

AAPA 60th Assembly of Presidents

18 November 2016

Manila, Philippines



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

- Mr Roberto Lim, Undersecretary for Aviation and Airports, Department of Transportation, Philippines
- Mr Jaime Bautista, President & Chief Operating Officer, Philippine Airlines
- Members of the AAPA Executive Committee and Member Airlines
- Distinguished Guests, Ladies and Gentlemen

Mabuhay, Good morning,

It gives me great pleasure to welcome you to AAPA's 60th Assembly of Presidents here in Manila at the kind invitation of Philippine Airlines, our warm and gracious hosts.

With its vibrant airline sector, booming tourism levels and rapidly growing passenger traffic, the Philippines epitomises the energy and long term optimism that surrounds the entire Asia Pacific aviation industry.

Aviation is an important contributor to the Philippine economy. Aviation-related tourism contributes 200 billion pesos of economic activity in the Philippines — 3% of GDP – and provides some 874,000 jobs or 2.5% of the workforce. In fact, if we look at tourism, over 98% of foreign visitors arrive here by air—as you would expect for a nation of more than 7,000 islands. The tourism industry in the Philippines is amongst the most dependent on air links of any country on the planet. Rising incomes and a fast growing middle class in a population of 100 million have been key to the spectacular growth in demand for air travel here. There can be no better illustration of the way in which aviation is a key catalyst of economic and social development.

The Philippines is also a member of the Association of Southeast Asian Nations, and the establishment of the ASEAN Economic Community in 2015 is a major milestone towards regional economic integration, offering opportunities in the form of open access to a huge

market of US\$2.6 trillion and over 622 million people. In 2014, ASEAN was collectively the third largest economy in Asia and the seventh largest in the world.

Indeed, the wider Asia Pacific region is now already the global leader in terms of passenger and freight traffic volumes. This year, 3.8 billion people will travel around the world by air, and a third of them are being carried by Asian airlines. IATA has forecast a doubling of air passenger numbers globally to 7.2 billion in 2035, with Asia accounting for more than half the new passengers over the next 20 years.

Notably, China is expected to displace the US as the world's largest aviation market around 2024. India is expected to displace the UK in third place in 2025. Remarkably, the world's 10 busiest domestic and international routes are all in the Asia Pacific region.

These numbers are fantastic, but they also bring challenges.

The growth in travel demand in the Asia Pacific region has also led to pressing demands for corresponding investments in aviation infrastructure. Even though Asian airports regularly win awards, the growth in passenger numbers has resulted in some congestion and delays across the region - we have all experienced the consequences of holding patterns, flight delays, lack of runway slots and other such issues.

Aviation infrastructure must keep pace with traffic growth. Clearly, if governments are serious about aviation as a key component of their economic strategies, they must show leadership in planning and coordinating such infrastructure to support the air transport links. Failure to do so would result in an economy being left behind in the great Asian growth story. Fortunately, many governments have recognized this, and are investing further in the appropriate infrastructure to meet this demand. As airlines, just as we constantly invest in services and products to respond to customer needs, we would like to see a much better travel experience for our passengers, with fewer delays, and modern facilities, and user charges that are transparent, cost-based and non-discriminatory, in line with ICAO principles.

With all this traffic growth anticipated, there is no question that the aviation industry's license to grow must also be sustainable. The aviation sector has committed to ambitious environmental targets, and has been successfully pursuing a four pillar strategy including technology, operations and infrastructure improvements, alternative low-carbon fuels as well as a global market-based measure to address our environmental impact.

This leads me to a very significant achievement for our industry at the ICAO 39th Assembly last month.

Last year, at our 59th Assembly of Presidents in Bali, I had said that I was optimistic that ICAO would show the necessary leadership and that member States would be able to set aside differences and agree on one common vision to address aviation's carbon emissions at the 39th ICAO Assembly. That optimism wasn't unfounded. Today we, as an industry, can celebrate a landmark agreement reached at ICAO to put in place the world's first comprehensive carbon offsetting scheme for any global sector. We commend the 68 States who have demonstrated leadership by their commitment to be a part of the voluntary stage of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA), and strongly encourage other States to follow this lead.

Of course, a great deal of work has gone into achieving this outcome. And further challenges lie ahead in ensuring that the scheme is implemented effectively by governments around the world. AAPA has been actively involved in developing the industry strategy on environmental sustainability and we are committed to supporting ICAO in completing the technical work ahead which will provide the metrics, methodology and guidance needed to ensure a robust implementation framework.

Finally, I'd like to say a few words about aviation safety. Flying is already the safest mode of travel. Asia Pacific airlines have continued to maintain excellent safety standards, based on close cooperation between airlines, regulators and other industry stakeholders. Nevertheless, there is still scope to improve the quality assurance of regulatory oversight, in line with globally agreed standards. AAPA is strongly supportive of the ICAO 'No Country Left Behind' campaign which aims to address disparities in the quality of regulatory oversight amongst different states through improved implementation and compliance.

Over the course of today, we will be discussing these and other issues of importance to the aviation industry, with a uniquely Asia Pacific perspective. Even though Asian airlines fiercely compete with one another, delivering even greater choice and better service standards for our customers, we are also able to set aside these differences to come together to speak with a single voice in engaging with regulators and other stakeholders on industry issues.

As the trade association of the region's airlines, AAPA's mission is to articulate, to the world at large, the perspectives of Asia Pacific airlines. With your support, we can engage more effectively with governments and regulators around the world on issues that affect us all, and contribute to the continued long term success of the air transport industry here in the Asia Pacific region and further strengthening connections with the wider world.

Before I end, I would like to thank the Philippines Undersecretary of Aviation and Airports, Mr. Bobby Lim, for officiating at the opening ceremony of this event. Bobby is an old friend from the aviation industry and we certainly look forward to working closely with him and his team in taking Philippines aviation to even higher levels.

Finally, I'd like to extend my sincere gratitude to Mr. Jaime Bautista, President & COO of Philippine Airlines for his leadership as Chairman of AAPA this past year. As you all might expect, Jaime is a very busy man but he has been a tireless supporter of the Association's activities over the years. And in between all this, he has found time to steer his airline to win the CAPA Asia Pacific Airline Turnaround of the Year Award, just this week! Congratulations! I'd also like to thank the PAL organising teams, for all their hard work, and warm hospitality in organising this year's superb event here in Manila. And of course, we are grateful to our many sponsors for their generosity and their wider support of the Association's activities.

Asia Pacific airlines are committed to playing an important role in shaping the future of this always dynamic global industry. Working together, we can continue to contribute significantly to social and economic development, providing regional and global connectivity.

Let's celebrate our diversity, but also our strength and cohesiveness as an industry and as a community. And there is no better place to do that than right here in cosmopolitan Manila, not least because as they say: "It's more Fun in the Philippines"!

Thank you.

Andrew Herdman
Director General
Association of Asia Pacific Airlines

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