



## Aviation: moving the world

- Air travel delivers global mobility
- 3 billion passengers
  - 8 million people flying per day
- Carries 35% by value of global trade
  - Goods worth US\$ 6 trillion
- Wider social and economic benefits
- Committed to sustainable growth
- Outstanding safety record

Source: ATAG

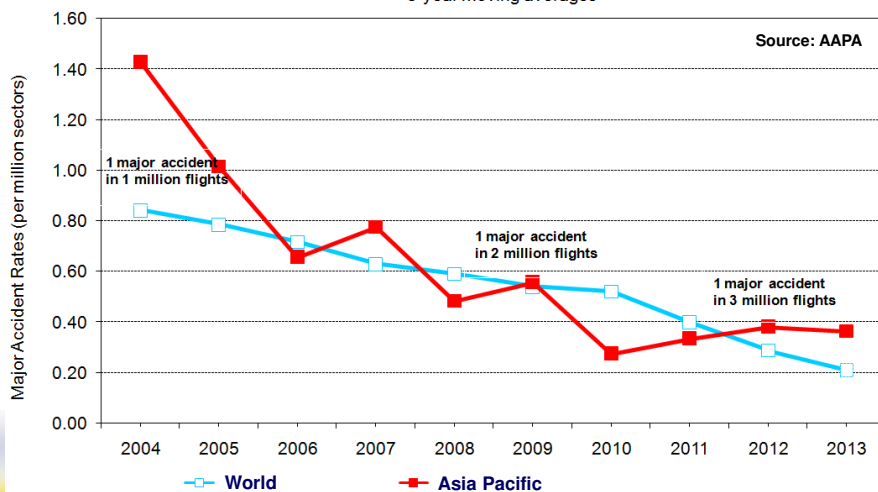


## Safety Performance Trends



**Western-built Jet Aircraft Major Accident Rates**  
by Operator Region 2004 - 2013  
3-year moving averages

Source: AAPA



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## Asia Pacific

- Diverse geographic region
- Home to more than 4 billion people
  - 60% of the world's population
- Dynamic economies generate 37% of global GDP
- Wide range of income levels, rapidly growing middle class
- Aviation widely recognised as a key contributor to economic and social development
- Political diversity remains challenging: need for multilateral cooperation

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## Asia Pacific Aviation



**US\$171 billion revenue**  
**US\$3 billion net profit**  
**1,053 million passengers**  
**756 million domestic**  
**297 million international**  
**17 million tonnes of cargo**  
**5,688 aircraft**

***Asia Pacific carriers overall market share:***

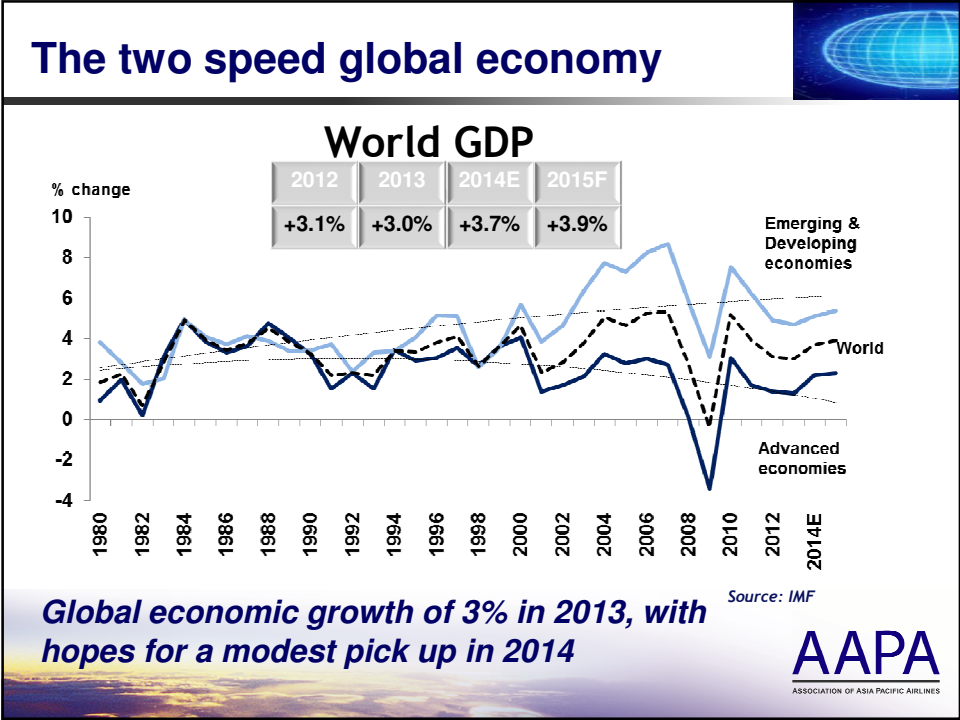
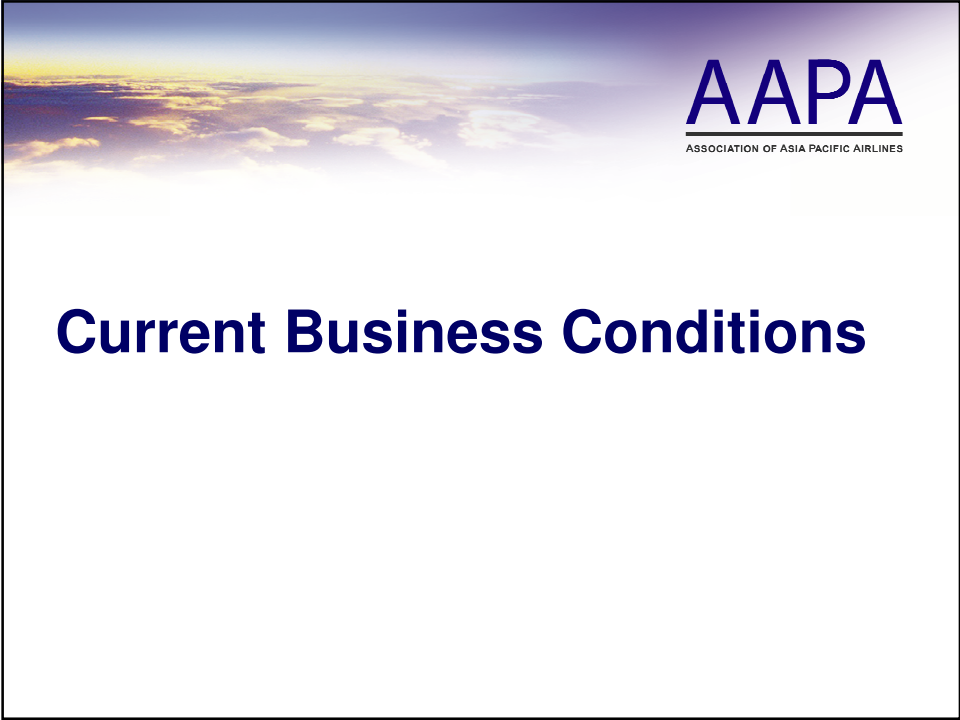
***31% of global passenger traffic***

***39% of global cargo traffic***

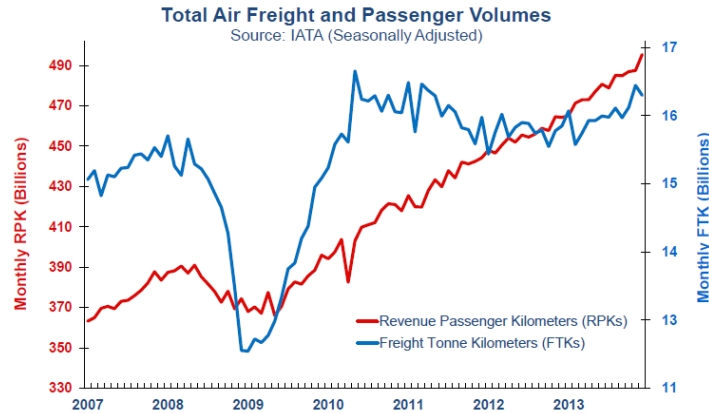
Data: Financials, Traffic & Fleet: 2013 Estimates

Source: Combined AAPA + non-AAPA airlines GMT+5 to GMT+12

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## Global passenger and cargo traffic

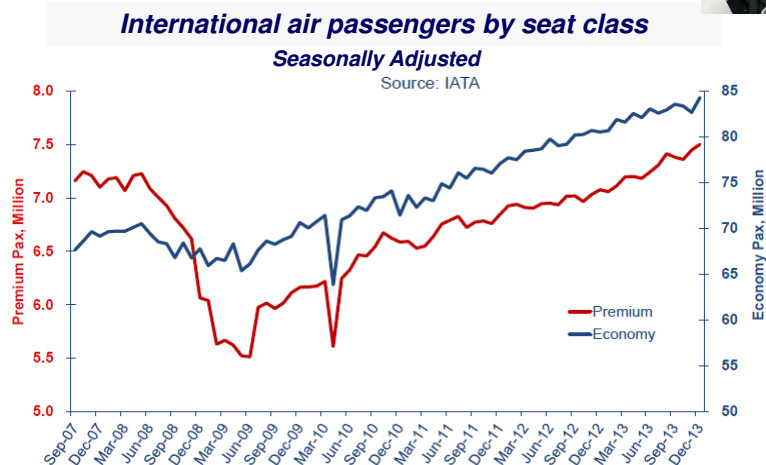


- **Robust growth in passenger travel**
- **Air cargo market stagnant**

Source: IATA

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## Premium and economy traffic growth

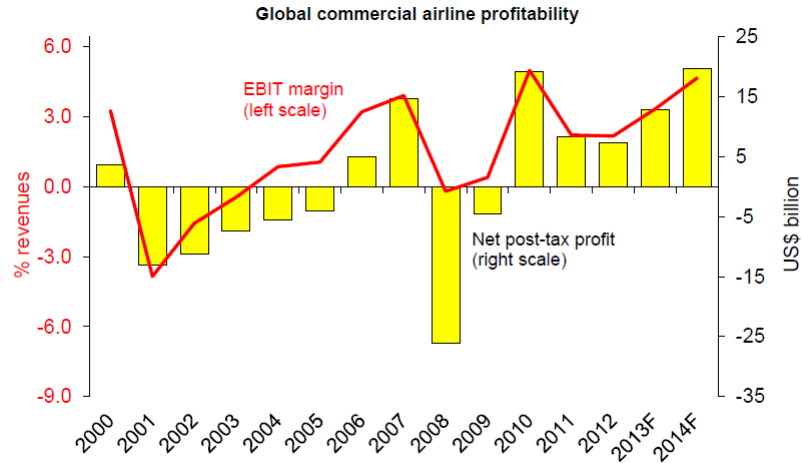


**Slower recovery in premium traffic but common growth trend**

Source: IATA

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## Global airline industry profitability

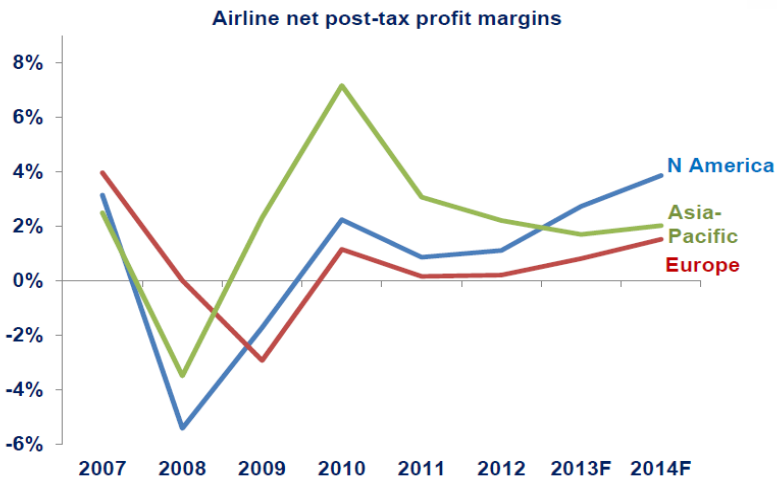


Source: ICAO, IATA

**Profitability improving but margins remain very thin ... around \$4 per passenger !**

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## Airline profitability trends by region

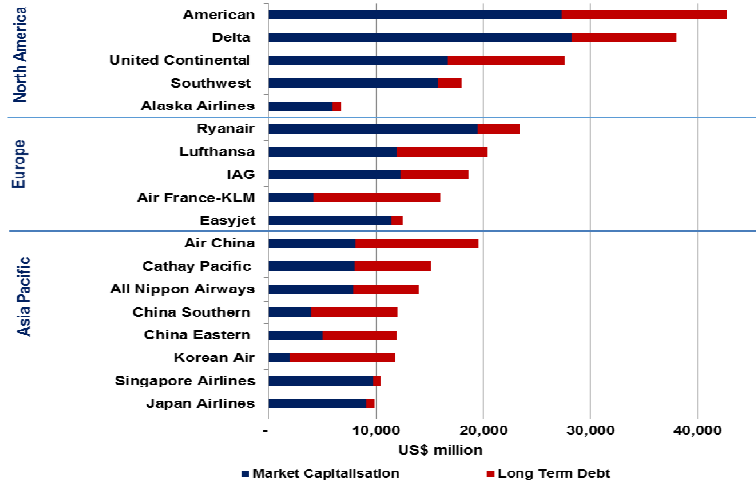


Source: ICAO, IATA

**Resurgence of restructured US carriers**

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## Selected enterprise values by region



Market capitalisation as of 3 March 2014

Source: AAPA Estimates

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## Evolving Airline Strategies



## Evolving Airline Strategies

- Full Service Network Carriers
  - Ongoing investment in cabin products & premium services
  - Streamlining short haul operations
  - Establishing LCC subsidiaries and associates
- Point-to-Point LCCs
  - Primarily focused on short-haul routes
  - Venturing into international and long-haul markets
  - Experimenting with codeshares, connections and value added services
- Further signs of convergence
  - Long-haul invariably uses wide body aircraft, involves cargo operations
- Industry consolidation, alliances and new ventures

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## Competition in Asia



- Asian regional traffic concentrated on major trunk routes
  - Asia has 7 of the world's top 10 busiest routes
  - 85% of traffic on routes of 100,000 pax p.a.
- Intensely competitive Asian marketplace
  - 75% of routes served by at least three airlines
  - 27% of routes served by at least five airlines
  - Compare Europe, 45% of routes served by just one or two airlines
- Evolving full service, hybrid and budget carriers

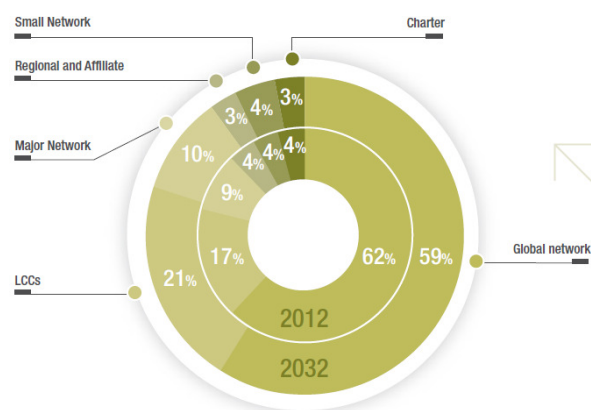
*Dynamic business models  
and service innovation*

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## Growth: complementary business models



Source: Airbus GMF

**Global network carriers expected to thrive despite competition**

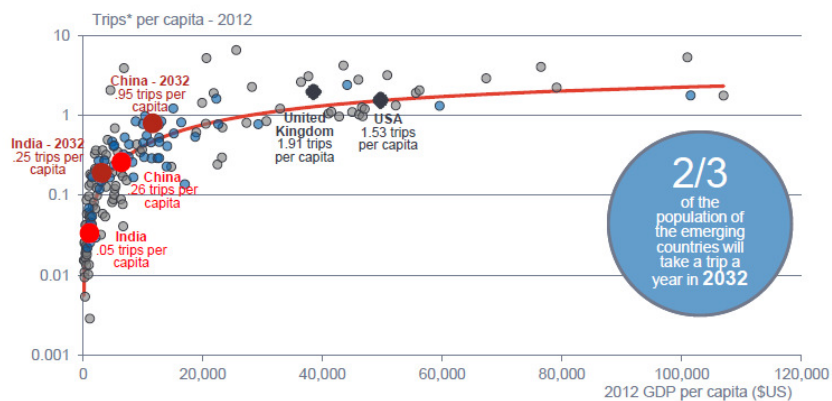
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# Future Growth

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## Aspirational Demand for Air Travel

**Trips\* per capita over GDP per capita**



***Rising incomes, urbanisation, social development***

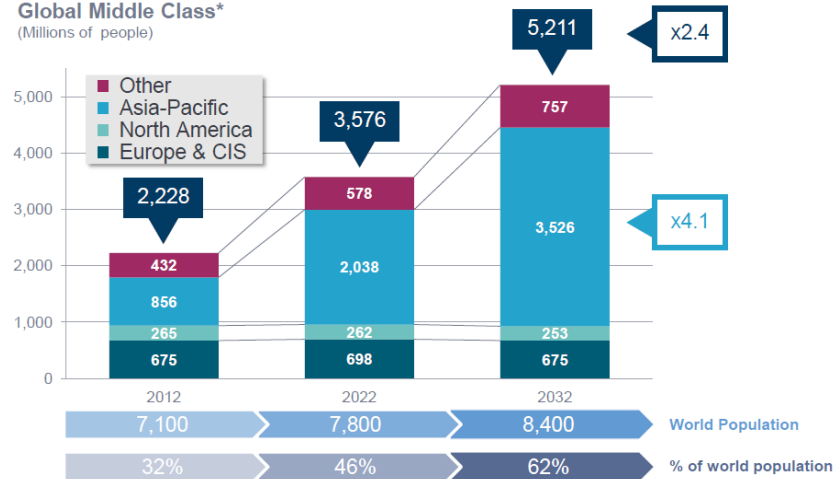
Source: Airbus GMF 2013-2032

\*passengers originating from respective country

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## The growing middle class

**Global Middle Class\***  
(Millions of people)

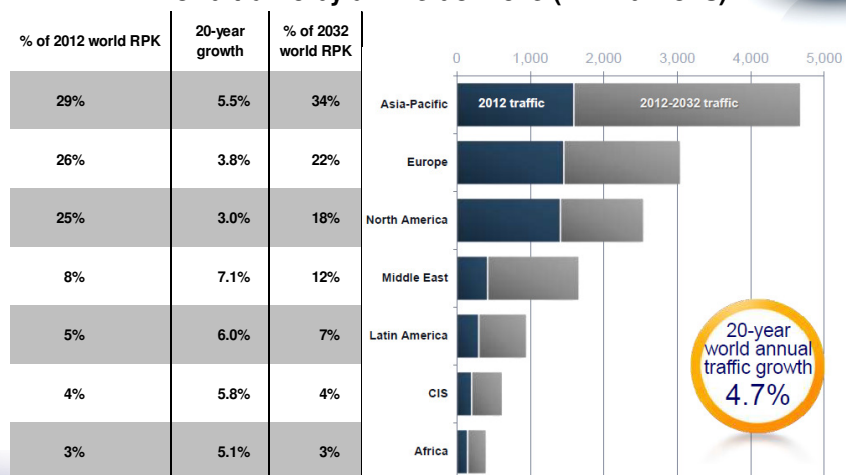


\*Households with daily expenditures between US\$10 and US\$100 per person (at PPP)

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## Asia Pacific to lead world traffic

**World traffic by airline domicile (RPK billions)**

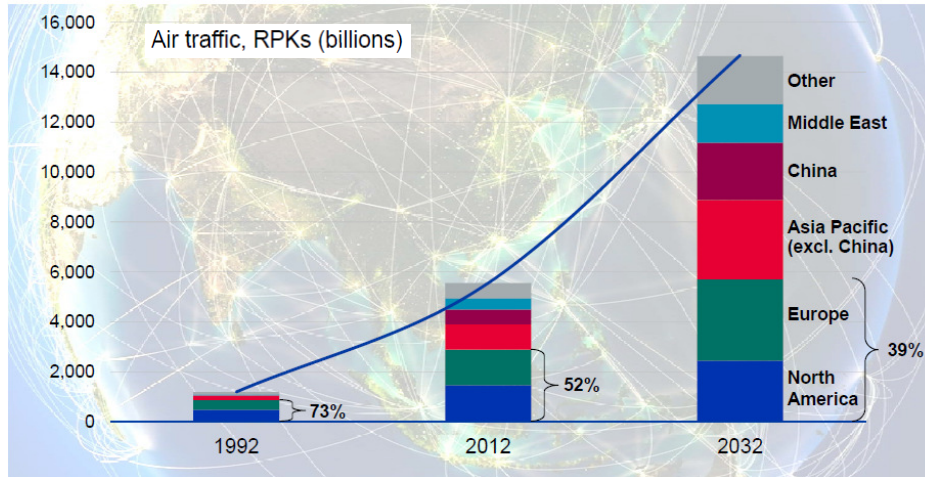


Source: Airbus  
GMF2013-2032

**Overall market grows x 2.5 by 2032**

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## Airline industry global trend



***Asia Pacific moving to leadership position***

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## Infrastructure



- Aviation infrastructure must keep pace with rapid traffic growth
- Chronic congestion and delays already evident in some areas
- Greater focus on operating efficiency, productivity and cost-effectiveness
- Government responsibility to coordinate planning and long term investment required
- Industry ready to play its part

***Infrastructure is critically important***

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## Closing Thoughts

- Aviation is at the heart of global economic development
- Progressive liberalisation of air services has kept pace with the growth in travel demand but has held back industry restructuring
- Industry adaptations include interline code sharing, global marketing alliances, joint ventures and other innovative corporate structures
- Asian airlines pressing ahead with both customer service and business model innovation
- Overall prospects for long term growth remain bright but infrastructure planning is a shared challenge

***Shared confidence and optimism about the future***

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