Marion C. Blakey
President and CEO
Aerospace Industries Association of America
Chair of the International Coordinating Council of Aerospace Industries Associations

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Remarks as prepared for delivery

Good afternoon. It is a pleasure for me to be here at Japan Aerospace 2008. It is true that very good things happen every four years – the Olympics, the World Cup and Japan Aerospace! This is an extremely important event for the global aerospace industry as well as to our Japanese hosts. We all know that Asia is one of the most important aviation markets in the world. And Japan is a vital player in the Asian aerospace industry, both as a customer and producer.

The preceding speakers have touched on some of the details of the Japanese aerospace industry and market. It is good news that the industry is strong, and getting stronger.

Mr. Toda from Mitsubishi aircraft talked about the new MRJ program, which represents an exciting future for aircraft production here in Japan. It's the first domestically produced aircraft in more than 30 years, and incorporates some of the latest aviation advances, like the use of composite materials. As all of you know, there's a lot going on in the industry here in Japan, as well as throughout Asia. And Japan is proving itself to be an example for others to follow.

That's nothing new. Japan was a pioneering aviation nation in Asia, establishing commercial airline operations in 1922 and 1923. An interesting note is that the early airlines were private operations rather than government-run. The three early airlines would ultimately be absorbed into the national flag carrier known as Japan Air Transport Corporation, but it represented a very early experiment with private aviation enterprise in Asia.

In the mid-30s, JAT began using new 14-passenger Douglas DC-2s, the first modern passenger airliner used in Japan. But there was plenty of domestic production in the early days, like the Nakajima AT-2 and the Mitsubishi MC-20.

There was even a domestic version of DC-3s called the L2D or the "Tabby." So Japan's full involvement in international aviation has a long track record.

I am here today representing the International Coordinating Council of Aerospace Industries Associations – the global body that encompasses the majority of aerospace companies in the world. It includes our hosts here at Japan Aerospace 2008, the Society of Japanese Aerospace Companies, as well as associations from all over the world. While these groups are advocates for their members in their respective countries, we also come together within ICCAIA to press for international cooperation on important issues. You would be surprised that an industry as competitive as aerospace has so many areas of agreement across national borders.

I want to talk about some of the most important challenges we face in aviation. But first I want to take a look at the international industry. Despite well-documented challenges due to high fuel costs, civil aviation is an industry that is very strong around the world and an economic engine bringing the world closer together.

There are many sectors that have struggled very publicly recently – housing and banking come to mind. But aviation manufacturing has been a bright spot, providing employment and economic benefits around the world.

Let's look at the two largest airframers in the world – Boeing and Airbus. These companies are sitting on historic backlogs of aircraft orders that stretch for several years. In 2007 both companies surpassed 1,000 orders – an unbelievable number for even one company to achieve in one year, much less two. Even more impressive is that both companies have surpassed that number of orders the past few years. This means the backlogs of aircraft on order are staggering – both around 3,500.

What all this means is a stable base for the aviation industry for the foreseeable future. As we know, both Boeing and Airbus have supply chains that span the globe. Many U.S. manufacturers provide components for Airbus, and Boeing buys parts from suppliers in Europe, Asia and other parts of the world. Japan is playing a large role in the 787 program under the Japan Aircraft Development Corp., which consists of Mitsubishi, Kawasaki and Fuji.

These companies are providing important parts of the aircraft – Mitsubishi is designing and building the wing boxes, Fuji is providing the center wing box and Kawasaki is handling part of the forward fuselage and main landing gear wheel well. Airbus recently opened its first-ever production plant outside of Europe in China, and also buys components here in Japan. So Asia is at the epicenter of today's aviation manufacturing industry.

In addition to the large aircraft manufacturers, regional jets are playing an important role in expanding air travel. Brazil's Embraer and Canada's Bombardier are both recording strong numbers. As we heard, the MRJ is well on its way here in Japan, with firm orders already booked. And other regional jet development projects are underway here in Asia and elsewhere.

Now, we know there are many challenges ahead in the global economy. And I'm not trying to pretend that our industry is immune to the effects of economic slowdowns. Probably the biggest issue is the wild fluctuation in oil prices and jet fuel costs.

The price of oil hit a record price earlier this year, prompting airlines to take extreme measures to keep up financially. We all know that airlines have to make money to be able to buy new airplanes. But when you look at the big picture, the international aviation manufacturing industry is in good financial shape, especially when compared to other sectors.

Now, I'd like to shift from talking about the statistics behind our industry to some of the challenges we face collectively. The first one I'd like to mention was the topic of an address I gave recently before ICAO in Montreal. It's the need for a globally interoperable and seamless air transportation system. I think we can all agree that as we move into the future of air travel we are going to need an infrastructure that can handle ever-increasing pressures. And that capacity must be implemented around the world, since islands of advanced technology surrounded by oceans of outdated infrastructure don't make much sense.

I think most of us are familiar with NextGen in the United States and SESAR in Europe. Both of these systems are progressing from the planning stages to development and implementation.

The companies represented by ICCAIA are involved on the ground floor in both NextGen and SESAR, both in coming up with the technologies and putting the systems together.

Their partners in government and the airlines have looked to them to provide the technical know-how to make the new systems succeed. And that's a role we welcome. There has even been participation and input into NextGen by European companies, and in SESAR by U.S. companies. This exchange is vital, and should continue in a fair and robust way.

ADS-B is the backbone of both NextGen and SESAR, and the tool that will propel a seamless global system. As we know, there has been a great deal of testing and utilization of ADS-B here in the Asia-Pacific region. Our hosts in Japan have studied the technology to see how it would fit into such remarkably busy airspace. China, New Zealand and Indonesia have tested ADS-B systems. And Australia has perhaps the most integrated ADS-B system.

Japan has taken other steps to improve its air transportation system.

It has installed the MTSAT Satellite-based Augmentation System, known as MSAS, an advanced navigation system covering the Asia-Pacific region. It is similar to the Wide Area Augmentation System in the U.S. MSAS improved the accuracy, integrity, continuity and availability of GPS satellite signals in the region and has been an important asset to the system.

Now, the cost of upgrading air transportation systems is expensive, and funding mechanisms must be ironed out in each location. Ironically, developed jurisdictions like Europe and the U.S. have a more difficult challenge than areas without existing legacy infrastructure. Rapidly developing countries like China and India will actually be in a better position to make huge leaps in technology by skipping the cost of building today's sprawling systems and move straight to the more nimble and efficient ADS-B upgrades. We have been encouraging governments around the world to make the investment necessary to put themselves in a position to take full advantage of air transportation modernization at the earliest possible opportunity.

As we move forward implementing ADS-B based upgrades to air transportation, it's important that we have an international guiding hand to ensure the systems are truly seamless and interoperable. The best organization for the job is ICAO. We are all familiar with ICAO's excellent track record on international standardization on important issues like safety, security and the environment. That's why it is the natural forum to serve as a coordinating authority for air transportation systems.

The event I mentioned earlier in Montreal was a conference exploring how to harmonize NextGen and SESAR. As a global aviation community, we must support ICAO and encourage it to continue this important role.

The last challenge I wanted to discuss today is, in many ways, among the most important issues we must tackle in international aviation today. And that's our industry's impact on the environment. Aviation has been targeted for environmental blame despite a very good track record over the years. Our aircraft and engines are much more efficient than early jets, and the industry's environmental footprint has shrunk considerably.

We are determined to do an even better job. I represented ICCAIA at the ATAG Summit in Geneva earlier this year during which we committed to finding a pathway to carbon-neutral growth worldwide. It is a lofty goal, but not impossible. And it is important to protect our place as good environmental stewards and participants in finding solutions to global problems. Once again, manufacturers around the world are stepping up to the plate in this respect.

There are efforts underway in virtually every corner of our industry that will result in direct positive environmental impacts. Airframers around the world are working on advanced commercial jetliners that will deliver significant environmental gains through lighter, more efficient products. Everyone is doing their part – Boeing, Airbus, Embraer, Bombardier and Mitsubishi. Engine manufacturers are also making valuable contributions. GE Aviation, Pratt & Whitney and Rolls-Royce are all working on new technologies that will increase efficiencies and decrease carbon emissions.

Another important piece of the environmental puzzle is something I've already mentioned – advanced air transportation systems like NextGen and SESAR. Estimates put the environmental benefits of these systems in the neighborhood of 12-15 percent

fewer emissions. It is not a stretch to say these new technologies are worth the cost for the environmental benefits alone!

To underscore how important this issue is to us, AIA and GIFAS are sponsoring a seminar in Paris next week to discuss improving environmental performance even more. Our international collective goal is carbon-neutral growth in the aviation industry, and we will explore concrete ways to make that happen.

Now, I mentioned some of Japan's international cooperation in aviation earlier in my remarks. But I wanted to mention another important export to the United States, and any baseball fans would agree with me, I'm sure. I'm talking about the great Ichiro Suzuki, who came to the Seattle Mariners in 2001 and quickly set himself apart as one of the best in the game.

In fact, on this date in 2004, Ichiro got his 258th hit of the season, breaking an 84-year-old record. He may be as popular in Seattle as he is in Japan, with the stadium sushi stands offering "Ichirolls."

I bring up Ichiro because he is a walking example of the great benefits of international cooperation. There were doubts on both sides of the Pacific about whether he should play in the major leagues, and whether he would be successful. But he defied cultural barriers and brought almost un-imagined success to himself, his American team and his Japanese homeland. There are lessons here for the international aviation community. Global cooperation and partnership can bring incredible benefits, whether it's a Boeing 787 or a .331 batting average.

International aviation is an industry faced with some challenges around the world. But we have a strong foundation and a good future in the manufacturing sector. As long as we all work cooperatively on an international basis, we should continue to meet challenges head-on and continue to our world economic leadership.

Thank you.

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