SAVINGS. IN A LOT OF WAYS, THE ADVANTAGES OF NEXTGEN RESEMBLE THOSE OF MOBILE PHONE TECHNOLOGY: YOU CAN HAVE GREATER COVERAGE WITH LESS PHYSICAL INFRASTRUCTURE ON THE GROUND AT VASTLY LOWER COST. MANY COUNTRIES THAT ONCE HAD POOR TELECOM NETWORKS NOW ENJOY HIGH RATES OF TELEPHONE CONNECTIVITY THANKS TO THESE NEW TECHNOLOGIES.

NEXT I WOULD LIKE TO TALK ABOUT AVIATION SAFETY AND HOW TO ENSURE IT. ASSURANCE OF SAFETY IS WHAT GOOD GOVERNMENT BRINGS TO THE TABLE. THE UNITED STATES IS THE WORLD'S LARGEST AND MOST DIVERSE AVIATION MARKET AND THE FAA, WHERE I SPENT 3 YEARS, HAS ITS HANDS QUITE FULL DEALING WITH ALL THE UNIQUE CHALLENGES OF OUR INDUSTRY. THE SHEER SIZE AND SCALE OF OUR MARKET MAKES A DEDICATED REGULATOR LIKE THE FAA NOT ONLY VIABLE -- BUT NECESSARY.

AFRICAN COUNTRIES OF COURSE ALSO NEED EFFECTIVE AVIATION OVERSIGHT BY REGULATORS BUT YOUR CIRCUMSTANCES ARE DIFFERENT FROM OURS. EFFECTIVE SAFETY REGULATORY AGENCIES MUST HAVE A CADRE OF SEASONED AND EXPERIENCED AVIATION PROFESSIONALS WHO USE DATA, RIGOROUS SCIENTIFIC ANALYSIS AND INTUITION FORMED OVER MANY YEARS TO MAKE JUDGMENTS ON SAFETY. BUT DEVELOPING THESE KIND OF HUMAN RESOURCES REQUIRES TIME. BECAUSE OF THE SIZE AND HISTORY OF OUR AVIATION MARKET THE UNITED STATES HAS A VAST POOL OF INDIVIDUALS AND INSTITUTIONS WITH SAFETY EXPERTISE WITHIN OUR BORDERS.

IN AFRICA, SIMILAR RESOURCES EXIST BUT ARE SCATTERED ACROSS MUCH VASTER DISTANCES AND ACROSS NUMEROUS NATIONAL BORDERS. YOU CAN IMPROVE AVIATION SAFETY BY ADAPTING TO THIS CIRCUMSTANCE THROUGH THE ADOPTION OF A REGIONAL APPROACH TO SAFETY OVERSIGHT. LEVERAGE YOUR COLLECTIVE RESOURCES AND EXPERTISE, WHEREVER THEY ARE LOCATED, RATHER THAN TRYING TO REPLICATE HIGHLY-SPECIALIZED CAPABILITIES IN EACH AND EVERY COUNTRY.

DESPITE WELL INTENTIONED EFFORTS IN AFRICA TO ESTABLISH A REGIONAL REGULATOR, MORE CONCRETE STEPS ARE NEEDED – AND MUST

BE TAKEN. FORTUNATELY, AFRICAN NATIONS WON'T HAVE TO START FROM SCRATCH BUT CAN ADOPT MODELS USED IN THE CARIBBEAN BASIN AND ELSEWHERE. THE CARRICOM AND CENTRAL AMERICAN COUNTRIES ARE EXAMPLES OF GROUPS THAT HAVE FORMED SUCCESSFUL REGIONAL ORGANIZATIONS. EVEN IN EUROPE, WHERE SEVERAL NATIONS HAVE HIGHLY ADVANCED AVIATION & AEROSPACE INDUSTRIES, A REGIONAL APPROACH IS GAINING FAVOR THROUGH EASA (THE EUROPEAN AVIATION SAFETY AGENCY ?). IN SHORT, BY ADOPTING A 21ST CENTURY APPROACH TO AVIATION SAFETY -- POOLING RESOURCES THROUGH REGIONAL ORGANIZATIONS -- AFRICA MAY LEAPFROG ITS WAY TO STATE OF THE ART SAFETY OVERSIGHT.

FINALLY, I WANT TO TALK ABOUT AVIATION LIBERALIZATION AND ITS VITAL IMPORTANCE TO OVERALL ECONOMIC GROWTH. WHILE PREPARING FOR THIS TRIP , I CAME ACROSS A MAP OF AFRICA THAT WAS A BIT UNUSUAL – IT

DEPICTED ALL OF THE CONTINENTAL UNITED STATES, EUROPE, AUSTRALIA, JAPAN, INDIA, AND NEW ZEALAND FITTING INTO YOUR LANDMASS WITH ROOM TO SPARE. THAT MADE ME REALIZE HOW AFRICA'S SIZE MAKES HAVING A ROBUST AVIATION MARKET AN ABSOLUTE IMPERATIVE. OVER SUCH VAST AND FORBIDDING DISTANCES, AVIATION IS THE BEST WAY AND SOMETIMES THE ONLY WAY TO CONNECT YOUR SOCIETIES AND ECONOMIES. IN SOME RESPECTS, THE SITUATION REMINDS ME OF OUR STATE OF ALASKA ALSO KNOWN FOR DIFFICULT TERRAIN AND VAST DISTANCES. IN ALASKA, AVIATION IS OFTEN THE ONLY CONNECTION SOME COMMUNITIES HAVE WITH THE OUTSIDE WORLD. IN OTHERS, IT IS A CRUCIAL LINK WHEN ROADS ARE CLOSED ARE IMPASSABLE.

THE BEST WAY TO SOW THE SEEDS FOR A ROBUST AIR TRANSPORT SYSTEM IN AFRICA IS TO QUICKLY LIBERALIZE AVIATION MARKETS -- MAKE THEM OPEN AND FREE. THE BEST AVIATION POLICY IS ONE THAT FOCUSES ON TRAVELERS AND SHIPPERS NEEDS AND NOT THOSE OF FLAG CARRIERS. EVERY NEW FLIGHT, REGARDLESS OF WHO OPERATES IT, REPRESENTS AN EXPANSION OF YOUR COUNTRY'S MARKETPLACE OR EVEN AN ENTIRELY NEW MARKET. RATHER THAN VIEWING AIRLINE COMPETITION AS A THREAT TO LOCAL INTERESTS, IT OUGHT TO BE VIEWED AS A BOON TO YOUR BUSINESSPEOPLE, STUDENTS, AND SOCIETIES AT-LARGE. EVERY VISITOR

CAN CONTRIBUTE HUNDREDS OF DOLLARS TO YOUR ECONOMY—MORE FLIGHTS ARE A WAY TO OPEN THE DOOR FOR THEM. LOCAL GOVERNMENTS IN THE UNITED STATES ARE KEENLY AWARE OF THIS REALITY AND THEY OFTEN AGGRESSIVELY LOBBY FOREIGN AIRLINES TO FLY TO THEIR COMMUNITIES BECAUSE OF THE CONSIDERABLE ECONOMIC BENEFITS. INDEED MAJOR AIRPORTS LIKE DENVER AND DALLAS HAVE STAFF DEDICATED TO ATTRACTING NEW AIRLINE SERVICE.

TO REALIZE THESE BENEFITS WILL REQUIRE BOLD LEADERSHIP AND VISIONARY THINKING. AFRICA CAN LEAPFROG ITS WAY TO ECONOMIC SUCCESS BY ABANDONING THE RESTRICTIVE BILATERAL AVIATION MODELS DEVELOPED IN THE LAST CENTURY. THE NEW MODEL IS OPEN SKIES ACCORDS ADOPTED ON A MULTILATERAL BASIS. THINK ABOUT WHAT HAPPENED IN EUROPE OVER THE LAST TWO DECADES. BILATERAL AGREEMENTS AMONG TWO DOZEN NATIONS WERE REPLACED BY A SINGLE REGIME ALLOWING UNRESTRICTED ACCESS TO EACH OTHER – AND AS OF NEXT MARCH, TO THE UNITED STATES AS WELL. EUROPEAN ECONOMIES AND CONSUMERS HAVE REALIZED BILLIONS OF DOLLARS OF BENEFITS.

BY THE WAY, THE LARGEST HUBS DIDNT ALWAYS DEVELOP IN THE LARGEST COUNTRIES – CONSIDER THE NETHERLANDS, WHICH BOASTS THE 3rd

BIGGEST AIRPORT HUB IN EUROPE, DESPITE BEING 11TH IN POPULATION. HOW AIR TRANSPORT SYSTEMS ULTIMATELY DEVELOP IS A FUNCTION OF MANY FACTORS INCLUDING GEOGRAPHY, INFRASTRUCTURE, LOCAL ECONOMIC STRENGTH, AND TRANSPARENT REGULATION. IF YOU SUCCEED IN LEVERAGING THESE OTHER ATTRIBUTES, IT IMPROVES THE ODDS FOR SUCCESS IN ATTRACTING GOOD AIR SERVICE AND PERHAPS EVEN HUBS. THUS ALLOWING MARKET FORCES TO DRIVE AIR TRANSPORT DEVELOPMENT WILL YIELD THE BEST, MOST EFFICIENT OUTCOMES.

THE OBVIOUS NEXT STEP HERE WOULD BE THE IMMEDIATE AND FULL ADOPTION OF THE YAMOOUSSOUKRO DECISION. AND A STEP BEYOND THAT WOULD BE OPEN SKIES BETWEEN AFRICA AND OTHER COMMUNITIES. A TALL ORDER, BUT ONLY BOLD AND VISIONARY LEADERSHIP WILL ALLOW AFRICA TO REALIZE ITS POTENTIAL IN AVIATION. WITHOUT THIS FRAMEWORK, INTRA-AFRICAN AIR SERVICE WILL REMAIN SCARCE, EXPENSIVE AND INCONVENIENT -- TO THE DETRIMENT OF YOUR ECONOMIES AT LARGE. CONVERSELY, OPENING UP AVIATION MARKETS WILL BE A BOON TO ECONOMIC GROWTH ON THE CONTINENT.

I HOPE TO RETURN TO AFRICA. AND THE NEXT TIME I HOPE IT IS CELEBRATE THE PROGRESS YOU HAVE MADE TO-- NOT CATCH UP-- BUT TO

HAVE SURPASSED THE MUCH OF THE WORLD IN HAVING A FIRST-RATE AVIATION SYSTEM.

I AM GOING STRAIGHT HOME FROM CAPE TOWN THIS TIME....BUT NEXT TIME I'M HERE I HOPE TO TAKE MY TIME ON THE WAY HOME TO FLY AROUND AND SEE THIS DIVERSE AND BEAUTIFUL CONTINENT ON WHAT I HOPE WILL BE CONVENIENT AND BOUNTIFUL FLIGHTS IN EVERY DIRECTION. I AM LOOKING FORWARD TO IT ALREADY.

THANK YOU.
