

OPENING SPEECH OF MR. ANDREW HERDMAN, DIRECTOR GENERAL OF THE ASSOCIATION OF ASIA PACIFIC AIRLINES

- Yang Mulia Dato Paduka Awang Haji Bahrin Bin Abdullah, Deputy Minister of Finance, Brunei
- Hj Omarali Bin Hj Mohd Jaafar, Director of Civil Aviation
- Yang Mulia Sheikh Rashid Salam, Assistant CEO, Brunei Economic Development Board
- Mr Dermot Mannion, Deputy Chairman, Royal Brunei Airlines
- Mr Robert Yang, Chief Executive Officer, Royal Brunei Airlines and Chairman of AAPA
- Members of EXCO and Member Airlines
- Distinguished Guests, Ladies and Gentlemen

It gives me great pleasure to welcome you to AAPA's 54th Assembly of Presidents meeting here in Brunei at the kind invitation of Royal Brunei Airlines, our generous hosts.

I am delighted to see such a distinguished group gathered here today, including CEOs and senior colleagues from member airlines, government and regulatory officials, suppliers, industry associates, and friends from the media.

Ladies and Gentlemen, when we met in Singapore last year, the mood, I am sure you will agree, was quite different. After two of the most difficult and turbulent years ever seen in the history of aviation, we have experienced a welcome recovery this year.

This year, passenger traffic is up by almost 15%, whilst air cargo rebounded from an even steeper slump with 30% growth. In absolute terms, traffic levels have now surpassed the levels seen before the recession hit.

Business confidence has returned, and with it, strong demand for premium class seats. Asian airlines have led the global airline industry on the path to recovery, and profitability has been restored following two years of heavy losses.

IATA estimates that the global airline industry will earn US\$8.9 billion in profits this year. Of this figure, Asia Pacific airlines are expected to hit US\$5.2 billion. Despite some residual uncertainty regarding the sustainability of the global economic recovery, the overall outlook for Asian carriers for the year remains very positive.

As this story unfolds, a new world economic order is emerging. In 2000, developing Asia accounted for roughly one third of global GDP, yet by 2040 its share will grow to over 60%. During the economic recession, China overtook Germany to become the world's biggest exporter of manufactured goods. Asia's economy is forecast to grow by over 6% this year.

The centre of global economic power has shifted eastwards. But the growing economic influence of Asia has not yet been reflected in the traditional institutions of global governance. The ascendance of the wider G20 grouping is one positive step forwards. The current debate over rebalancing the voting structure in the IMF is another. In the coming years, more rebalancing will be needed on many other fronts to reflect this new global economic order.

For Asian governments, a more prominent role in the global economy also comes with important responsibilities on the world stage. These include the responsibility to contribute to the common struggles of reducing poverty levels, raising health standards and fighting climate change.

Specifically for the airline industry, the prevailing shift of influence and commercial dynamism towards Asia means that carriers from the region are destined to play an increasingly important role in shaping the future of the global air transport industry. Asia Pacific carriers today already carry a quarter of global passenger traffic, and 40% of global freight traffic.

Shouldering this responsibility means greater involvement as a region in global air transport policy discussions, and greater awareness of the value of our collective voice in such issues.

There is certainly no shortage of such challenges.

The industry's number one priority remains unchanged: safety. Flying is undoubtedly the safest mode of travel. Asia's aviation industry achieves safety performance levels comparable to its counterparts in the US and Europe.

But we cannot afford to be complacent. And we never stop striving for zero accidents and zero fatalities. AAPA is resolutely determined to ensure that further improvements in safety standards are achieved across the region.

To this end, we are actively involved in global and regional safety initiatives, such as ground accident prevention and runway safety initiatives working with ICAO COSCAP and the Flight Safety Foundation. As a region, we must always be proactive in our efforts.

On aviation security, every new incident pressures governments to introduce yet more security measures. Yet, it takes a certain political maturity to remain calm. As we have seen on previous occasions, it is difficult not to fall into the trap of knee-jerk reactions, imposing new security measures of unproven effectiveness. But we should recognize that terrorists measure their success by how much we over react to their provocations.

Aviation security costs are already measured in tens of billions of dollars annually. New or additional security procedures should only be justified when it can be demonstrated that the benefits outweigh the additional burdens they impose on society.

AAPA has consistently emphasised the critical importance of effective intelligence gathering, and the need for governments to work closely with industry in developing and applying appropriate operational measures. Clearly, good security is all about comprehensive threat assessment and balanced risk management, not the elimination of every conceivable risk.

Let me turn now to say a few words about aviation's environmental impact. We applaud the progress made under ICAO's leadership on environmental issues, in particular the landmark resolution reached at the 37th Assembly, which sets out ambitious environmental targets for aviation. AAPA has been closely involved in developing both the industry strategy and plan of action, and is fully committed to playing a key role in ensuring the sustainable growth of aviation.

Meanwhile, however, we are witnessing the seemingly unstoppable imposition of layer upon layer of arbitrary taxes on aviation. A number of governments have introduced such taxes and levies under the guise of environmental measures. But the revenues invariably go straight to the national treasuries.

The aviation industry's role as a key driver for social and economic development for all countries is at great risk of being ignored today, particularly in developed Western economies. This would be a disastrous model for Asian governments to adopt.

The Asia Pacific region has a great opportunity to demonstrate to the world that regulators and industry are able to work together to create a framework that promotes the growth and sustainable development of the region. My vision for Asia is a region which I hope will continue to demonstrate the critical importance of our industry's contribution to growth in trade and tourism.

Beyond achieving further commercial success, the Asia Pacific region's airlines can collectively demonstrate this strength with one united voice on global regulatory issues.

AAPA's mission is to articulate, to our industry partners, regulators, other stakeholders, and the public at large, the perspectives of Asia Pacific airlines. The AAPA is an Association set

up by airlines to serve the wider interests of the community. In this respect, the region's industry has a voice that is only as strong as your collective solidarity. With your support, we can engage more effectively with governments and regulators around the world on issues that affect us all. The benefits achieved from these efforts accrue to each and every one of you.

As always, we greatly welcome the participation of non-member airlines in our activities, and are hopeful that some of these will join our ranks as full members in the next twelve months.

Before I end, I'd like to extend my sincere appreciation to Mr. Robert Yang for his leadership as Chairman of AAPA this year, and thank his team at Royal Brunei Airlines, for all their hard work and efforts in organising this year's superb event in Brunei. I'd also like to thank our sponsors for their generosity and their wider support of the Association's activities.

The Asia Pacific region is set to become the world's largest aviation market. Solid economic progress has already been made within the region, in further integration and freedom of movement of people and goods within Asia. Larger positive economic effects are expected as the region continues on this path. AAPA and its member airlines will be at the forefront of these developments, playing an important role in shaping the future of the industry. With that in mind, I look forward to engaging in an active and productive debate in today's meeting.

Thank you.

Andrew Herdman
Director General
Association of Asia Pacific Airlines

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