



2019 JITTI USA Civil Aviation Symposium
The Future of Civil Aviation in the Asia Pacific Region - Session 1
October 8, 2019

Mamiko Kim: -- your seats. We are pleased to offer this event with simultaneous interpretation. Please find a headset at your seat and tune to Channel 1 for English and Channel 2 for Japanese. If there's any problem with your headset, please find a member of our staff to assist you. *Konnichiwa. Sekinitsiute kudasai.*

Translator: Good afternoon. This event is provided with simultaneous interpretation. Please find a headset at your seat. Japanese will be provided from Channel 2, English from Channel 1. If your headset has any issues, please get one of the staff.

Mamiko Kim: -- and Operations at the Japan International Transport and Tourism Institute USA or JITTI USA. Please allow me to welcome you to today's symposium which is being held with support from the Nippon Foundation, the Embassy of Japan in the United States, the Ministry of Land, Infrastructure, Transport, and Tourism of Japan, and the Ronald Reagan Building and International Trade Center. We thank each of these organizations for their generous support.

To open our symposium, Mr. Masafumi Shukuri, Chairman of JITTI USA and the Japan International Transport and Tourism Research Institute, JTTRI, would like to make some remarks. Please join me in welcoming Mr. Shukuri.



Opening Remarks

Masafumi Shukuri: Good afternoon, ladies and gentlemen. I am Masafumi Shukuri, the Chairman of Japan International Transport and Tourism Research Institute and the Japan International Transport and Tourism Research Institute USA. As some of you may be aware, our organization's name was recently amended in August in order to show that tourism is included in our activities. We thank you for your continued support as we proceed in our effort to conduct research on international transport and tourism issues and disseminate information to the public through publications and events such as the one today.

As a host of this symposium, I welcome you all here today to the 2019 Civil Aviation Symposium, "The Future of Civil Aviation in the Asia Pacific Region." I would like to extend my sincere appreciation to the Honorable Shinsuke Sugiyama, Ambassador of Japan to the United States and the Honorable Hugo Yon, Deputy Assistant Secretary of Transportation Affairs at the U.S. Department of Stat, for their participation and the generosity of their time.

In addition, I would like to express thanks to the three distinguished keynote speakers: David Short, Deputy Assistant Secretary for Aviation and International Affairs at the U.S. Department of Transportation; Jotaro Horiuchi, Assistant Vice-Minister for International Civil Aviation at the Ministry of Land, Infrastructure, Transport and Tourism of Japan; and, Akihiko Tamura, President and CEO of Narita International Airport Corporation.

I also extend my appreciation for the U.S. and Japanese airline representatives, who despite their busy schedules, are participating as panelists in the panel discussion. They will be introduced later in the program.



With regard to today's theme of civil aviation in the Asia Pacific, competition among airlines and airports has been drastically increasing. Airports and air transport in the region reached 1.6 billion passengers in 2018 and is expected to grow further in the future.

Regarding civil aviation and airport policies in Japan with the 2020 Tokyo Olympic and Paralympic Games being held in the near future, the functionality of Tokyo metropolitan airports has been enhanced through the addition of landing slots at both Haneda and the Narita Airport. Other policies are currently being implemented in order to address increasing aviation demands.

In particular, regarding Haneda Airport, an aviation agreement was reached in negotiations between the U.S. and Japan this August. I believe that the outcome of the agreement, which allocated 24 out of the 50 new flights to air routes between the U.S. and Japan - more than any other country - clearly shows that for Japan, there is a vital importance to aviation transport with the U.S.

The further expansion of aviation transport between the U.S. and Japan will surely be important for the development of economic activities and people-to-people exchanges between our two countries. However, I also firmly believe that it is an essential and effective tool to strengthen the crucial alliance that is the U.S.-Japan relationship and to improve international security considering the changes in recent global power dynamics.

It is vital that we consider what kind of role the American and Japanese aviation sectors should play in the Asia Pacific region, and how they can contribute to even further development of relations between the U.S. and Japan. Therefore, I look forward to hearing the speakers and the panelists talk about concerns and issues to watch in our shared region. I believe that there will be produced beneficial suggestions for the direction that civil aviation should take in the Asia Pacific region and further strengthen the relationship between the U.S. and Japan. Thank you very much.



Mamiko Kim: Thank you, Mr. Shukuri. Now, I have the honor to introduce to you the Ambassador of Japan to the United States, Shinsuke Sugiyama. Under his leadership, we have witnessed the current era of increased connections between the United States and Japan certainly in the field of aviation but in relationships as a whole. We feel grateful for his presence. Ambassador Sugiyama, if you could give your remarks.

Honorable Guest Remarks

Shinsuke Sugiyama: Well, as a matter of fact, Chairman Shukuri has been really, really kind to me, of course, even before I became an envoy to the United States of America but particularly after. I arrived at the Dulles Airport, which was something like 19 months ago or something. This happens to be not only the first time when Chairman Shukuri was kind enough to invite me to this type of important seminar on civil aviation today but on tourism and things like that. I really, really appreciate Chairman Shukuri who is our host this afternoon. It's been really very fruitful and meaningful discussions at the symposium. I know that today's symposium was held through his efforts. For that, I thank Chairman Shukuri very much.

Before getting into anything else on this particular side of the matter today, please allow me to report to you that yesterday was my very big day in the sense that I was instructed by my government to sign the formal international agreement on trade as well as the digital trade and the related documents attached to this agreements together with the USTR Ambassador Bob Lighthizer in the White House just in the presence of Mr. President. And then I had the honor to talk to him privately. I have very much honor to speak up on behalf of my country and my government to tell the significant meaning of finalizing the legal documents by my signature together with Bob Lighthizer's signature.

Of course, to us, it is not end of the game. We must present these documents to our National Diet, our parliament to get approval. I'm told by Bob that in this case, the U.S. federal government is not necessarily putting that into Congressional approval. But in our case, we have to still wait to see how the Diet debate is going to look like. But my government, starting from my prime minister and the administrator in-charge, Mr. Motegi, who happens to be my boss, the foreign minister, are very much confident that that goes through some time hopefully rather soon.

This is not something direct to do with the civil aviation agenda. But this is something about the whole sort of balance of trade such as industrial goods or agricultural goods plus e-commerce. Although, this has nothing direct to do with today's topic, but I do believe that if these get into force sometime in the near future, to come after getting approval from our National Diet, our kind of balance [sounds like] in terms of economic relation is going to be even much, much better and even much, much deeper. We haven't counted on specific numbers, but what Bob Lighthizer has been saying that the amount of the volumes involved in agriculture sector for the U.S. is up to something like seven billion, not million.

Of course, if you compare this to our giant neighbor, the figure is not that much big enough in comparison to this. Nonetheless, seven billion at such only on agricultural sector plus industrial sector or something, I don't know much many but it is to say the least, it is not peanut. Plus, some of the symbolism that we are about to get into force on the kind of free and open trade system strengthened by this agreement if this agreement get into force in the near future to come.

So, this is something at the outset that I personally feel very much honored that I happened to be a signatory on behalf of my government in front of your president together with Bob Lighthizer. That's something that I very much proudly want to report to you all who are gathered here.

Now, this civil aviation thing; I saw a quote the other day that I liked, although I don't know who said that. "Of all the books in the world, the best stories are found between the pages of a passport." A

passport is a book of stories and memories written by each of us in our travels. It is a book of knowledge, history, and geography. It is a book of understanding.

By the way, since I came here, I am not that much using passport except that I have to go to White House or something to show my identification, not for the travel's sake. But when I was back in Tokyo particularly serving as a deputy foreign minister, a deputy foreign ministry of Japan is supposed to first accompany all the time when the prime minister goes outside to see his opposite numbers every time.

Not only that, but a deputy foreign minister is a person who is supposed to make a whole sort of subcabinet level consultation with the whole numbers of the foreign opposite numbers. One time, my secretary counted that annually, I used to travel something like 50 times or so. Then I'm told that it's about the same of a cabin attendant. I was something like working as a cabin attendant. But don't worry, cabin attendants can have a rest for two days or one day or something while on land, while I have to work upon arrival and even before leaving. So, I had a very sort physically -- not necessarily mentally or something, but physically, I had a very busy schedule.

But that was the time I found out that my passports were three books because of the stamps and because of visas and because of everything else. Really, I feel this word is true, that when you just page back to the stamps or the name of the countries or these other things, I was able to remember where I was going to, who I was meeting, not a hundred percent these days. I'm aging so I forget everything now so easily. But nonetheless, the passports tell you a story.

Here in this room and under this title of Civil Aviation Symposium serve a larger purpose of helping write that book. As Japan's envoy to the United States of America, I thank you also. Fulfilling [sounds like] larger purposes, of course, often requires the nitty-gritty of reaching an agreement on the practicalities and details.



In August, I understand this August, Japan and the United States of America authorities reached an important agreement of record of decision to the effect that the amendment to the schedule of the Civil Air Transportation Agreement should be done accordingly. Finalizing exchange of notes is expected to be done, I'm told, sooner than later, which is going to be enhanced further via the cooperation on this particular field between the two countries. You see, as I said from the podium in front of your president and then my colleague, Bob Lighthizer, that the U.S. is *the* single ally to us bar none. Of course, primarily [sounds like] Japan is at least one of the most important friendly allies, not only in this particular civil aviation field but everything else. I'm very much proud that you're going to make the significant certain amendment to the schedule to expand the civil aviation cooperation. I was briefed what it's all about in substance.

The result of their work is there will be expanded use of Haneda Airport. The number of routes connecting Japan and the U.S. will increase really, really significantly. I do believe that this is only sort of in a nutshell. I've been told when I was in Tokyo and even after I came here that the total number of inbound tourists, we used to have a target of 40,000 people or something. Then I think we have already achieved that. Then given the fact that next year happens to be Tokyo Olympics and Paralympics, the number is expected and then should be increasing really, really rapidly.

So, this is really, I do believe a timely thing. Maybe the early part of next year or something, the new schedule is going to be done and then expanded routes and expanded flights and something, particularly Haneda Airport and Narita Airport, too, is 3 million [sounds like] in [indiscernible] but at the same time of the utmost importance for that matter. Twenty-four out of the 50 new flights per day will be devoted to Japan-U.S. routes. This will deepen the relationship between our two countries throughout the Asia Pacific region.

I'm at the Narita International Airport. The president and CEO, Mr. Tamura, is present here. I do understand that Mr. Tamura, together with others are going to be speaking up after this. I do believe



that Narita International Airport already has an expansive [sounds like] international network. I understand it's planning to build a new runway and expand flights even further. So not only limited to Haneda but also probably [sounds like] the longer history international airport kind of a hub in the region of Narita, I hope international airport is surely going to be playing a much, much more important role in terms of the tourism, in terms of business trip, in terms of everything else.

We are fortunate to have Mr. Tamura, as I said, the president and CEO of Narita International Airport Corporation, with us today. Perhaps, he will give us his thoughts much, much in detail and much, much from the viewpoint of, not me as a layman, but him as an expert on that matter. I hope these efforts will lead the airports in Tokyo Metropolitan Area to become the hub. Already, I think because of these two airports and particularly starting from Narita to be uphold [sounds like] by Haneda, I think Tokyo has been playing the important role of a hub in the region. But I do believe that, presumably, thanks to Tokyo Olympic and Paralympics and everything else, even rugby, amazingly enough, Japanese Rugby team seems to be doing really, really well. Yes, they've beaten South Africa and has beaten the number two, Ireland. I think they seem to be doing. That means that they are gathering more and more tourists. That means that airplane companies as well as airports are, too, becoming even busier.

So, I hope these efforts will lead the airports in Tokyo metropolitan as I said this hub. We, at the embassy, want to see planes full of Japanese and American fly back and forth between our two countries. Every person getting off one of these planes either going east or west is a source of closer ties and understanding.

Mark Twain once said that too much of anything is bad. But too much good whiskey was barely enough. This is how I see travel between countries. I support everybody here. I thank you and particularly, Mr. Chairman, the other president and CEOs and secretaries who are gathering for all that you do. Thank you very much indeed.



Mamiko Kim: Thank you very much, Ambassador Sugiyama. Next on our program, we have the honor to hear from Mr. Hugo Yon, Deputy Assistant Secretary of Transportation Affairs from the United States Department of State. We are delighted that he could join us today and commend his efforts in the fields of foreign relations and transportation. Please join me in welcoming Mr. Yon.

Hugo Yon: Chairman Shukuri, on behalf of the U.S. government, thank you for your warm welcome to this event. Ambassador Sugiyama, Assistant Vice-Minister Horiuchi, Deputy Assistant Secretary David Short, distinguished panelists and guests, ladies and gentlemen, good afternoon.

As stated already, Japan has a critical role in the growth of aviation in the Asia Pacific region. There are three reasons why. First is the U.S.-Japan alliance. Second are the people-to-people and commercial ties that Japan fosters. Third is the concept of Japan as a gateway to Asia.

First, the U.S.-Japan alliance, it is the cornerstone of peace and security in the Indo-Pacific and beyond. Our bilateral relationship has never been stronger. We have built a truly global partnership based on cooperation and on providing security and stability for our countries and the wider region. That stability, in turn, provides the foundation for the extensive economic relationship that our two countries enjoy and a framework for regional growth, especially in the aviation sector.

Japan also continues to foster strong economic growth and people-to-people ties with countries like the United States. It's because of this common desire to deepen these types of ties that for years, the United States and Japanese flights in and out of downtown Tokyo's Haneda Airport cannot keep up with demand. For this reason, I want to take a moment to applaud the flexibility of the governments of both the United States and Japan and all that it took in the recent aviation discussions that opened up these new opportunities.



In exercising this flexibility, our countries were able to maximize aviation growth and the commercial benefits for U.S. and Japanese stakeholders in addition to expanding capacity for other countries to come to Tokyo. It is truly a great example to the world of how partners can both compete and cooperate in a way that is very sustainable over time.

It is difficult for me to overstate the importance of additional daytime service at Haneda. These flights will generate billions of dollars of economic activity in and outside of the aviation sector. Well, it will enable travel to the 2020 Summer Olympics in Tokyo. It will help Japan achieve its goal of 60 million tourists by 2030 and create additional direct access to Central Tokyo for cities in the United States.

I can say personally that I will be very interested in boarding any new flight from Washington, D.C. to Haneda or from any of the new destination cities that we will touch. Once the new flights are in place, we will all have a stake in seeing that those flights, as the ambassador has said, are full in both directions. I believe the new U.S. destinations available by direct flight out of Central Tokyo are an exciting development for Japanese tourists and regional business travelers. I welcome the new visitors to the United States.

That brings me to the third reason for Japan's critical role in the coming decades. Japan has a near perfect location to be a gateway to Asia, a role that the Greater Tokyo Area has served for many decades. As rising tides raise all ships and in so much as Japan is a gateway to Asia, the Haneda *and* Narita Airports are partners that complement each other. The new slots at Haneda have only expanded the pie for all airports in Japan in addition to creating new options for international customers.

But Japan isn't only a gateway to Asia for passengers. It is also a window to the world for air cargo. Japan's domestic demand for foreign goods has grown over the years. Thirst around the world for Japanese products similarly has increased. Indeed, Japan, like the United States, is one of the very few drivers of global economic demand. Japan has facilitated the movement of cargo to meet these growing demands.



Japan has demonstrated in recent talks with the United States its continued support for allowing air cargo carriers to operate flexibly out of Japan in order to serve this regional market and be this window. We need to keep cargo growing in step with increased passenger travel. It is even more important *now* that our two countries just signed a new trade agreement and digital trade agreement. Many of those products are going to be high value-added products that go on air cargo. As President Trump has said and I quote, “This is a tremendous victory for both our nations.”

I started my remarks looking toward Japan’s role in the bright future of aviation in the Asia Pacific region. That future is indeed bright because there are so many stakeholders like JIITTI and like each of you who are all looking for new ways to expand travel from, within, and to the region.

Thank you again, Chairman Shukuri, for hosting this symposium today. I look forward to the lively discussions. I also look forward to the future of aviation for our two countries and the region and the world. Thank you very much.

Mamiko Kim: Thank you very much, Mr. Yon. As you’ve seen in our agenda, this symposium consists of two sessions - the keynote speeches and the panel discussion. For the first session, we have assembled three speakers with expertise in the field of civil aviation, who have insight into how things are moving forward, particularly in the Asia Pacific region.

Our first keynote speaker is Mr. Jotaro Horiuchi, Assistant Vice-Minister for International Civil Aviation at the Ministry of Land, Infrastructure, Transport and Tourism of Japan. He will be followed by Mr. David Short, Deputy Assistant Secretary for Aviation and International Affairs at the U.S. Department of Transportation. Lastly, our third and final speaker for this portion of the symposium will be Mr. Akihiko Tamura, President and CEO of Narita International Airport Corporation. We feel deeply grateful for each of their efforts to be here today and the generosity of their time.



A coffee break will follow the keynote speeches. Then we'll have a panel discussion with the closing remarks from our moderator, which I'll describe further at that point in the program. Now, please join me in welcoming the first of our keynote speakers, Mr. Horiuchi, to the stage.

Keynote Speeches

Jotaro Horiuchi: Mr. Masafumi Shukuri, Chairman of JIITTI; His Excellency, Shinsuke Sugiyama, our Ambassador of Japan to the United States; and, Mr. Hugo Yon, Deputy Assistant Secretary of the U.S. Department of State; and our distinguished guests from development, the industries, and the academia.

It is a great honor for me to make a presentation on this occasion. I'd like to talk on our future prospect of our Asia Pacific region's air traffic. I'd like to go straight to the point. Global passenger traffic has risen sharply these days. Let's take a look at the evolution of the main interregional traffic.

Firstly, the traffic between Europe and Asia has grown by 35 percent in the past eight years. Secondly, the traffic between Europe and North America has grown by 42 percent in the same period. Finally, the growth rate of the traffic between North America and Asia was 62 percent, the largest growth among the three. I would also like to note that the passenger traffic between North America and Asia is mostly by air simply because they are not adjoining to each other.

Now, I'd like to start by focusing on the current situation and prospect of air traffic within the Asia Pacific region, especially the air traffic between the United States and Southeast Asia. Then I'd like to highlight the potential role of Japan's main airports.

In 2003, then Prime Minister Junichiro Koizumi launched the biggest Japan campaign. That was the year when the American movie, *Lost in Translation*, was released. In that movie, Japan was described as a country where you can't make yourself understood in English and you feel isolated.

Through the nationwide campaign, the Japanese government and the tourism industry in Japan have made great efforts to improve signage and operate day tours in 14 languages and to promote

Japan as an attractive tourism destination for international tourists. As a result, the number of international tourists in 2018 has risen to over 30 million, about six times as much as those in 2003. The Japanese government has an ambitious target of the number of tourists, 40 million in 2020 and 60 million in 2030. You must think the growth comes mostly from Asian countries. But that's not always the case. As a matter of fact, international tourists from the U.S. to Japan reached 700,000 in 2010.

The figure tentatively dropped because of the Great East Japan Earthquake in 2011. But it has steadily increased since then and reached the highest level of 1.5 million in 2018, more than double the figure in 2010. International tourists from East Asia to Japan have increased fourfold to 22.9 million. Those from Southeast Asia to Japan have also increased six-fold to 3.5 million. This sharp rise of the number of international tourists had led to the increase of the number of international flights to and from Japan.

This viewgraph shows the number of the direct flights per week between Southeast Asia and Japan in the 2010 summer schedule. If we compare the weekly flights to daily ones, 15 daily flights from Bangkok and 11 from Singapore but not so many from other cities. When we see the figures with the 2019 summer schedule, we have 35 daily flights from Bangkok, 25 from Singapore and 20 from Manila. In addition to that, the daily direct flights to Japan from Hanoi, Ho Chi Minh, and Kuala Lumpur have reached around 10 respectively. Furthermore, Phnom Penh, Yangon and Bandar Seri Begawan are now operating direct flights to Japan. And Vientiane, the capital of Laos will start to operate direct flights to Japan in the 2019 winter schedule. As a result, all of the ASEAN countries will be connected to Japan by direct flights.

Next, let's look at the direct flight between the U.S. mainland and Japan. In the 2010 summer schedule, we already had direct flights from 12 cities with one or more daily operation. In the 2019 summer schedule, we have about 20 percent more flights from the U.S. to Japan, partly because of the

increase of flights from Los Angeles and Seattle. Also, Denver, Boston and San Diego are now served by direct flights to Japan.

I'd like to move to the topic of direct flights between the U.S. and Southeast Asia. As the flight range of a narrow-body aircraft with small capacity has been extended, thanks to technical innovation including energy-saving, the number of direct flights between the U.S. and Southeast Asia have been increasing. But there are still only two Southeast Asian cities, Manila and Singapore, which are connected to U.S. cities by direct flights. I think the number of the direct flights between the U.S. and Southeast Asia will continue to increase but due to the long flight hours of 16 to 18 and due to the constraints that a narrow-body aircraft require high revenue per passenger, the number of nonstop flights connecting the U.S. and Southeast Asia will possibly be limited to a certain extent. Rather, both nonstop flights and indirect flights using connecting hubs are likely to prosper and share the total demand properly [sounds like].

Japan has the geographical advantage to serve as the connecting hub between North America and Southeast Asia. While a limited number of routes could be connected directly between the U.S. and Southeast Asia, a sharp increase in direct flights between Southeast Asia and Japan and between the U.S. and Japan will offer air passengers workable alternatives by using Japan as a connecting hub.

Next, I'd like to introduce the overview of Japan's airports and to pick up some Japanese airports which are prospective connecting hubs between North America and Southeast Asia. The largest airport in terms of number of passengers in Japan is Haneda. The second largest is Narita. Both are located in the Tokyo Metropolitan Area, having said that, Haneda is mainly for domestic passenger. As an international airport, Narita has the largest number of passengers. The Kansai, Osaka follows.

As you may be aware, slots at Haneda for international flights will be increased from the 2020 summer schedule but there are no additional plans to expand the capacity of Haneda. Meanwhile, Narita has an ambitious plan to increase capacity in the next ten years. Therefore, I am looking to Narita

for the future role of becoming the connecting hub. Additionally, I think, Kansai, Osaka and Chubu in Nagoya have the potential to be the next connecting hubs.

The Japanese government has a target to increase the number of takeoffs and landings of Tokyo metropolitan airport from the current number of 747,000 to approximately 1 million by the late 2020s. The capacity of Haneda will be expanded from 447,000 to approximately 490,000 flights from the 2020 summer schedule. All of the expanded capacity will be used for international flights but there is no further expansion plan for Haneda from this point onwards.

On the other hand, the capacity of Narita will be increased by 40,000 by 2020 and will reach 500,000 in the late 2020s. More than 60 percent increase of the capacity compared with that in 2019. A new third runway will be completed by then. With regard to Narita, I'd like to omit the detailed explanations because Mr. Tamura, the Narita Airport CEO will cover them. One thing I'd like to tell you is that substantial efforts are being made to improve the access to Central Tokyo and to increase domestic flights to and from Narita.

The next topic is Kansai International Airport in Osaka. It is a 24-hour airport with two runways of 4,000 meters and 3,500-meter runway. I mentioned earlier that the current number of flights between Southeast Asia and Japan is 903 flights per week. Among them, around 190 flights, more than 20 percent of the total, are from Kansai Airport. Kansai Airport still has plenty of capacity remaining. Kansai is also the gateway for Kyoto, the prominent old capital. Therefore, I believe the Kansai Airport has high potential to be a connecting hub between North America and Southeast Asia.

The next airport I will introduce is Chubu Centrair International Airport in Nagoya. The Greater Nagoya region is the heart of Japanese major manufacturing industries, such as Toyota, Mitsubishi Heavy Industries, and Yamaha. About 10 million people are living in the Greater Nagoya region within the radius of 100 kilometers. Chubu Airport is also close to the traditional ninja towns that engage in the ninja projects to host and entertain international tourists. Chubu has around 80 flights per week

between Southeast Asia and Japan. The destinations are Bangkok, Manila, Singapore, Hanoi and so on. I have no doubt that Chubu is an airport which also has hidden potential to become a connecting hub between North America and Southeast Asia.

I just would like to touch upon a little more attractive spot in Japan ranging north and south. For example, in Kyushu, the southern part of Japan islands, you can enjoy the food culture represented by ramen noodles and a variety of hot springs as well. If you look at the north, you will find Hokkaido where the Sapporo Snow Festival and skiing in winter are very popular among international tourists.

Fukuoka Airport in Kyushu and New Chitose Airport in Hokkaido are the main airports in the region, attracting many tourists in association with other airports. All of the airports are constituting the well-developed domestic networks between the metropolitan airports, Haneda and Narita.

This viewgraph shows few different approaches. While MLIT is promoting integrated airport management by outsourcing to the private sector for greater efficiency, we are taking another measure to introduce advanced technology to facilitate procedures at the airports what we call fast travel.

In summary, here are the key messages I'd like to deliver to all of you. First, human exchanges between Japan and Southeast Asian countries are growing rapidly, enhancing the aviation networks between the two regions. Second, by building up robust network with Japanese cities, U.S. and Japanese carriers could make full use of the enhanced aviation networks between Japan and Southeast Asian countries. In this context, U.S. and Japanese carriers would continue to strengthening business ties between U.S. and the rapidly growing Southeast Asian countries. I believe it is certainly good news for U.S. carriers that flights to Haneda will increase next year. However, at the same time, in view of a long-term development, I'd like you to seriously think about the strategic use of Japanese airports besides Haneda to enhance global aviation networks. Thank you very much.



Mamiko Kim: We will now have the pleasure of hearing from Deputy Assistant Secretary Short. Please join me in welcoming him to the stage.

David Short: Good afternoon. I would like to start by thanking the Japan International Transport and Tourism Institute for inviting me to represent the U.S. Department of Transportation at today's event. As many of you know, DOT and JITTI have a long history of cooperation and so I am very happy to be able to participate in this important discussion hosted by such a prestigious institution.

I would like to personally thank Mr. Shukuri and his team for organizing this event. I would also like to knowledge his Excellency, Ambassador Sugiyama and Assistant Vice-Minister Horiuchi who both worked tirelessly with us over the course of the last couple of years to reach our landmark 2019 amendment to the U.S.-Japan Air Transport Agreement. Without your efforts, we would not be here today. I would also like to express my gratitude to Mr. Yamauchi and his staff, as well as Mr. Tamura for their efforts to make this symposium a reality.

The timing of the symposium today is particularly auspicious given that my boss, Secretary of Transportation, Elaine L. Chao has been designated by President Trump to lead the U.S. delegation to the enthronement of his majesty, Emperor Naruhito, later this month. This honor highlights the importance and the excellent state of the transportation relationship between our two countries.

This year has been a busy one for U.S.-Japan air transport relations and it represents the eve of a momentous new chapter in our aviation relationship. This is a relationship that has evolved remarkably over the last 70 years. But throughout this evolution, it has remained one of the most important aviation relationships for the United States. Before I share my thoughts on the future of aviation in transpacific air transport markets, I would like to recount some important facts about the history of the

U.S.-Japan aviation relationship as it holds important lessons that should be considered as we look ahead.

Since the beginning of intercontinental commercial aviation, the U.S.-Japan relationship has formed the backbone of the transpacific market. This is in spite of the restricted air services relationship we once shared. When the 1952 U.S.-Japan Civil Air Transport Agreement first entered into force, it placed significant limitations on the airlines of both countries in terms of how they could serve the market.

U.S. carriers for instance were permitted only one gateway in Japan - Tokyo. And Japanese carriers were able to serve only three U.S. cities, Honolulu, San Francisco and Seattle. The routings which they could fly between our countries were also heavily restricted, with only a small positive list of permitted intermediate points. These restrictions were reflective of the technology limitations and the relatively small size of the transpacific market at that time.

That said, these same technology limitations meant that the vast majority of traffic between just about anywhere in East Asia and the United States had to transit Japan. It was a matter of simple geography. When you consider this fact in relation to what our agreement allowed for at the time, you can really appreciate how much transpacific traffic flows have grown and transformed over the last 70 years.

Later in the 20th century, as the transpacific market began to develop further, our transport relationship evolved. I say evolved rather than liberalized because while certain restrictions were relaxed, new restrictions were introduced. For instance, in 1972, while Japanese carriers gained access to New York and U.S. carriers gained access to Osaka and Okinawa, new limitations were placed on the points beyond our respective countries that could be served. 1985 saw the first introduction of cargo-specific operating rights and the introduction of new gateways for passenger services. But this agreement also introduced frequency limitations into our air transport market for the first time.



Tracing the history of our air service relationship through these various agreements provides insight into the mentality that drove our international aviation policy over this period. In short, government regulators negotiated only as much capacity and flexibility as they determined the market could accommodate. While one could argue this produced market stability at a time when long-haul travel was a relatively new phenomenon, it also drove market inefficiencies and created clear winners and losers, excluding many potential competitors from the market outright. What this era precluded in the way of forgone market development and innovation; we will never know.

With this as context, it is easy to understand how as recently as ten years ago most aviation experts would have bet against the prospect of open skies between our two countries. The U.S.-Japan Open Skies Agreement that we concluded in 2010 helped propel our air services relationship into the modern era. This agreement was a predicate for the Department of Transportation to grant antitrust immunity to the metal [sounds like] neutral alliances between Japan Airlines and American Airlines and between All Nippon Airways and United Airlines. Over the past nine years since the agreement entered into force, average fares have decreased 21 percent in the U.S.-Japan market while the number of departures has increased 26 percent.

While the 2010 Open Skies Agreement was an important step forward, it remained imperfect because opportunities at one of Japan's most important gateway airports, Tokyo Haneda, continued to be severely constrained for the carriers of both countries. With the deployment of new aircraft technologies over this same period, the route networks connecting our countries changed almost overnight. New cities like San Diego, Boston, and San Jose gained non-stop access to the Japan market for the first time, while frequency of service between Tokyo and established U.S. gateways like Los Angeles, San Francisco, Chicago and New York increased.

This expansion in both the scope and depth of our bilateral connectivity came against a backdrop of increasing nonstop flights between the United States and other countries in East Asia,



demonstrating that the U.S.-Japan market would remain the linchpin of transpacific traffic flows despite the growth in other markets.

I believe that the 2019 amendment to our Air Transport Agreement will ensure that the U.S.-Japan market continues to prosper in the years ahead. Beginning in March of next year, 36 round-trip flights will connect Tokyo's Haneda Airport to the United States each day. This is on top of services from Narita, Osaka, Nagoya, and elsewhere in Japan to cities in the United States from Boston to Guam.

This newly liberalized operating environment will provide our respective carriers with the flexibility they need to maintain competitiveness against other airlines operating in the transpacific space and beyond. And with nonstop flights between the U.S. and Haneda increasing as of next summer from 12 to 36, 18 by U.S. carriers and 18 by Japanese carriers, not only will passengers destined to and from Tokyo experience shorter transit times to and from the downtown core but passengers destined to points throughout Japan's regions from Kyushu to Hokkaido and all points in between will find a myriad of new connecting flight possibilities at their disposal. This will undoubtedly enhance Japan's ability to achieve its ambitious goals for tourism growth over the next decade.

Looking forward, it is my hope that we can continue to push the limits of our aviation relationship to our mutual benefit. Our 2019 amendment lays the groundwork for some important next steps, including the further liberalization of access at Haneda. In DOT's view, these next steps are critical to ensuring the competitive landscape remains vibrant. Artificially limiting the potential of our market does not serve any of our interests. Let us learn from our shared history and recognize that a Haneda that is open to all on the same basis as every other airport governed by our agreement will remain our priority as we look to the future.

In addition, we are very encouraged by the plans for a third runway at Narita. As Japan sets out to achieve its ambitious goals of 40 million foreign visitors in 2020 and 60 million by 2030, Narita's role



as an international gateway may be changing but it is by no means diminished. We believe a third runway will present opportunities for more service in both the passenger and cargo markets.

We hope that it will also present opportunities for new entrants in our air transport market as new business models emerge in the transpacific and beyond. Narita has proven to be one of the most efficient gateways between the United States and Asia. I believe this role will continue as more U.S. cities look to gain non-stop access across the Pacific.

As recent history has demonstrated, the strong bonds between our two countries have ensured that our aviation relationship has continued to thrive despite tremendous growth in other areas of the Asia-Pacific region. This is in large part due to the solid relationship we share as partners and the positive business environment and legal certainty that results for our airlines. While other areas of the Asia-Pacific region may continue to expand aviation infrastructure and to chart ever bolder ambitions for growing transpacific traffic, I do not believe what we have accomplished is easily replicated for it is rooted in a deep sense of respect for one another and for the rule of law. It is my hope that as we continue to work with one another to further liberalize the U.S.-Japan market, we will keep this in mind.

So now, summing up, let's just have a look. This is what the route network of both U.S. and Japanese carriers looked like in the 1950s. This is what it looks like today. Please don't ask me to name all the gateways. I don't think I could do it. So, I look forward to hearing from the other keynote speakers here today and the panel members that will follow. And to my Japanese counterparts, I look forward to continuing to work constructively with you as we chart the next chapter in our aviation relationship. Thank you very much.

Mamiko Kim: Thank you, Mr. Short. Our final keynote speaker is Mr. Tamura. Please join me in welcoming him to the stage.



Akihiko Tamura: Good afternoon, Your Excellency, our distinguished guests, ladies and gentlemen. Thank you very much for giving me this kind of a very precious opportunity. It's my great pleasure to talk at this civil aviation symposium sponsored by JITTI. Today, I'd like to make a presentation on the how we think to secure our future growth of the Narita International Airport.

Air passenger traffic in Asia [sounds like] is forecasted to grow at an annual average rate of above 5 percent over the next 20 years against the backdrop of the region's robust economic growth. In addition, the demand for air transportation between Asia and North America is also forecasted to grow steadily. The number of inbound tourists visiting Japan is expected to increase further over the coming years. The Japanese government is targeting for a 40 million inbound tourists in 2020 and 60 million in 2030. The government has implemented and continues to implement a vigorous and various policy measures to promote inbound tourism, including strategic easing of visa requirements and the improvement of the tourism environment for foreign visitors to Japan.

Taking a look at our neighboring Asian countries, major airports are carrying out large-scale expansion projects to capture the growing demand. As each airport is preparing a very large handling capacity, our competition among airports will intensify on the one hand. This could be a threat to the growth of the airports in Tokyo Metropolitan Area, that is Haneda and Narita.

On the other hand, those expanded airports will provide the opportunities for us to attract new services to, from, and via Tokyo. Narita Airport plans to cope with the threats and take advantage of the opportunities by jointly serving the Tokyo Metropolitan Area with Haneda through a close cooperation between the two airports.

By the Olympic and Paralympic Games to be held in Tokyo next year, the annual airport capacity is planned to be increased by 40,000 aircraft movements for each of Narita and Haneda. Beyond 2020, Narita Airport has a concrete expansion plan to further strengthen its functionality and expand its capacity by additional 160,000 aircraft movements to 500,000 movements annually. Haneda will open

up a new approach route for the planned capacity increase next summer which flies over the center of Tokyo City only from 3:00 to 7:00 PM in consideration of the living environment for the residents. The room for further capacity expansion for Haneda would be quite limited. That means that most of the demand increase in the Tokyo Metropolitan Area beyond 2020 is to be accommodated by Narita Airport.

Now, let me explain about the three points of our Narita Airport's further capacity and the functionality enhancements. Firstly, the annual number of arrival and the departure slots will be increased from 300,000 to 500,000 as I mentioned earlier.

Secondly, runway B will be extended by 1,000 meters to 3,500 meters. And runway C, another runway with the length of 300 to 500 meters will be newly constructed. As a result, Narita Airport will have three runways with the length of either 4,000 or 3,500 meters.

Thirdly, the airport's aircraft operating hours, which are currently from 6:00 AM to 11:00 PM will be extended by two-and-a-half hours and will become from 5:00 AM to 12:30 AM when runway C is constructed and put to use. Narita is expected to accommodate the future growth of the overseas tourist demand to Tokyo and to overall Japan. So, we are making full efforts to implement these changes, to fulfill our responsibility to the national aviation system.

In the plan for increasing the arrival and the departure slot capacity for international services at Haneda, an additional 50 daily daytime turnaround slots are allocated for flights, 25 for Japanese carriers and 25 for foreign carriers.

Presently, direct flight services from Narita are operated to all of these countries to which additional slots at Haneda are allocated. In particular, 12 turnaround slots are awarded to flights to and from the United States. Four U.S. carriers have been awarded approval from the U.S. Department of Transportation to operate a total of 12 flights per day from ten cities in the U.S. To complement the same volume, two Japanese carriers plan to start operating 12 flights per day. At present, from Narita,

331 passenger flights to 19 new cities, including Guam are being operated, so Narita's network is expected to be affected to a substantial extent.

Last time when the second increase of the international slots to Haneda started to be allocated in 2014, the performance of Narita was largely affected for that year. However, next year, it achieved better results compared to 2013 before Haneda's slot increased in terms of three major benchmarks - the number of arrivals and the departures, the number of passengers, and the number of cities served by the flights from the airport.

Moreover, this time, the restrictions of the transportation capacity for the Chinese carriers at Narita are to be substantially relaxed to the level where we could call it almost the open skies. Considering these changes in the business environment, I believe Narita will bounce back in a short period of time and further attract international passenger and cargo demand and also expand its domestic service network utilizing the increased airport capacity.

Once again, I'd like to reiterate that one of Narita Airport's advantage is the planned increase in arrival and the departure slots. We will take three steps. For the first step, starting with the winter 2019 schedule, the airport's flight operational hours will be extended by one hour with the curfew delayed to 12:00 AM midnight. At the same time, the restrictions on the number of flights operable at 10:00 PM for runway A will be removed.

For the second step, by the time of the Tokyo 2020 Olympic and Paralympic Games, the number of hourly arrival and departure slots will be increased from 68 to 72, including the time zone from 3:00 PM to 7:00 AM that is convenient schedule for flights to and from both North America and Asia.

For the third step, with the further enhancement of the Narita Airport's capacity and the functionalities including the construction of runway C, the new runway which is intended to be completed in the latter half of 2020, the number of hourly arrival and departure slots will be increased

from 72 to 98. In addition, the flight operational hours will be further extended by one-and-a-half hours to be from 5:00 AM to 12:30 AM.

Narita's second advantage is that it links the Tokyo Metropolitan Area with the various Asian cities and the network with the Asian cities will grow richer year by year. Narita serves Tokyo, one of the world's largest cities in terms of demand for air transportation by making the most of the planned increase in the annual arrival and departure slots and consequently greater flexibility in scheduling for the airlines.

Narita will be able to link this mega city, Tokyo Metropolitan Area, with a wider range of Asian cities. When it comes to flights to China, as of the end of September 2019, 21 cities in China are connected by flights from Narita. As I touched upon earlier, the authorities of China and Japan agreed to ease the restrictions on the transportation capacity for Narita services, starting with the winter 2019 schedule. Now nearly 100 new flights from Chinese cities to Narita applied and under preparation for starting service.

Currently, there are 17 Chinese cities which have been served by flights from the Kansai and the Chubu Airports but not from Narita. However, under the new almost open skies scheme for Narita, introduced between China and Japan, we will step up marketing efforts so that Narita will be the main gate from China to Japan.

As for flights to Southeast Asia and India, the densely populated and the fast-growing areas with great potential, 17 cities are served by flights from Narita at this moment. More cities are to be added to the list in the very near future. For example, on this coming October 27th, ANA will start the Narita-Chennai service while JAL will open the Narita-Bangalore. It's a route by the time of the 2020 summer schedule.

Furthermore, there are 18 major cities in Southeast Asia which are not served by flights from Narita. Not a few low-cost carriers are planning to introduce aircraft with a longer flying range and thus this will definitely be a good opportunity for Narita to enrich its flight service network.

Narita's third advantage is its greater role in the growing LCC market in Japan. Low-cost carriers are increasing their market share in regions around the world. However, in Northeast Asia, their share is only 13.8 percent, the lowest in the world, which means that there's still large potential for future growth. At Narita LCC share, which was 1.5 percent in terms of the number of arrival and departure slots in 2011 that was before Japanese low-cost carriers started their service, is expected to grow to 32 percent in fiscal 2019. That will grow to 50 percent when the annual capacity of the slots has been increased to 500,000 per year.

Now, I'd like to introduce our initiatives being carried out at Narita. Narita is striving to become the airport of choice for both passengers and carriers by increasing convenience and satisfaction. To improve customer satisfaction, it's necessary to fully identify Narita Airport's present position in the market and understand the needs of the passengers and carriers through market research and analysis as a matter of course. Narita is steadily improving its total population together with the stakeholders by setting strategic goals for the Fast Travel Initiatives promoted by IATA. Furthermore, Narita will significantly increase convenience and comfort by introducing the one ID facial recognition system by spring 2020. Through these measures, Narita will pursue greater convenience and comfort for passengers and the saving of labor and manpower for carriers.

Narita has also implemented the one-stop security system which eliminates the need for transit passengers flying via Narita from the United States to undergo redundant security checks there in Narita Airport. This will benefit all carriers' passengers and the airport. At present, the one-stop security system covers just under 60 percent of the 48 flights per day from the U.S., but the coverage will be

expanded to all of the flights from this November on. This will greatly reduce stress for transit passengers from the United States.

Since introducing the Narita marketing initiatives in 2013 for carriers with the increment of tonnage, Narita has enhanced our incentive measures while analyzing the market trends. Narita will flexibly implement a strategic pricing, including newer incentives from the viewpoints of the destination cities, time zones and the implementation period while keeping a close watch on the external environment. Especially, we considered that the flights to North America are very important, so we will listen to airlines and introduce the necessary measures.

Based on the market analysis, Narita will implement measures to reduce the total travel cost for passengers and the total operating costs for carriers. For passengers, in order to reduce the total travel cost for passengers, we will provide a variety of flight options through enriching our air network including the food services and the low-cost services and increase access options by expanding the network of our low-cost bus services for around \$10 from Narita to all major terminals in Tokyo.

For carriers, Narita will introduce a comprehensive fee system that contributes to promoting the Fast Travel Initiatives and the one ID facial recognition system as well as improving the efficiency of the check-in counters while reducing the operating costs through saving of manpower. And further efforts will be made to reduce total cost for carriers.

In summary, Narita Airport will continue to increase its capacity and enhance functionality steadily. That way, it can meet growing demand for air transportation in the Asia-Pacific region which is expected to grow strongly against the backdrop of Asia's robust economic growth. Also, it can meet demand for two-way tourism with large potential in the Tokyo Metropolitan Area which has the world's largest urban population of about 38 million people. Narita Airport will strive to expand its network of flight services to and from Asian cities, including a large number of cities not served by flights from Haneda through capitalizing on its advantage as the only airport in the Tokyo Metropolitan Area to



further expand the capacity substantially beyond 2020. Narita's arrival and the departure slots will be increased by nearly 70 percent from the current number. To make that possible, Narita will collaborate with the full-service carriers and low-cost carriers using Narita as their key airport and achieve growth together.

Every season the LCCs will act as the twin drivers for the growth of Narita's network. Narita Airport will support those airlines so that they can both grow at Narita. They will both further strengthen your [sounds like] Asian flight network by capturing the increasing demand in the region. Over the medium to long-term, we will rebuild Narita's network of North American routes by fully utilizing the expanded Asian network to capture transit demand for flights between Asia and the North America. Thank you very much for your attention.

Mamiko Kim: Thank you to all of our keynote speakers for their engaging presentations. This concludes the first session of our symposium. Now, we'd like to take a 15-minutes coffee break in the foyer behind you. During this time, if you would like to begin filling out the surveys at your seats, we would greatly appreciate it. Next on the agenda is the panel discussion which will begin at 4:35 PM. We will alert you when it's time to return to your seats. Thank you.

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