

PRESS RELEASE

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2009 Industry Outlook

**Association of Asia Pacific Airlines
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AAPA REMAINS CAUTIOUS ON AIRLINE INDUSTRY PROSPECTS IN 2009

Slowing demand and still high oil prices of immediate concern, but safety, environment and liberalisation issues also remain important.

Kuala Lumpur, Malaysia - Asian carriers are responding promptly and effectively to meet the latest series of challenges facing the industry, with careful adjustments to both capacity and route networks. AAPA member airlines are also seeking further operational efficiencies, by working together with suppliers and other industry partners, to reduce unnecessary costs throughout the business. Fuel prices have fallen back but are still 25% higher than last year.

Even in Asia, passenger demand is softening as a result of weakness in both the European and US economies, whilst consumer confidence is being undermined by further turmoil in the financial markets. AAPA therefore remains extremely cautious about prospects for the airline industry in 2009.

“The biggest challenges right now are weakening passenger demand, particularly for First & Business Class travel, and continuing uncertainty about the global economic outlook. Asian carriers are therefore bracing themselves for a period of continued turbulence, hopefully without losing sight of their long term strategic goals and future growth opportunities. The next 12-18 months will be extremely difficult times for airlines and some won't survive the current crisis,” said Andrew Herdman, Director General of AAPA.

7 October 2008

Issue 2008: 16

Safety

Even under these challenging economic conditions, airline safety always remains the No.1 priority AAPA member carriers are amongst the safest in the world, and maintain constant vigilance to ensure that standards remain fully comparable to those of other major airlines in the United States and Europe. As part of joint efforts to raise overall standards across the region, AAPA is engaging with air transport regulators and other stakeholders to finalise a new safety roadmap aimed at further strengthening regional safety oversight. The AAPA is also collaborating with the Flight Safety Foundation on specific safety initiatives, including measures to reduce runway overruns and incursions.

Environment

AAPA member airlines are leading the industry as launch customers and operators of new generation aircraft, including the Airbus A380 already in service, and the Boeing 787 Dreamliner taking to the air in 2009. These aircraft deliver significant improvements in fuel efficiency and reduced environmental impact. AAPA is also working with its members to improve operational efficiency, and encouraging air traffic and airport infrastructure providers to undertake environmentally beneficial initiatives.

Together with other industry stakeholders, AAPA is calling upon governments to work towards globally harmonised policies on aviation and the environment, including backing for air transport industry focused environmental research & development programmes; infrastructure improvements to reduce unnecessary carbon emissions; and properly designed market-based measures including emissions trading. However, AAPA is firmly against the unilateral imposition of punitive “green taxes” that in reality do nothing for the environment.

7 October 2008

Issue 2008: 16

Liberalisation

Competitive pressures mean airlines are constantly striving to minimise costs and boost productivity. The same disciplines needs to be brought to bear on services provided by airports and air navigation service providers, if necessary through appropriate economic regulation. Governments also have an important role to play in ensuring that further industry liberalisation allows airlines the freedom to compete like other international businesses, including reviewing the way in which national ownership and control rules inhibit airlines from competing more effectively in a global marketplace.

-ENDS-

Association of Asia Pacific Airlines (AAPA)

The AAPA is the trade association of major 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, the 17 AAPA member airlines carry 290 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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