

PRESS RELEASE

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AAPA AIRLINES REMAIN UNDER PRESSURE AMIDST FRAGILE RECOVERY

Air transport industry still reeling from impact of global recession

Kuala Lumpur, Malaysia – Industry leaders gathering in Singapore for the AAPA Assembly of Presidents over the next two days remain under pressure, unsure whether signs of a fragile recovery in passenger and cargo traffic volumes will prove to be sustainable. Over the past 12 months, AAPA carriers have been severely impacted by the effects of the global economic downturn, declining trade volumes and diminished consumer confidence. This unparalleled combination of negative influences has resulted in a prolonged period of weak demand for both passenger and cargo services, with airline revenues taking a double hit from both declining traffic and lower yields.

With many AAPA carriers amongst global leaders in the provision of air cargo and premium passenger services, the sharp downturn in both of these business segments has been particularly painful. Air cargo dropped dramatically in the fourth quarter of 2008 and began the year 30% down in tonnage terms. Passenger traffic continued to deteriorate throughout the first half of 2009, with demand for premium passenger services feeling the full force of cutbacks in corporate travel budgets.

As the market situation deteriorated, AAPA carriers responded by progressively reducing capacity, along with efforts to stimulate demand through highly competitive fares and discounted travel packages. At the same time, airlines made strenuous efforts to cut costs. Initiatives to trim staff costs included reductions in performance bonuses, unpaid leave schemes and, as a last resort, staff retrenchments.

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Preliminary traffic data just released for October indicate that the recovery remains tentative. AAPA international passenger numbers reached 11.1 million in October, slightly higher than the previous month, but still 3% below the levels of October last year. With a 6.5% reduction in seat capacity, the average international passenger load factor was 2.8 percentage points higher at 75.6% for the month.

AAPA international air cargo demand maintained the trend of slow but steady improvement, with traffic just 2.4% below the levels recorded in October 2008, the smallest shortfall so far this year. The average international cargo load factor in October rose by 4.2 percentage points to 69.1%, as carriers reduced capacity by 8.3%.

Andrew Herdman, AAPA Director General said, "This period has been one of the most difficult and challenging for airlines in the history of aviation. For the first 10 months of this year, AAPA international passenger numbers were down by 8.2%, whilst air cargo experienced a 16.5% decline. Airlines have been aggressively cutting costs but revenues have fallen even more sharply. As a result, Asian airlines as a group are expected to record another year of heavy losses, on top of the USD4.8 billion of losses suffered in 2008. In recent months, we have seen some tentative signs of a recovery in traffic volumes, but yields have been severely depressed. AAPA leaders have to steer a difficult course over the next year, both tightly managing costs and closely monitoring what still appears to be a fragile economic recovery. Airlines will also need to remain sharply focused on fuel prices, environmental commitments, and other regulatory challenges."

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TRAFFIC UPDATE – PRELIMINARY
International Scheduled Services of AAPA Member Airlines

International	Oct 2009	Oct 2008	% Change	Jan-Oct 2009	Jan-Oct 2008	% Change
Passengers (000)	11,146	11,510	- 3.2%	109,297	119,078	- 8.2%
RPK (mn.)	46,029	47,350	- 2.8%	455,415	500,497	- 9.0%
ASK (mn.)	60,871	65,074	- 6.5%	617,189	662,383	- 6.8%
Passenger Load Factor	75.6%	72.8%	+ 2.8pp	73.8%	75.6%	- 1.8pp
FTK (mn.)	4,366	4,474	- 2.4%	37,495	44,890	- 16.5%
FATK (mn.)	6,321	6,892	- 8.3%	57,790	67,563	- 14.5%
Freight Load Factor	69.1%	64.9%	+ 4.2pp	64.9%	66.4%	- 1.5pp

- RPK = revenue passenger kilometres
- ASK = available seat kilometres
- FTK = freight tonne kilometres
- FATK = available freight tonne kilometres
- All figures, including estimates for missing data, are provisional

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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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