

ASIA PACIFIC AVIATION SAFETY SEMINAR 2008 OPENING SPEECH OF MR. ANDREW HERDMAN, DIRECTOR GENERAL OF THE ASSOCIATION OF ASIA PACIFIC AIRLINES

- Pak Denny Siahaan, Head of Research and Development, Ministry of Transport, Indonesia
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- Members of the AAPA Flight Operations Safety Working Group
- Ladies and Gentlemen

It gives me great pleasure to welcome you to the Asia Pacific Aviation Safety Seminar 2008 here in Bali organized by AAPA and generously hosted by Garuda Indonesia.

Ladies and Gentlemen, in recent years, airlines have been benefiting from robust growth in demand for air travel, in line with healthy global economic growth, with the Asia Pacific region taking a leading role.

Sadly, this pattern changed abruptly in 2008. Cripplingly high fuel prices in the first half of the year, and more recently a slowing global economy, have proved extremely challenging for airlines around the world.

The spike in oil prices in the first half, peaking at USD147 a barrel, translated into a hefty 20% increase in unit costs for airlines but fares did not keep pace. As a result, airline profitability evaporated, with the AAPA airlines in aggregate barely breaking even in the first half of the year.

The recent sharp fall in the price of oil back to 2007 levels provides a measure of relief but, given the severity of the global economic downturn, the next 12-18 months will be extremely difficult times for airlines worldwide. We have already seen a number of airline failures. Some others won't survive the current crisis.

Business confidence has been severely shaken. The combination of weakening demand, and tightening credit markets pushes up the cost of capital, leading to further caution in terms of planned capacity expansion and investment.

Industry finances remain extremely fragile. IATA is forecasting overall industry losses of around ten billion US dollars for the two year period 2008-2009, with a return to profitability only expected in 2010. Even these figures may prove to be too optimistic.

Indeed, we are going through some turbulent times.

Nevertheless, despite these severe commercial pressures, the industry has continued to place the highest priority on maintaining safe operations, with ongoing improvements to further enhance the industry's extraordinarily good safety record.

Safety remains our number 1 priority, giving the six million people who travel by air every day the confidence that their journey will be safe, secure and convenient.

Reviewing the industry's safety performance record over recent years, it is evident that we have not only operated at a high level of safety, but we have also been able to demonstrate year-on-year improvement.

However, here in the Asia Pacific region, we did see a deterioration in safety performance in 2007. Amongst the consequences the US DOT downgraded both Indonesia and the Philippines to Category 2, and the EU imposed an operational ban on all Indonesian carriers. Such actions reflected perceived shortcomings in regulatory oversight by the relevant authorities, but the impact on airlines from the affected countries was quite severe.

Turning to 2008, we have seen a significant improvement in regional safety performance, with no major accidents.

Nonetheless, we cannot afford to be complacent, as zero major accidents does not imply that all of the underlying safety deficiencies have been resolved. More work is required.

I would like to take this opportunity to emphasise that the AAPA's mission is to act as a broadly representative trade association for all the region's international airlines, regardless of business model. In that regard, we actively encourage the participation of non-member airlines in our activities, and are always keen to welcome new members to the association.

AAPA carriers are amongst the safest in the world and comparable to major carriers in the United States and Europe. Safety is an issue that demands constant vigilance and the association is strongly determined to ensure that the improvements achieved across the region this year are maintained in the future

However, the three year moving average safety performance in 2008 of less well-established carriers in the region still raises concerns as it represents 1.3 major accidents per million sectors, which is almost three times the major accident rate of 0.45 major accidents per million sectors for the Asia Pacific region as a whole.

With this in mind, there is a need to further strengthen regional regulatory oversight. Governments in the region need to ensure that they are operating in full compliance with agreed ICAO standards, or face the very real threat of sanctions by other governments if identified deficiencies are not promptly addressed.

Areas requiring attention and remedial action include: overhauling national legal and regulatory frameworks, effective investment in oversight resourcing, upgrading staffing and strengthening safety management training to keep pace with the growth in aviation.

Successful, sustainable growth comes with responsibility. Aviation is widely recognised as a key contributor to economic and social development, nowhere more so than in this part of the world. We take our responsibilities very seriously.

Let me return now to the general situation facing the industry.

Notwithstanding the gloomy outlook for the global economy, we are positive about prospects for recovery. Overall, we remain confident that Asia Pacific airlines are well positioned to cope with current challenges, and are still investing to take advantage of future growth opportunities.

There is no shortage of controversial and challenging issues confronting our industry. But rather than focus too much on our differences, events like this clearly demonstrate the benefits of working together in a spirit of co-operation.

Finally, I hope all of you will make full use of APASS 2008 to network with your colleagues, play an active role in the discussions over the next two days, and take back with you a clearer perspective of the key issues and how we can all contribute to enhancing regional aviation safety.

For our part, AAPA will remain focused on addressing industry issues of common concern, and ensuring that the views of the Asia Pacific region are given proper weight on the international stage.

Ladies and Gentlemen, aviation is a great industry, and we remain confident that we can continue to make a significant contribution to successful growth of the Asia Pacific region and sustainable development of the wider global economy.

Thank you.

Andrew Herdman
Director General
Association of Asia Pacific Airlines

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