

PRESS RELEASE

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AAPA AIRLINES AS A GROUP CONTINUED TO SET NEW RECORDS IN 2006

The Association of Asia Pacific Airlines (AAPA) has released its March 2007 newsletter commenting on various market and regulatory developments affecting the Asia Pacific aviation industry.

In his introductory comments, Mr Andrew Herdman, Director General of AAPA noted that in 2006 the AAPA airlines as group continued to set new records for both passenger and cargo traffic carried, although growth rates were relatively modest. The year was characterized by a further sharp rise in the cost of jet fuel, adding to pressure on already thin airline profit margins, although the fall in oil prices later in the year provided some relief. Global economic conditions remained stable, while interest rates trended upwards. The structural dynamics of the airline industry continued to evolve, with newer entrants competing strongly for market share on short haul regional routes. Established airlines had responded by trimming their own costs and, in some cases, by establishing low cost subsidiaries or associates of their own.

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Despite the impact of new entrants, it is worth noting that the AAPA airlines as a group carried 50 million more passengers in 2006 than they did in 2002.

Another new development Mr Herdman said was the emergence of new entrants focusing on long haul operations, although the chosen business models look much more like a conventional full service carrier, using larger wide-body aircraft, operated in a two-class configuration, with belly cargo expected to be an important revenue contributor.

These observations make it clear that the convergence of business models is blurring the traditional categories, and the reality is that all carriers are competing to satisfy overlapping market segments. As always, the challenge for all airlines, no matter which business model you favour, is to not only satisfy growing travel demand but also earn a satisfactory rate of return on invested capital.

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Association of Asia Pacific Airlines (AAPA)

The AAPA is the trade association of 17 scheduled international airlines based in the Asia-Pacific region. The AAPA permanent secretariat is headquartered in Kuala Lumpur, Malaysia with international representation in Brussels and Washington, D.C. Collectively, AAPA member airlines carry 270 million passengers and 10 million tonnes of cargo representing approximately one-fifth of global passenger traffic and one-third of global air cargo traffic respectively, and thus play a critically important role in the ongoing development of global aviation.

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