

Asia Pacific Aviation

Navigating through Turbulence



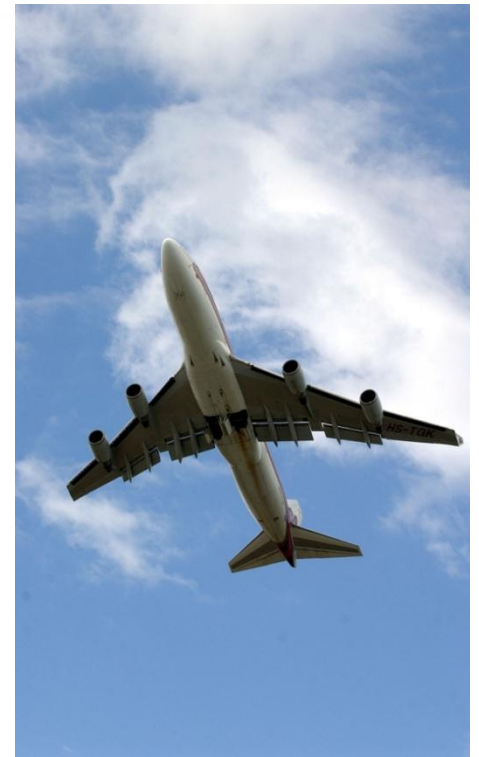
Andrew Herdman
AAPA Director General
8 September 2009
Hong Kong

AAPA

ASSOCIATION OF ASIA PACIFIC AIRLINES

Presentation Outline

- **Asia Pacific Aviation**
- **Current challenges**
- **Industry response**
- **Brighter skies**

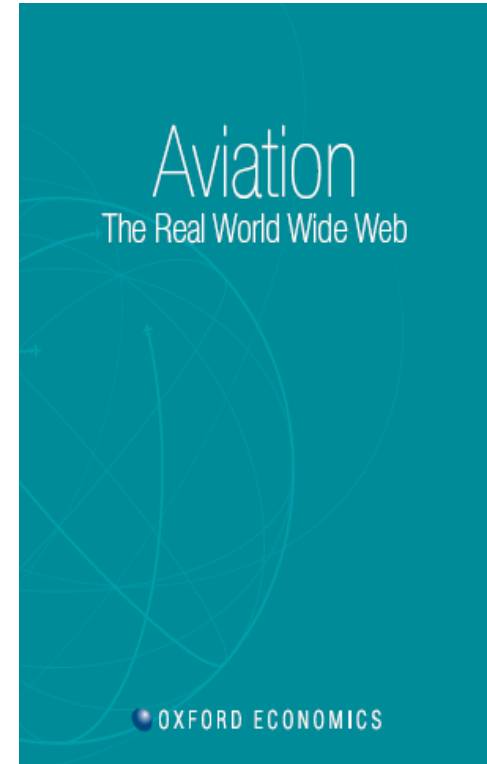


AAPA

ASSOCIATION OF ASIA PACIFIC AIRLINES

Aviation: moving the world

- **Air travel delivers global mobility**
- **Two billion passengers p.a.**
- **Outstanding safety record**
- **Carries 35% by value of global trade**
- **Wider social and economic benefits**



www.oef.com

Source: ATAG, OEF

AAPA
ASSOCIATION OF ASIA PACIFIC AIRLINES

Asia Pacific



- **Diverse geographic region**
- **Home to 4 billion people**
 - **62% of the world's population**
- **Generates 26% of global GDP**
- **Wide range of income levels**
- **Dynamic economies but not immune to the global downturn**
- **Aviation recognised as a key contributor to economic and social development**

Asia Pacific Aviation



US\$ 151 billion revenue

600 million passengers

407 million domestic

193 million international

16 million tonnes of cargo

3,900 aircraft

Asia Pacific carriers overall market share:

27% of global passenger traffic

40% of global cargo traffic



Current Challenges

- Sharp slowdown in the global economy
- Slump in international trade
- Weak passenger demand
- Oil and currency volatility
- Higher cost of capital

Severe global recession

World growth

2007 5.2%

2008 3.2%

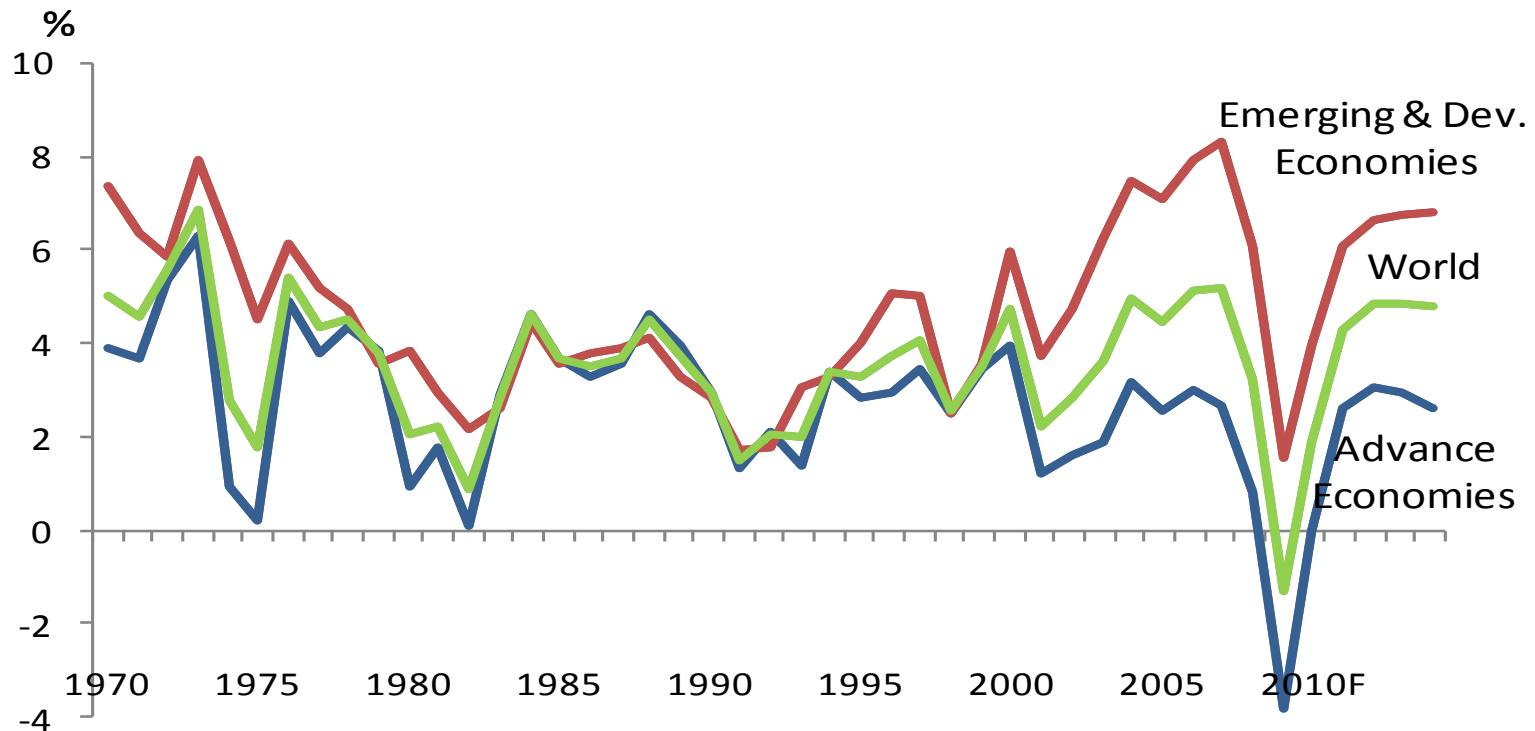
2009 -1.3%

2010 1.9%



GDP Growth

(Percent change)



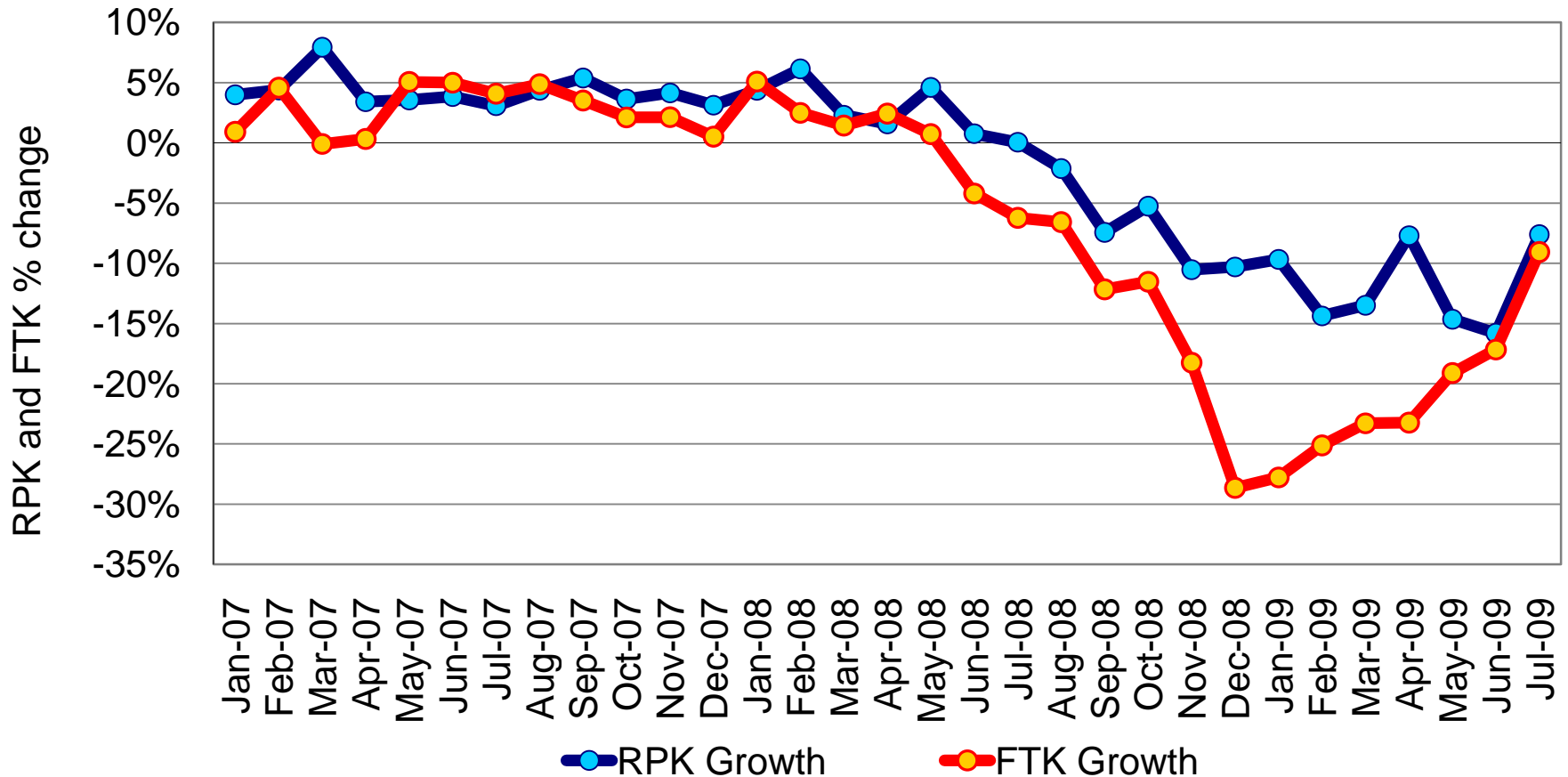
Advanced economies led the decline, but effects felt worldwide

Source: IMF

AAPA
ASSOCIATION OF ASIA PACIFIC AIRLINES

Weak passenger & cargo demand

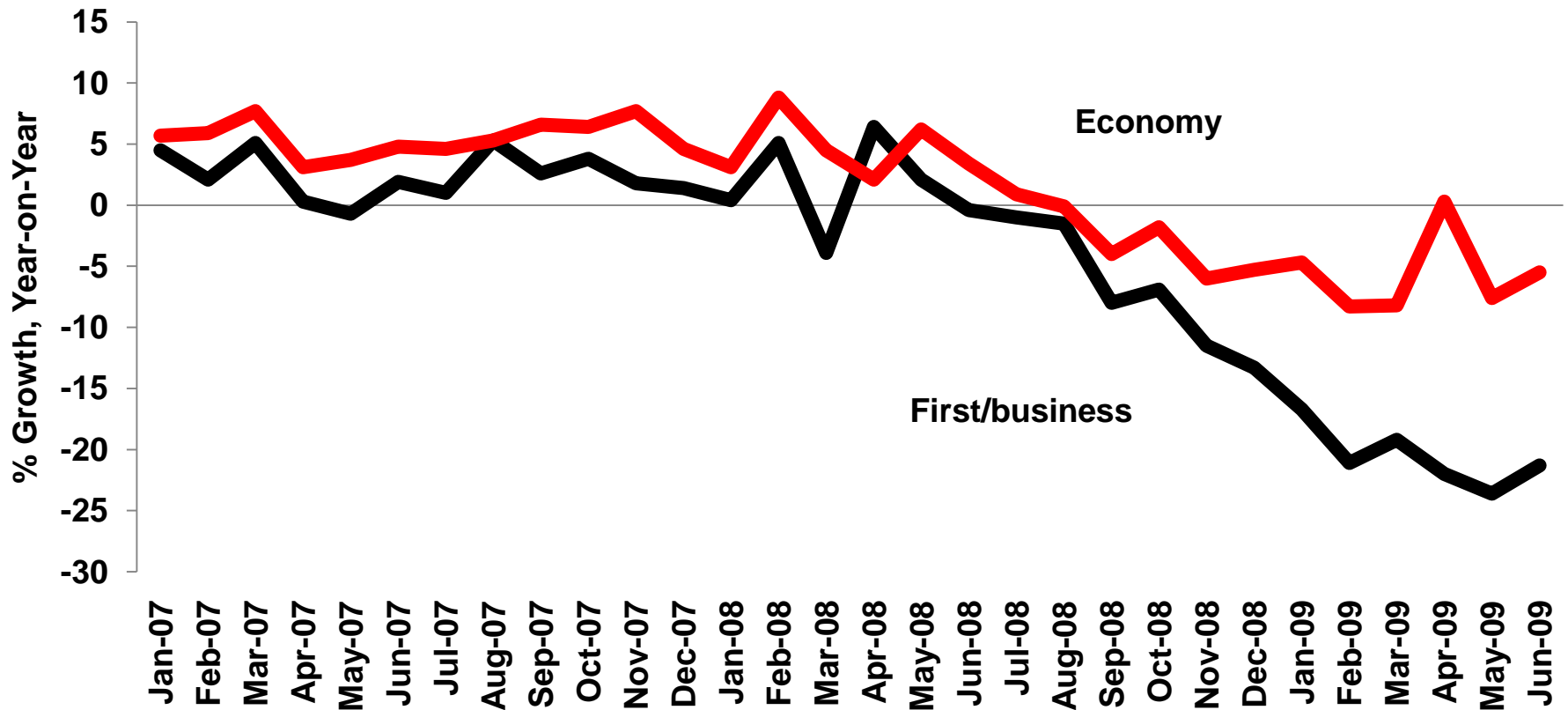
AAPA international passenger & cargo growth



Some encouraging signs of recovery but traffic still well down on last year

Dramatic decline in premium passenger traffic

World passenger traffic growth by ticket type

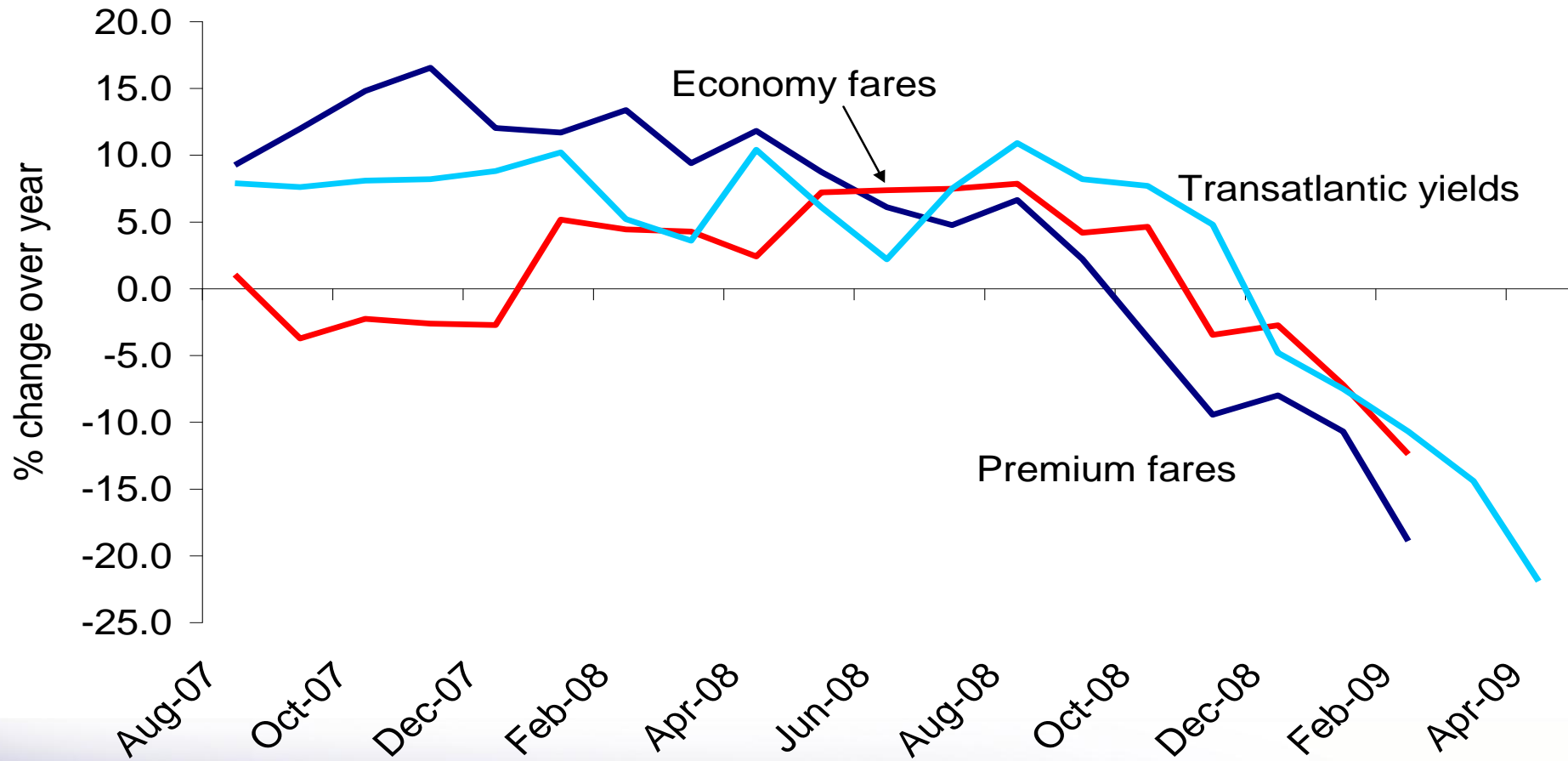


***Effect of business travel cutbacks
and travel policy downgrades***

Source: IATA

Revenue impact compounded by lower fares

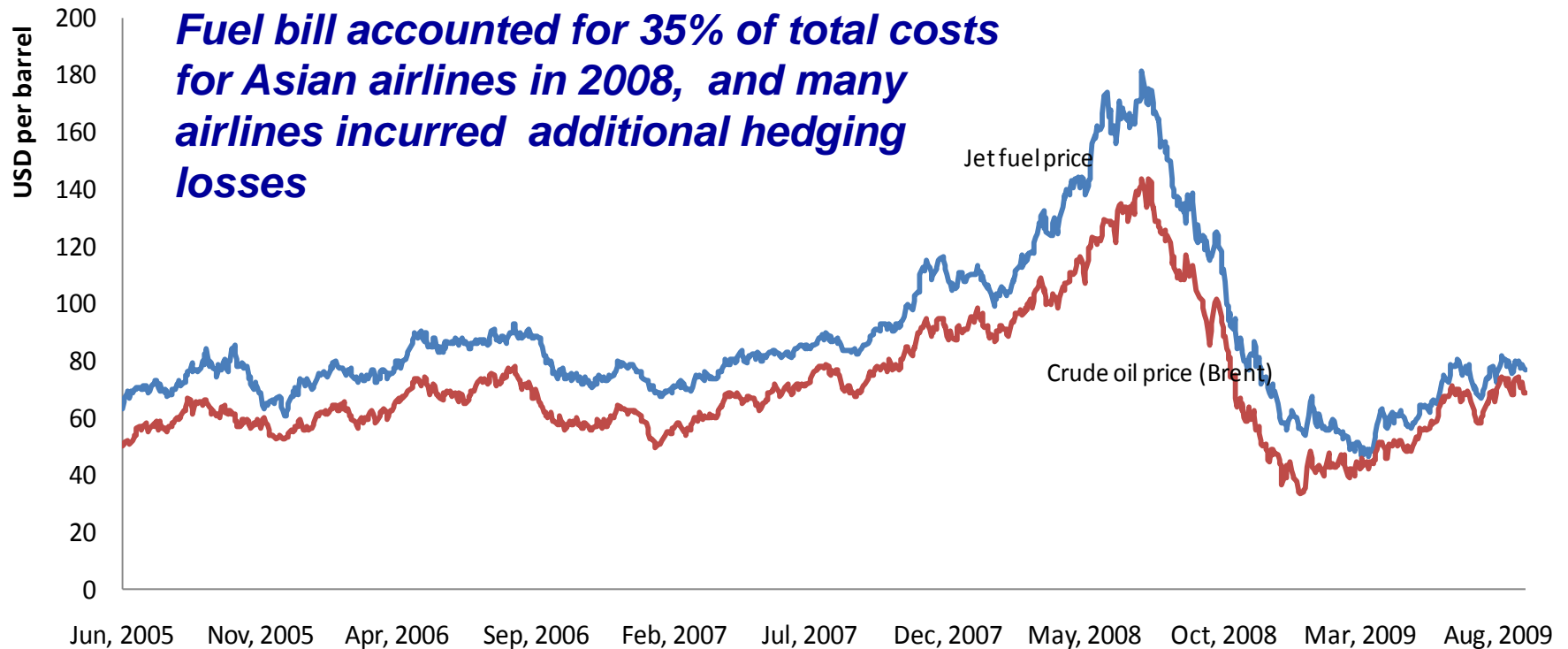
Fares and passenger yields on international markets



Oil price volatility



**Jet Fuel and Crude Oil Price (\$/barrel)
2005–2009 Source: Platts, RBS**



Oil prices remain volatile, with added uncertainty regarding future carbon pricing inclusive of emissions charges

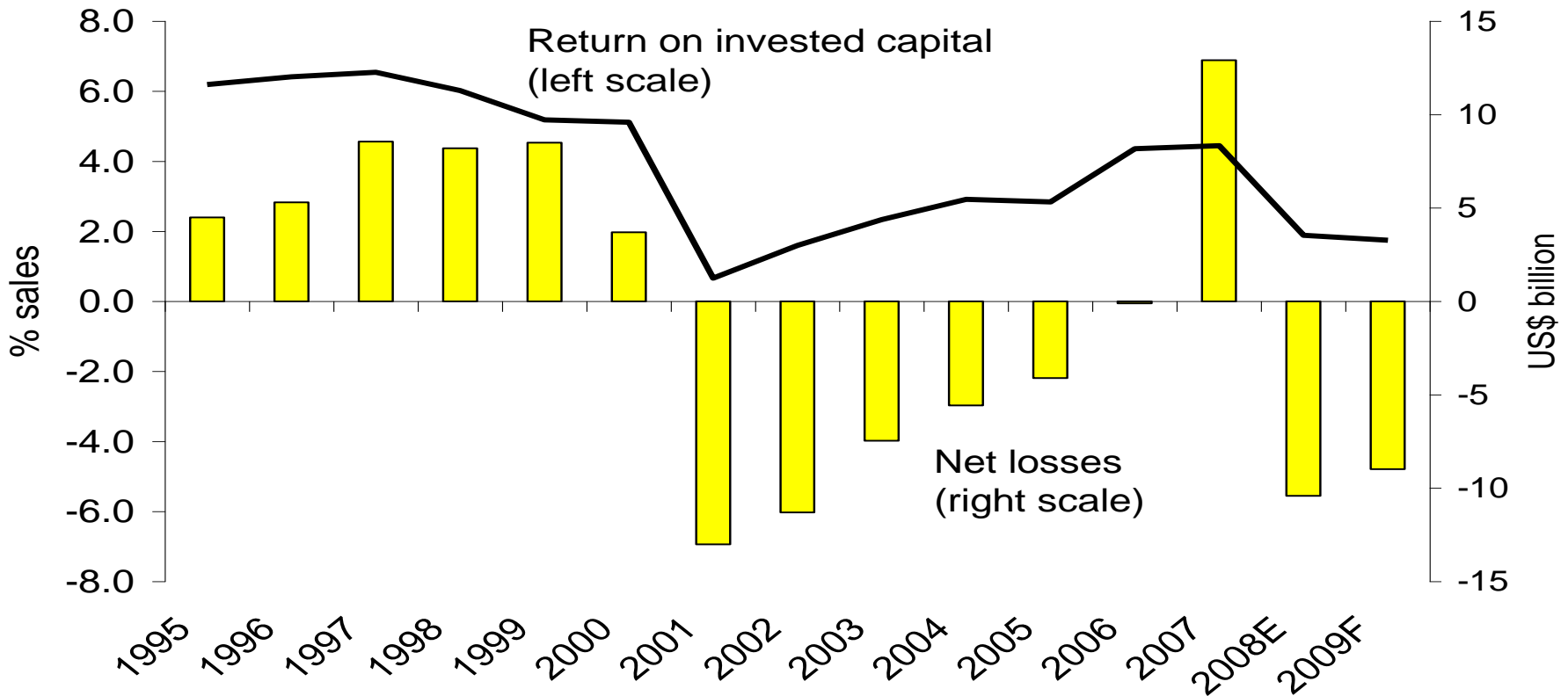
Airlines responding to the downturn

- Trimmed route networks and capacity in response to lower demand
- Implemented wide range of measures to reduce staff costs, retrenchment only as a last resort
- Reduced utilization, grounded surplus aircraft, seeking deferral of new deliveries
- Conserve cash, strengthen balance sheet
- Working with industry partners to reduce unnecessary costs

Tough times, airlines focused on survival whilst preserving ability to respond to any upturn

Airline industry: profitability trends

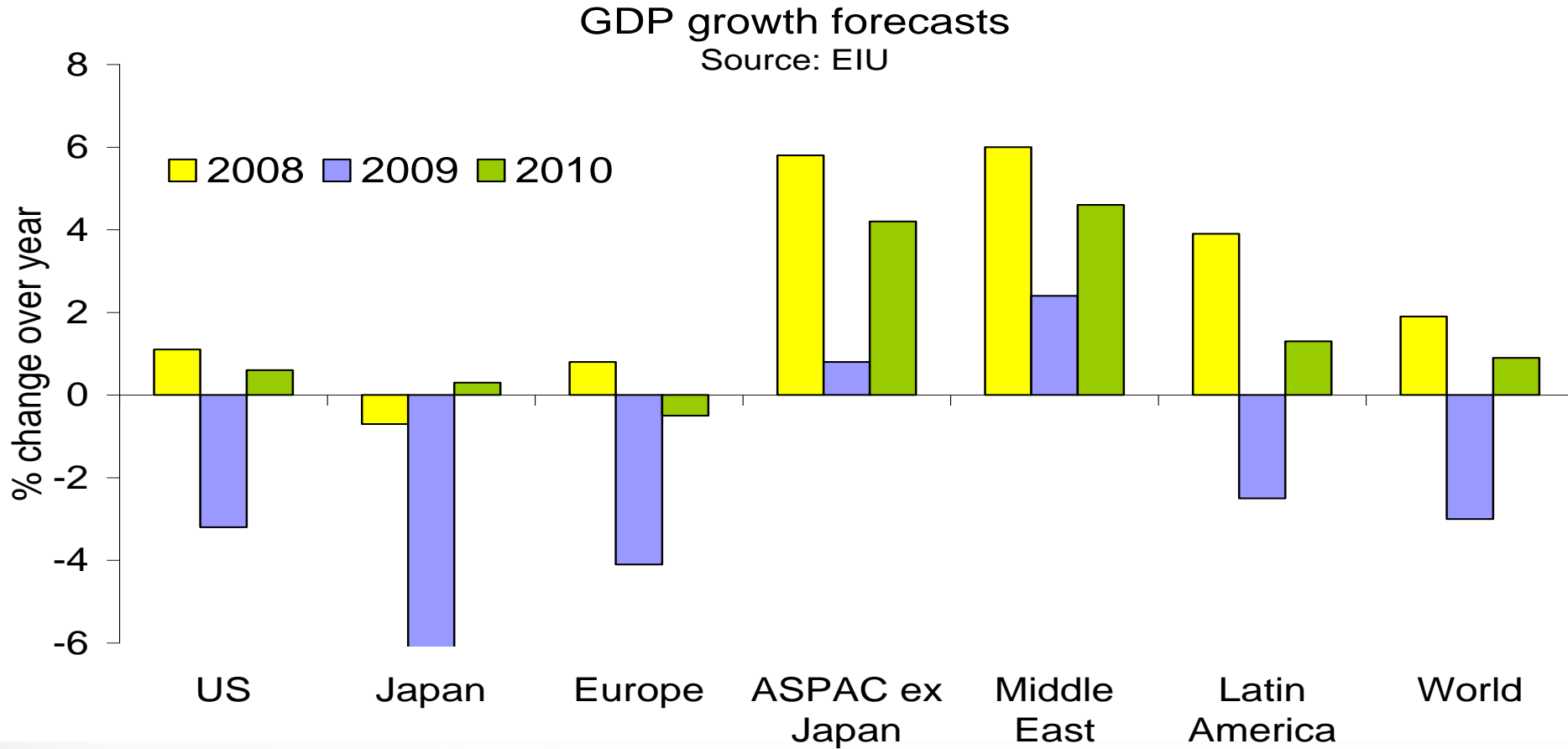
Global commercial airline profitability



Airlines losses: \$10 billion a year

Source: IATA

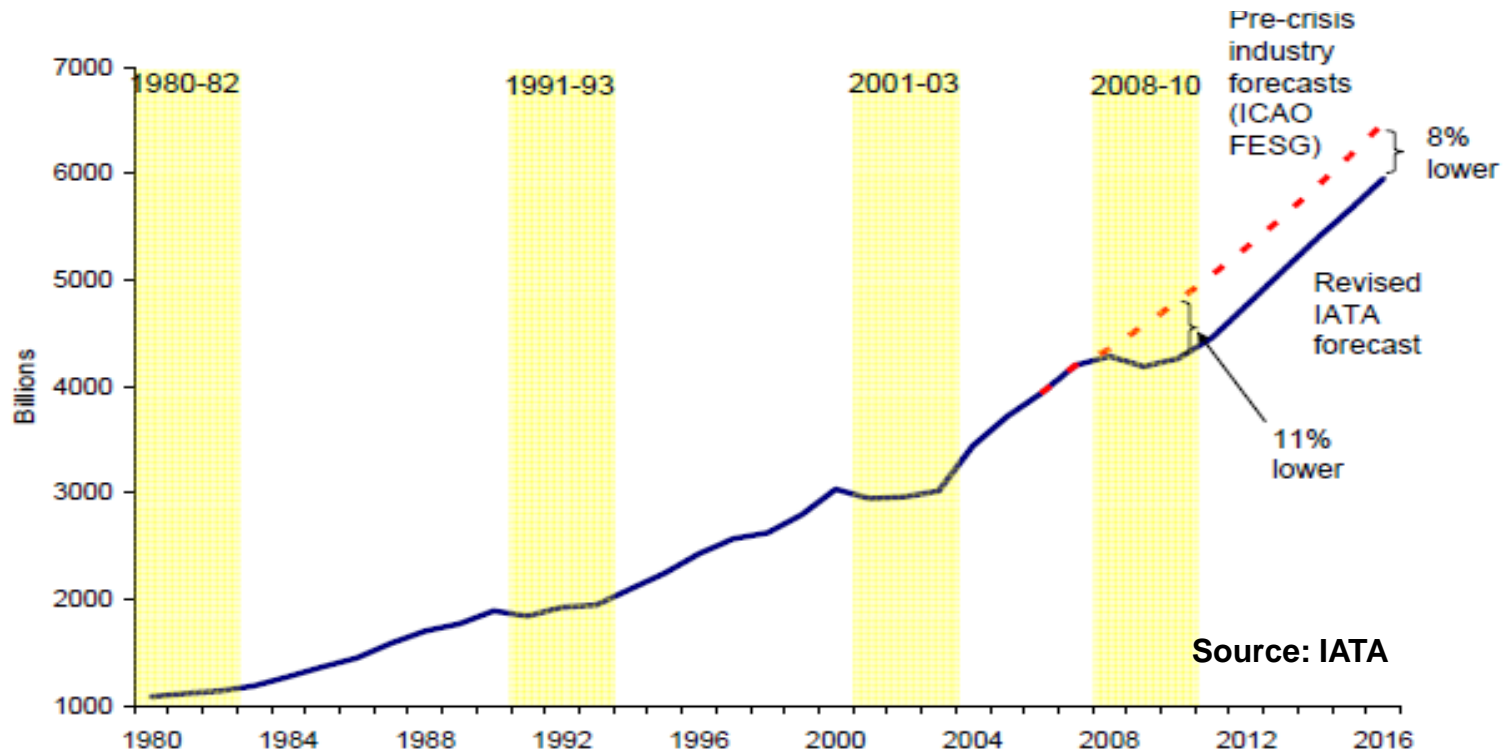
Global economy remains fragile



Despite encouraging signs of an economic recovery in Asia

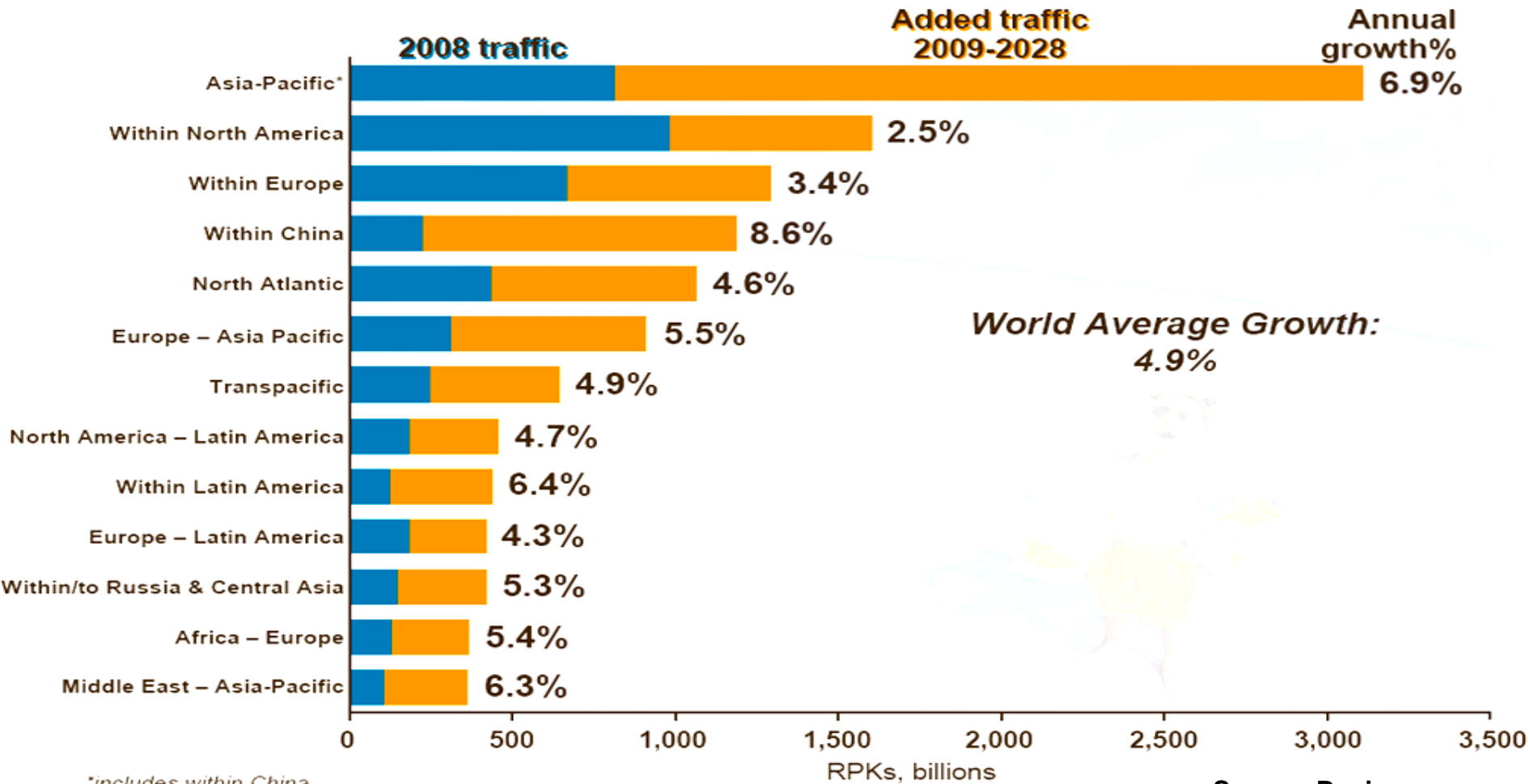
Aviation: future growth postponed

Prolonged downturn may mean no growth 2008-2010



Significant implications for investment and capacity management, throughout the value chain

Long term growth prospects still bright



Source: Boeing

Asia Pacific's share of world traffic will keep on growing

Aviation – sustainable growth?

- Aviation delivers continuous improvements in fuel efficiency through technology, operations and infrastructure
- Nevertheless, aviation must be seen to be paying for its growing environmental impact by contributing to global efforts to address the challenge of climate change
- Strategic planning for the air transport industry must factor in likely increases in the cost of carbon-based fuels, inclusive of emissions charges, and the potential impact on projected growth rates
- As a globally competitive, energy-intensive industry, we would prefer a globally harmonised, sector-specific approach to international aviation emissions under ICAO

Governments set the climate change policy framework, we need to overcome political inertia and resolve profound differences amongst States to move ahead

Conclusions



- Aviation is at the heart of global economic development
- Nevertheless, airlines being severely tested by the current downturn
- Airlines are taking appropriate steps to weather the storm
- Working with industry partners to identify joint cost savings and revenue opportunities
- Further structural reform: airlines need more freedom to compete globally, just like other industries

Prospects for long term growth remain good

AAPA

ASSOCIATION OF ASIA PACIFIC AIRLINES

www.aapairlines.org

Andrew Herdman

Director General

Association of Asia Pacific Airlines

9/F Kompleks Antarabangsa

Jalan Sultan Ismail

Kuala Lumpur 50250

MALAYSIA

Tel: +60 3 2145 5600

herdman@aapa.org.my

Member's Login Username: Password:

AAPA
ASSOCIATION OF ASIA PACIFIC AIRLINES

About AAPA | Events | Issues | Media Centre | Links | Contact Us

Asia Pacific Aviation reaching out...

Thursday, 09 November 2006

HIGHLIGHTS	ISSUES	EVENTS
Press Releases → 30 October 2006 AAPA September 2006 Traffic Results	Environment Recognising the relationship between aviation and the environment...	50th Assembly of Presidents Rihga Royal Hotel, Osaka, Japan 16-17 November 2006
Publications Asia Pacific Perspectives 2005 AAPA Annual Report	EC Denied Boarding Regulation 261/2004 In February 2005, EC Regulation 261/2004 came into force...	Asia Pacific Aviation Environmental Forum 2006 Bandar Seri Begawan, Brunei 28-29 November 2006
Speeches 09 November 2006 ASIA PACIFIC AVIATION: Opportunities and Challenges at the 3rd Annual Asia Pacific & Middle East Aviation Outlook Summit in Singapore	US DOT Disability Regulations The US DOT is currently proposing to extend the US Air Carrier Access Act...	AAPA Materials Management Conference 2007 Bali, Indonesia 24-25 April 2007

AAPA is the trade association of 17 scheduled international airlines based in the Asia-Pacific region, addressing a wide range of issues affecting air travel.

AAPA Member Airlines: Air New Zealand • All Nippon Airways • Asiana Airlines • Cathay Pacific Airways • China Airlines • Dragonair • EVA Airways • Garuda Indonesia Airlines • Japan Airlines • Korean Airlines • Malaysia Airlines • Philippine Airlines • Qantas Airways • Royal Brunei Airlines • Singapore Airlines • Thai Airways International • Vietnam Airlines