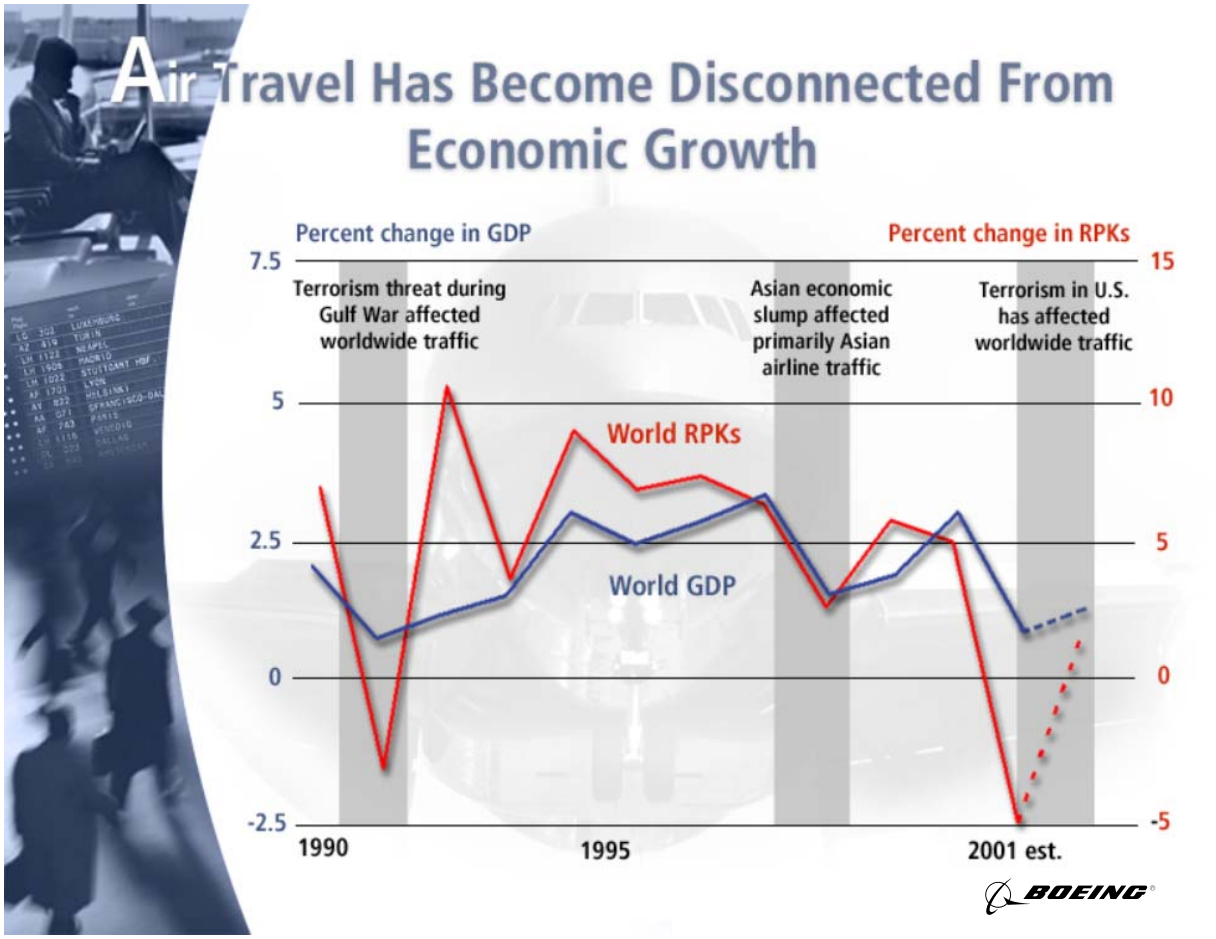
Allow me to reiterate what an honor it is for us to be here with such an important gathering of leaders…All focused upon an industry that is critical to our fundamental well-being as humans in a global interdependent society. Our industry is thankfully no longer in critical condition but it is far from being healthy…in a condition that is neither stable nor satisfactory.

This afternoon, I will briefly review the state of our industry, including its current status and future outlook. In our industry, redundancy is critical but as one of the last speakers, I will try and avoid being redundant with our prior speakers.

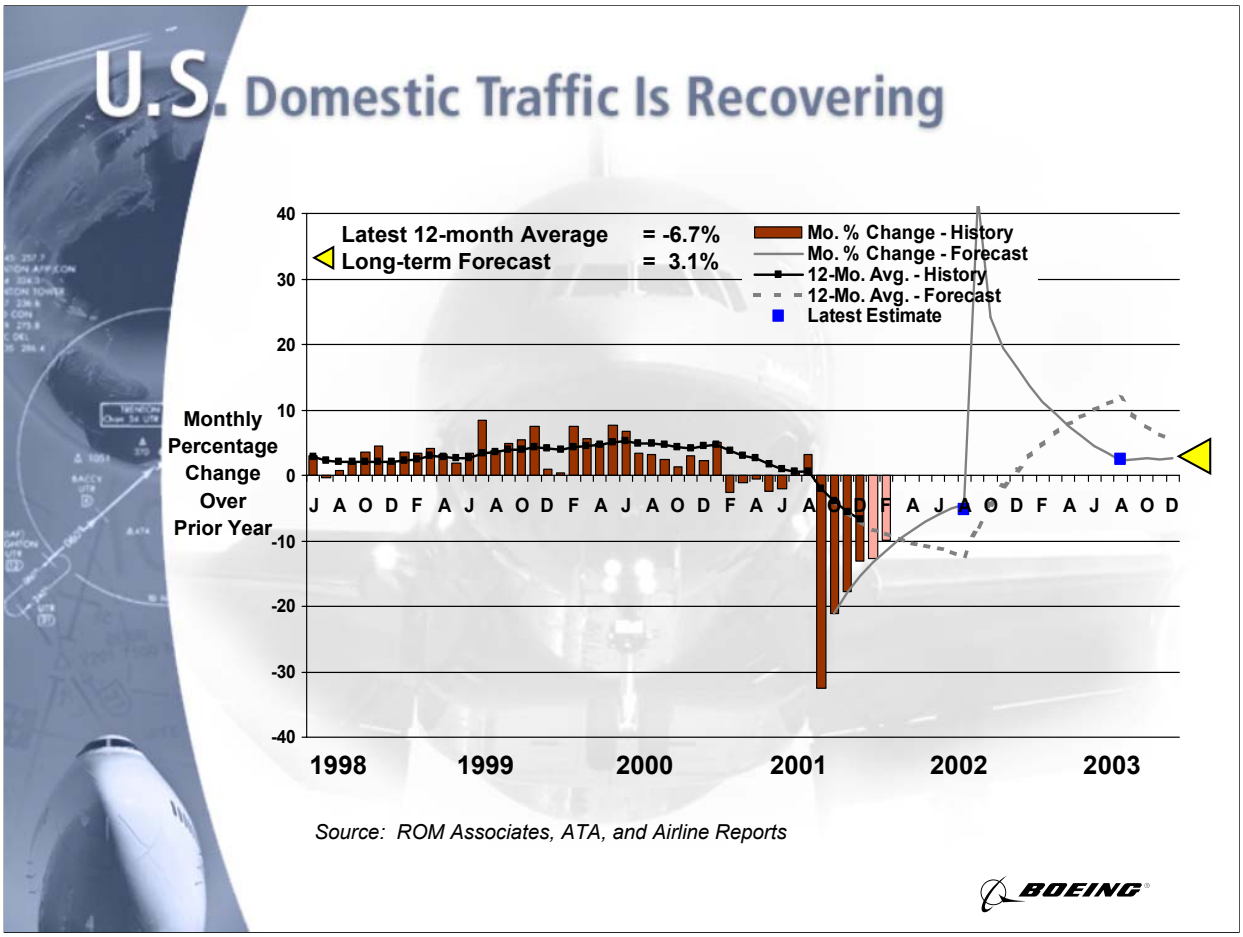
We want to also share with you our vision of an industry that will be better in all measure by the time air travel has returned to pre 9/11 levels.



Travel trends usually follow the ups and downs of world economic performance or world Gross Domestic Product (GDP). When the economy is strong, so is our industry. When the economic conditions weaken, all we can do is ride it out. Historically, these travel dips are usually temporary; usually, within one to two years, travel resumes similar patterns. As Peter [Dr. Peter Belobaba of MIT] noted this morning, 2001 was a year when the economic conditions adversely affected air travel.

Unfortunately, 2001 was also a year in which severe exogenous shocks caused air travel patterns to fall much lower than economic performance. This gap between economic conditions and the even lower levels of air travel is what has devastated our industry in an unprecedented manner – the result of the combined effects of fear of additional terrorism, stay at home syndrome, and most recently the burdens and costs of increased security measures. Unlike the effects of economic cycle, we as an industry do have the ability to mitigate these exogenous impacts.

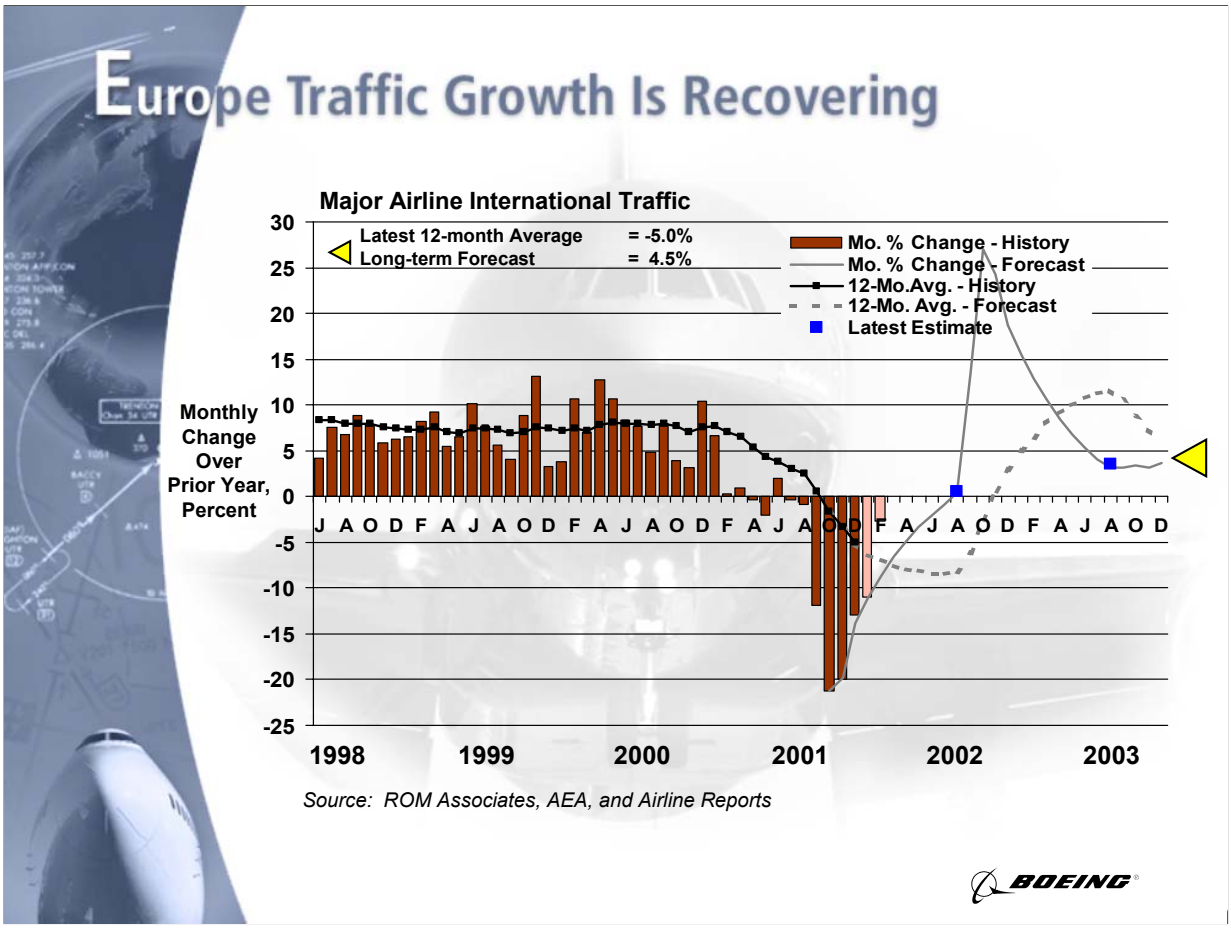
When and how travel will recover after the events of September 11 is the question that is most frequently asked. The more important question for us, is what can we do to shape that recovery and shape the future and structure of our industry?



Peter has previously reviewed this data, so I call your attention to the dark dotted line which is the 12 month historical moving average; it clearly shows the effects of the recession which preceded 9/11. The gray solid line is the forecasted month over prior year month performance. The dotted gray line is the forecasted 12 month moving average.

[About six months after September 11, we are already seeing domestic air travel recovering. It was down more than 30 percent immediately after 9/11/2001, but domestic RPKs were down only –9.9 percent in February this year, compared to the same month last year. Total U.S. system was down – 10.6%].

We think US system traffic will be back to pre 9/11 levels by end of Summer but because of the continuing effects of lack of consumer confidence and the new burdens and costs of increased security, we do not see the US system returning to positive growth until the end of 2002. Even though demand will have recovered, yields and profitability will not occur until 2003/2004.



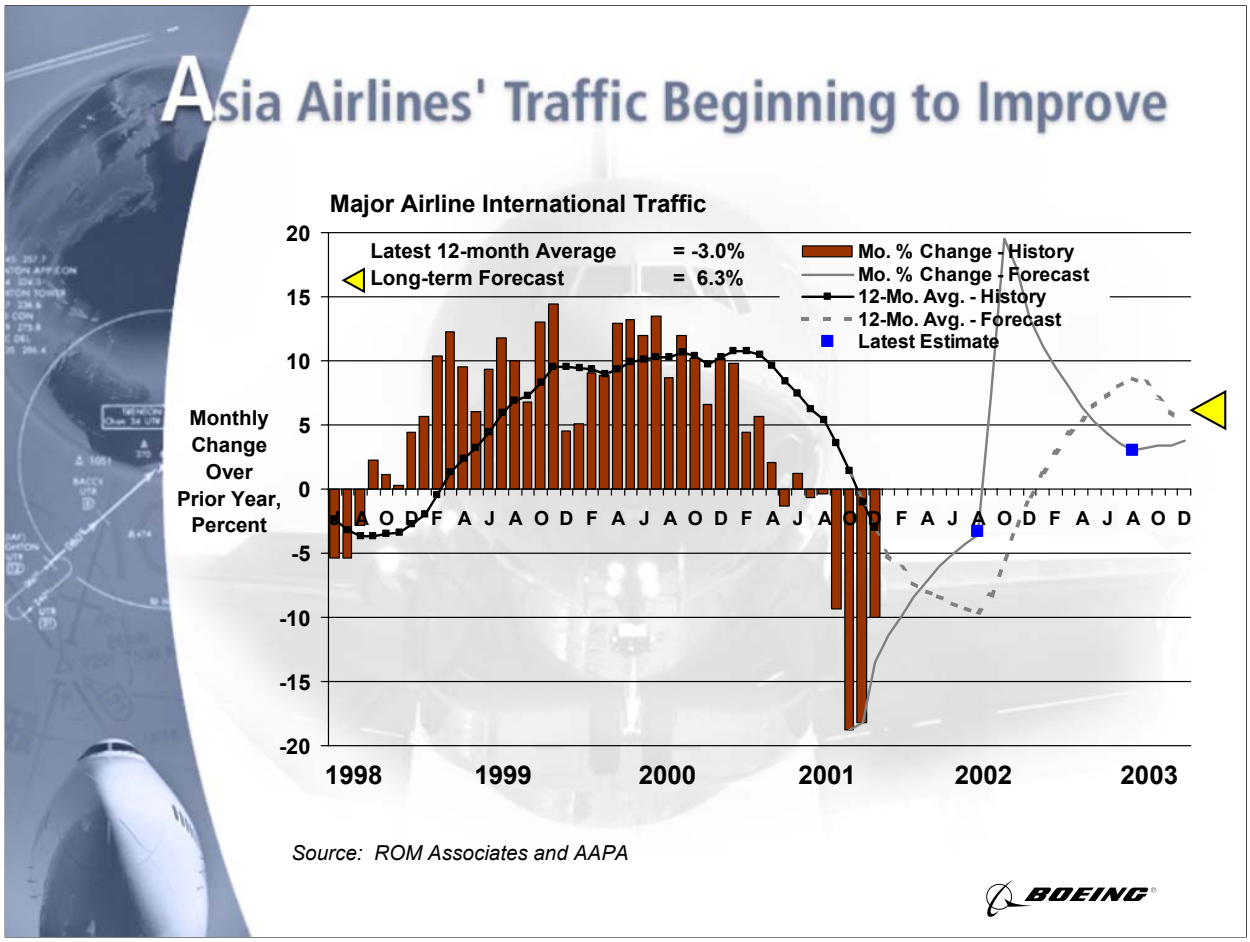
Europe was severely impacted but passenger traffic growth on AEA European airlines is recovering, although yields remain under significant pressure.

March 4-10

Total Int'l:	-2.1%
Intra Europe:	+1.3%
Europe-Asia:	+0.5%
North Atlantic	-9.9%

Several airlines have announced plans to add capacity on the critical North Atlantic flow this Spring and Summer.

For Europe, we project international traffic returning to positive levels by this Summer and potentially back to long term seasonal levels in the first-half of 2003.



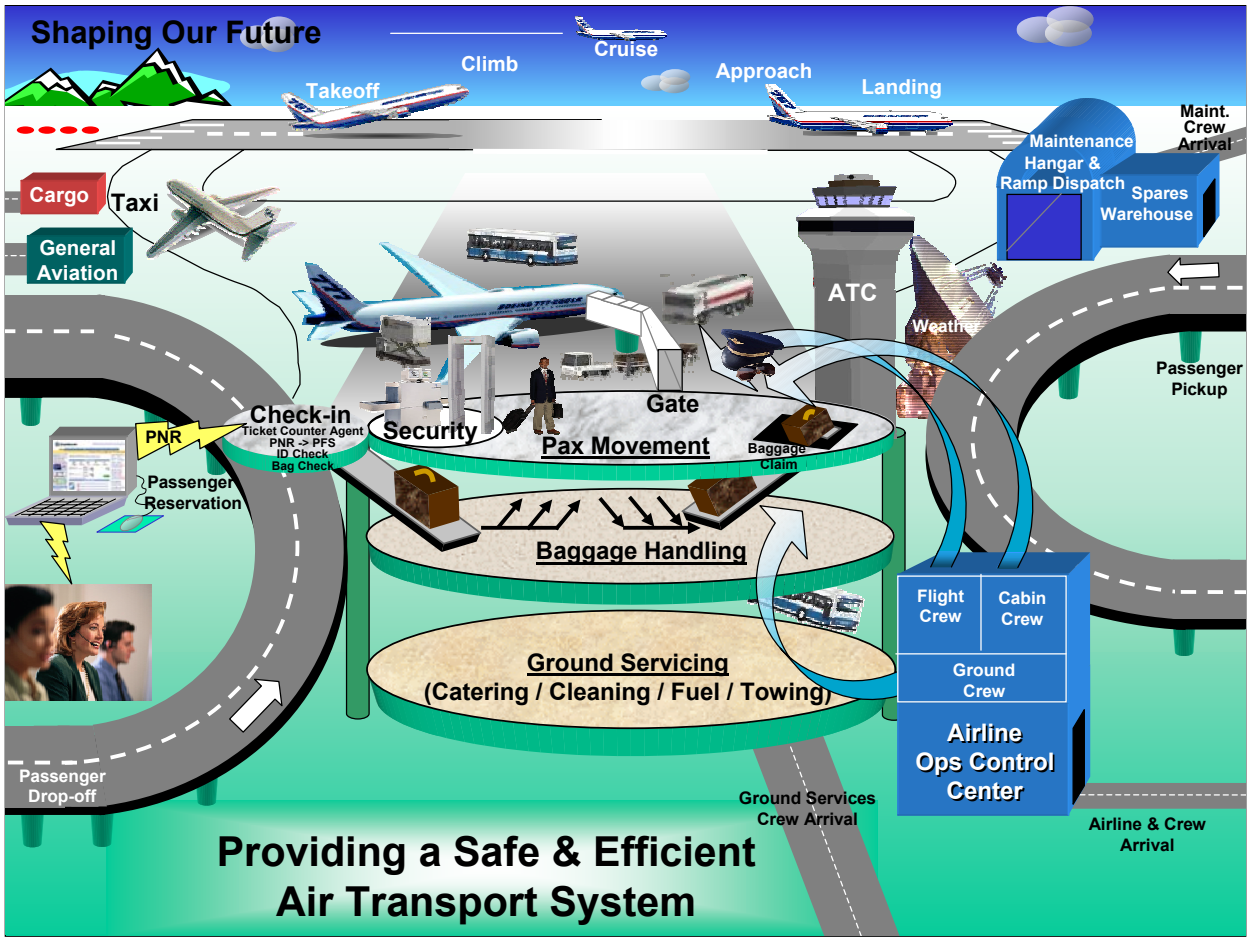
Of the major markets, Asia was the least affected. Preliminary reports of international traffic of some Asian carriers are showing improvement.

Recent reports and analysis project that air cargo, a leading indicator of economic cycles, will return to positive growth by the 3rd quarter of this year. The cargo sector is important in all markets but especially for Asian domiciled airlines.

As these charts show, air travel seems to be recovering around the world.

The challenge for us is whether our industry is truly positioned and ready for this recovery? Are we ready for the increased number of travelers and the increased demands of time sensitive cargo and freight? Are we ready for the raised expectations of a more secure air transportation system? Are we ready for the return of the discretionary traveler who is more willing than the business traveler to postpone or cancel trips when their confidence is shaken?

From listening to your comments today, a significant concern for all of us, first and foremost, is restoring confidence in the perception and reality of the security of air travel, while reducing the "hassle factor" that travelers are experiencing now as a result of the added security measures. As survey results show, high levels of frustration can result in travelers avoiding air transportation. We all know advertising and PR, alone, even when coupled with aggressive discounting, are not the solution. **It takes real measures that ensure our airports and airplanes are secure and that the system we fly in grows even safer and more efficient.**



As Captain Soliday (retired UAL Captain) reminded us, it starts with a vision. **We need a collective vision for a a safe and efficient air transport system.** And, we need that vision to a one of an industry that not only survives its greatest crisis but emerges better than before…better than before 9/11…better than Summer 2000 that was filled with congestion, delays and frustrated passengers…better than 1989 [PamAm #103/Lockerbie,Scotland] as the Honorable [US Representative] James Oberstarr so personally and forcefully reminded us at lunch?

Commercial air transportation is a complex system of interlinked elements that work together. This chart conceptually illustrates these elements such as passenger movement, from the way the reservation is made, through check-in, security checkpoints, boarding, and baggage claim; baggage handling, including scanning of both carry-on and checked luggage; aircraft movement on the taxi-way and in flight, etc. What does the future of air transportation look like across the system? How are the latest technologies being put to use to ensure safety without sacrificing efficiency? I'd like to give you a few examples to shape a vision for the future.

Passenger Check-in

To streamline their movement through the airport, passengers sign up for their own, personal "smart cards." The airline smart card provides frequent travelers with a convenient multi-application card, which lets them to quickly and easily, identify themselves, obtain a ticket, board a flight, and even pay for other products and services. Smart card holders are able to fast track through security checkpoints as their background has already been checked, their travel history is already known and determined not to be a threat.

The scanning system confirms that they are who they say they are. Walk-through ion scanners quickly detect minute traces of explosives or drugs, and highly sensitive secondary scanners are used to find even plastic weapons hidden beneath clothing.

Baggage Handling

In the baggage handling system, multiple sensing technologies including the traditional x-ray we're all familiar with, plus newly developed technologies such as the three-dimensional computer tomography, ion scans, and explosive detection systems quickly and efficiently scan all checked and carry-on baggage. And radio frequency identification tags are printed onto both your boarding pass and your luggage tags, ensuring that both you and your luggage match up on the same flight.

On-board, cargo and baggage is loaded into explosion-proof containers within the cargo hold to prevent even cargo from becoming a weak link targeted by terrorists.

In Flight

Once the flight takes off, preferably on an airplane that starts with a "7" as its designator, air marshals are on-board and flight and cabin crews are trained in identifying, handling and defending against threatening passengers. Boeing, through our FlightSafety Boeing Training International joint venture, is teaming with Advanced Interactive Systems to train aircraft crews in security measures.

Also, while in flight, video feeds and airplane data are transmitted every two seconds to the ground, allowing air traffic controllers and airlines to track on-aircraft activity consistently and frequently. By achieving secure, broadband communications between the aircraft and the ground, we may no longer have to rely on the "black box" to record for later playback what is happening in the air. Instead, live information is transmitted and monitored throughout the flight to add another level of aviation security and efficiency.

Precision flight, made possible with the latest flight deck technologies like navigation performance scales, head up displays and global positioning landing system, enables not only a safe increase in airspace capacity, but also quick and early detection of flights that deviate from their planned flight path.

We have only begun our work on the systems approach to this intricately complex problem. We, at Boeing, are deeply involved in all aspects of enhancing the safety and efficiency of the entire global air transport system, from when the passengers arrive at the airport, until those travelers reach their final destination.

This vision can not be accomplished overnight or even in one to one and half years but if we can develop a collective vision of where we want to move as an industry, we can with each airport upgrade or expansion, with each new procedural improvement, with each new airplane development, with each upgrade to air traffic management, we can put in place the necessary building blocks for a global system which is safe, secure and efficient for all.

I have given you a quick view of our a vision for a safe and efficient air transport system. Aviation security is an enormous task that transcends national boundaries and encompasses the dynamics of international governments and unprecedented corporate cooperation. Cooperation that is global and far-reaching, demanding quick implementation so that security is steady and pervasive – but not necessarily transparent to the average traveler. What will be transparent, however, is the efficiency and convenience of the entire process from airport arrival to departure.

All of us in the industry need to work together to shape a collective vision and take bold and immediate action to make it happen. This vision can only be achievable through global partnerships between governments, manufacturers, airlines, labor, academia, and aviation organizations. Additionally, organizations such as ICAO, IFALPA, IATA, and their national and regional counterparts, have an important role in exerting more influence on the industry.

I'd like to close my remarks and this session **by stressing again the urgency of establishing a safe, efficient global air transport system** – and to quote from recent testimony to the President's Commission on the Future of the US Aerospace Industry, ***"a system that will not only enhance our national security at home and abroad, but simultaneously provide a civil aviation system that will enable a new era of mobility for citizens worldwide, new business opportunities for the most imaginative entrepreneurs, and greater productivity for the world's nations."*** (Variation of quote from John Marburger's Presentation to the Commission on the Future of the U.S. Aerospace Industry, 11/27/2001).

On behalf of The Boeing Company, we thank you for your attention… and most importantly, for your participation in serious dialogue on how we, working together, as diverse partnerships of public and private interests can and will successfully shape our future.