

# **Aviation Global Landscape Asia Pacific Perspective**

**Andrew Herdman  
Director General  
Association of Asia Pacific Airlines**

**Sabre**

**STX**  
SABRE TECHNOLOGY EXCHANGE

# Aviation: delivering global mobility

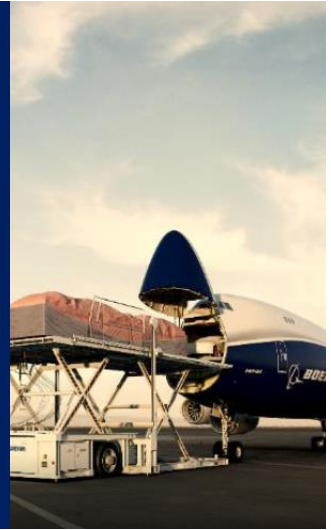


**4.1 billion**  
passengers

**11+ million daily**

**35%**  
by value of  
global trade

**Goods worth  
US\$6 trillion**



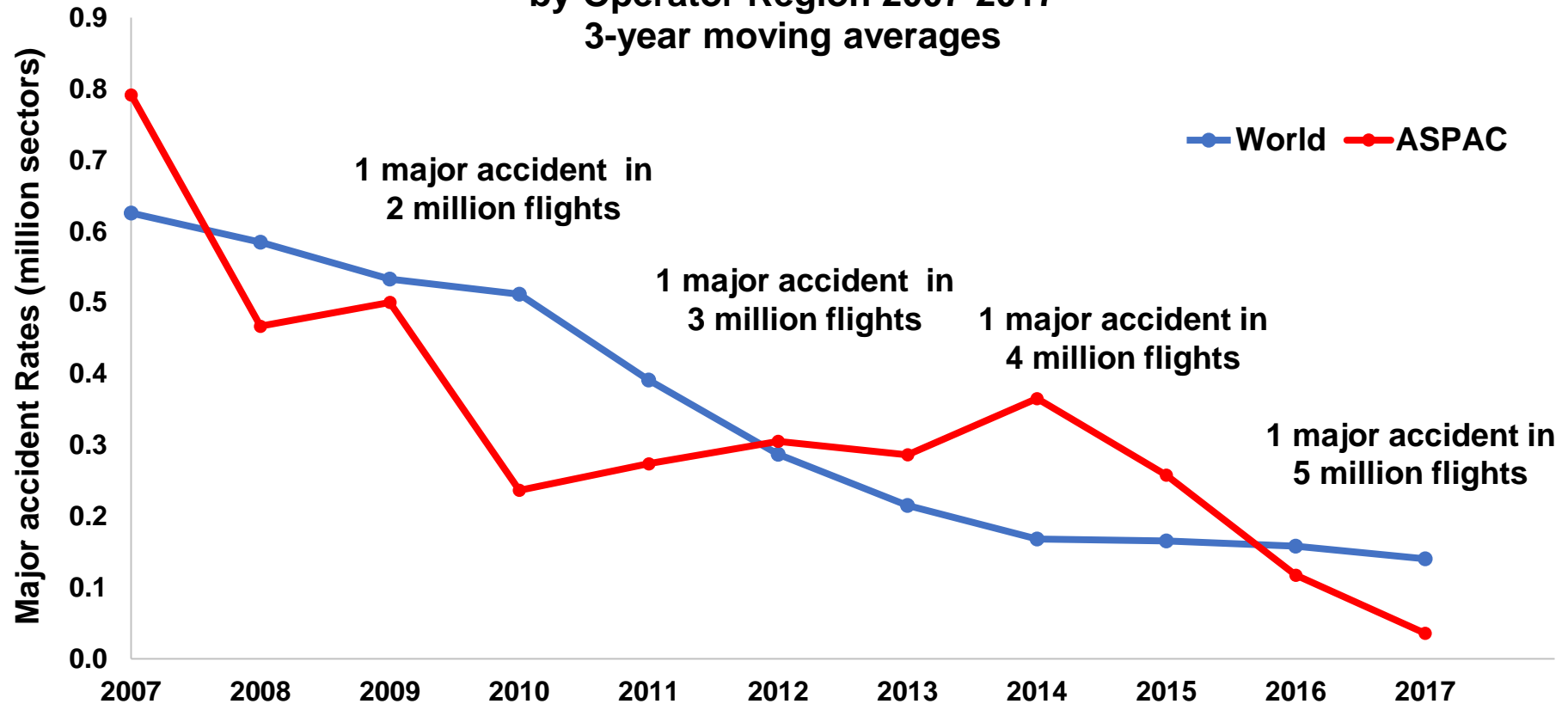
- **Safely connecting people and business**
- **Wider social and economic benefits**
- **Outstanding safety record**
- **Committed to sustainable growth**

Source: ICAO Preliminary Traffic Report, ATAG Benefits Beyond Borders

# Aviation safety performance



Western-built Jet Aircraft Major Accident Rates  
by Operator Region 2007-2017  
3-year moving averages



*Striving for continuous improvement*

Source: AAPA

# Asia Pacific

- **Diverse geographic region**
- **Home to more than 4 billion people**
- **Dynamic economies generate 35% of global GDP**
- **Aviation widely recognised as a key contributor to economic and social development**
  - **Supports 29 million jobs and US\$626 billion in GDP**
- **Wide range of income levels, rapidly growing middle class**

Source: IMF, ATAG Benefits Beyond Borders

# Asia Pacific Aviation



**US\$185 billion revenue**  
**US\$9 billion net profit**  
**1,486 million passengers**  
**1,055 million domestic**  
**431 million international**  
**22 million tonnes of cargo**  
**7,997 aircraft**

***Asia Pacific carriers overall market share:***

***34% of global passenger traffic***

***36% of global cargo traffic***

2017 Data - Traffic: IATA WATS 2018, Financials: AAPA Estimates

Combined AAPA + non-AAPA airlines GMT+5 to GMT+12



# World's ten busiest domestic routes

Rank	Route	PAX (million)
1	Jeju – Seoul	13.5
2	Melbourne – Sydney	7.8
3	Fukuoka – Tokyo	7.6
4	Sapporo – Tokyo	7.4
5	Beijing – Shanghai	6.4
6	Hanoi – Ho Chi Minh City	6.4
7	Delhi – Mumbai	5.6
8	Tokyo – Okinawa	4.8
9	Jeddah – Riyadh	4.8
10	Beijing - Chengdu	4.6

Source: IATA WATS 2018, 2017 data

***Mostly in Asia Pacific***

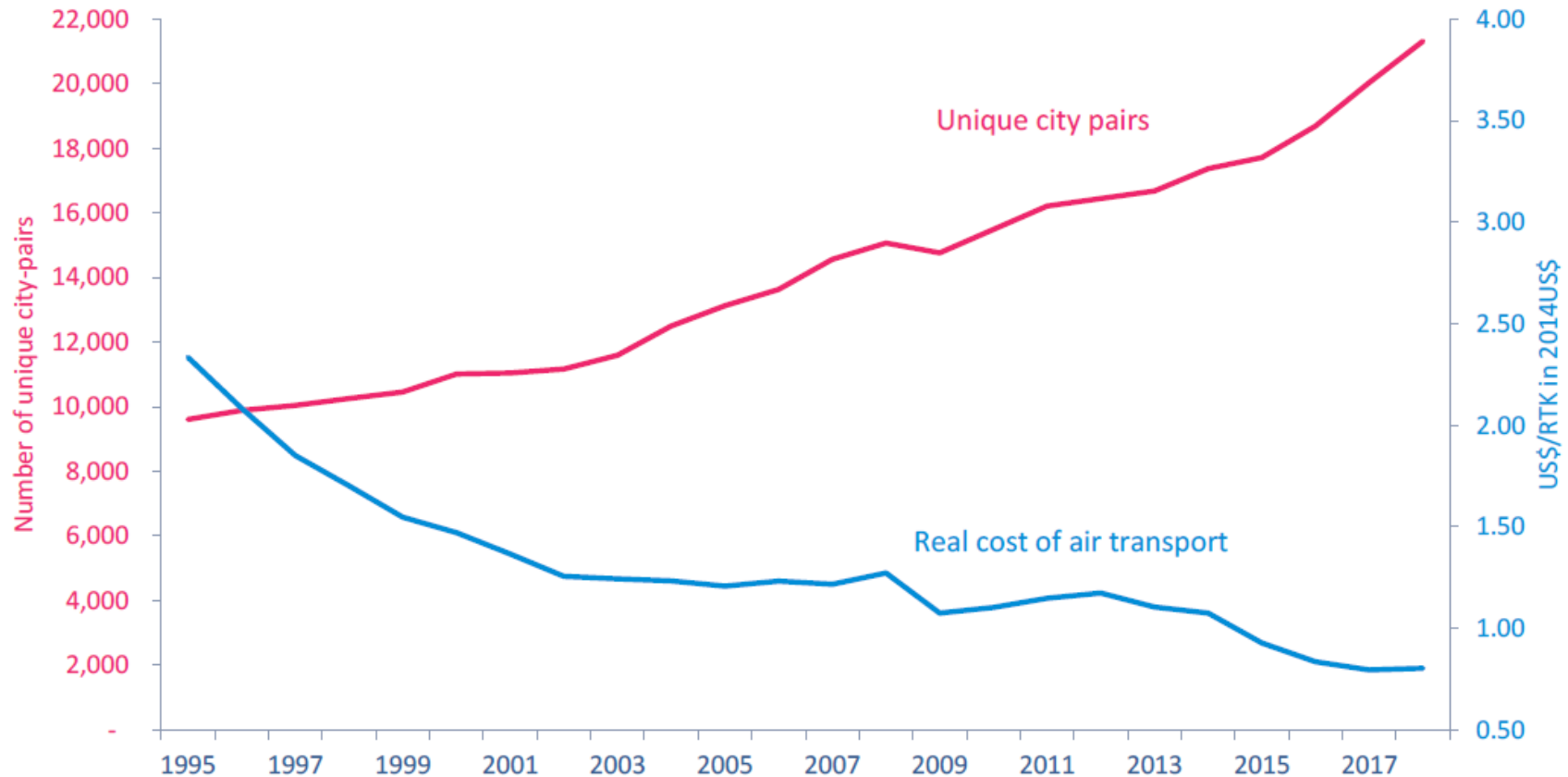
# World's ten busiest international/regional routes

Rank	Route	PAX (million)
1	Hong Kong - Taipei	5.4
2	Dublin – London	3.4
3	Jakarta – Singapore	3.3
4	Bangkok – Hong Kong	3.1
5	Kuala Lumpur – Singapore	2.8
6	Hong Kong – Seoul	2.7
7	London – New York	2.7
8	Osaka – Taipei	2.6
9	Bangkok – Singapore	2.5
10	Tokyo – Taipei	2.5

Source: IATA WATS 2018, 2017 data

***Mostly in Asia Pacific***

# Aviation: network density & affordability



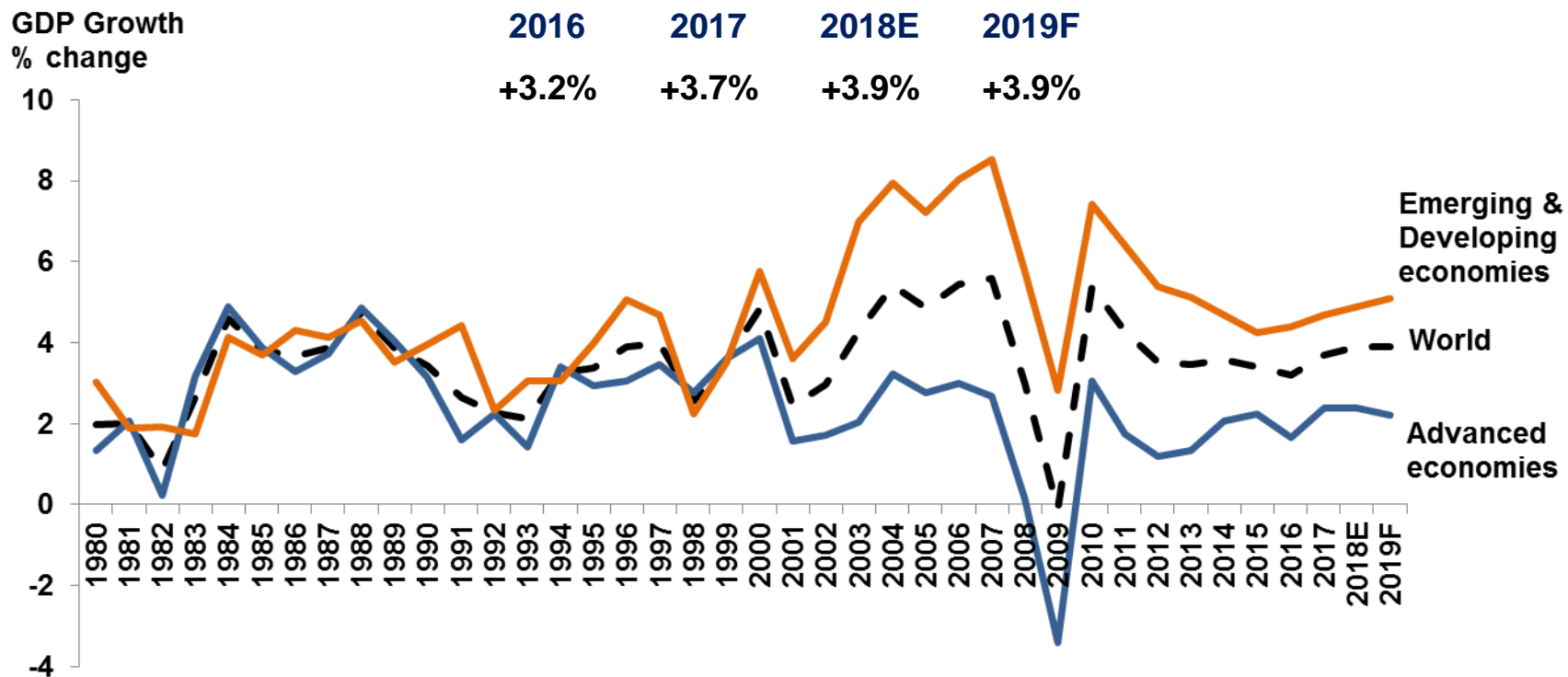
Source: IATA



# Business Outlook

# Global economic trends

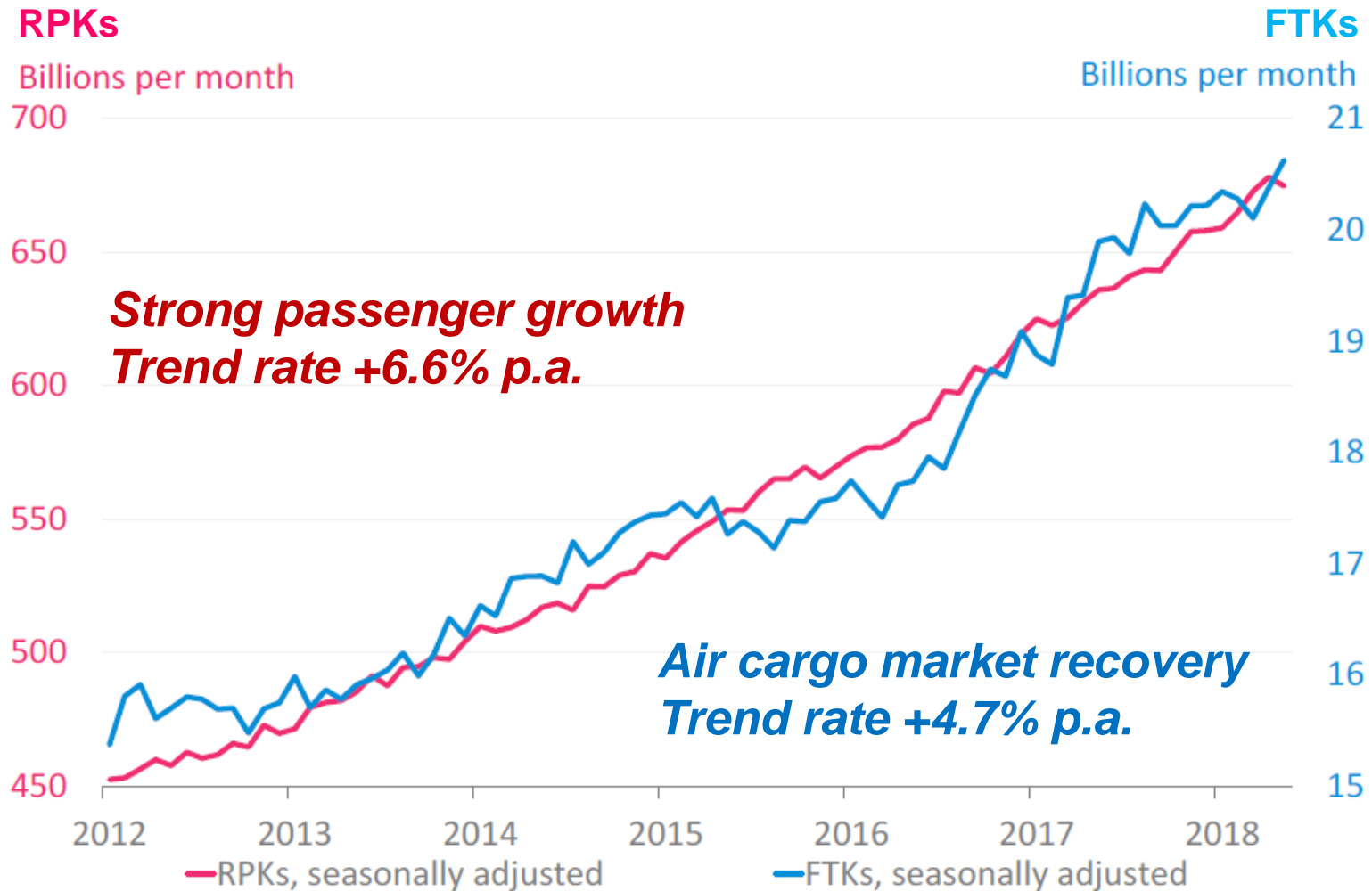
## World GDP Growth



*Prospects remain positive, but some downside risks*

Source: IMF

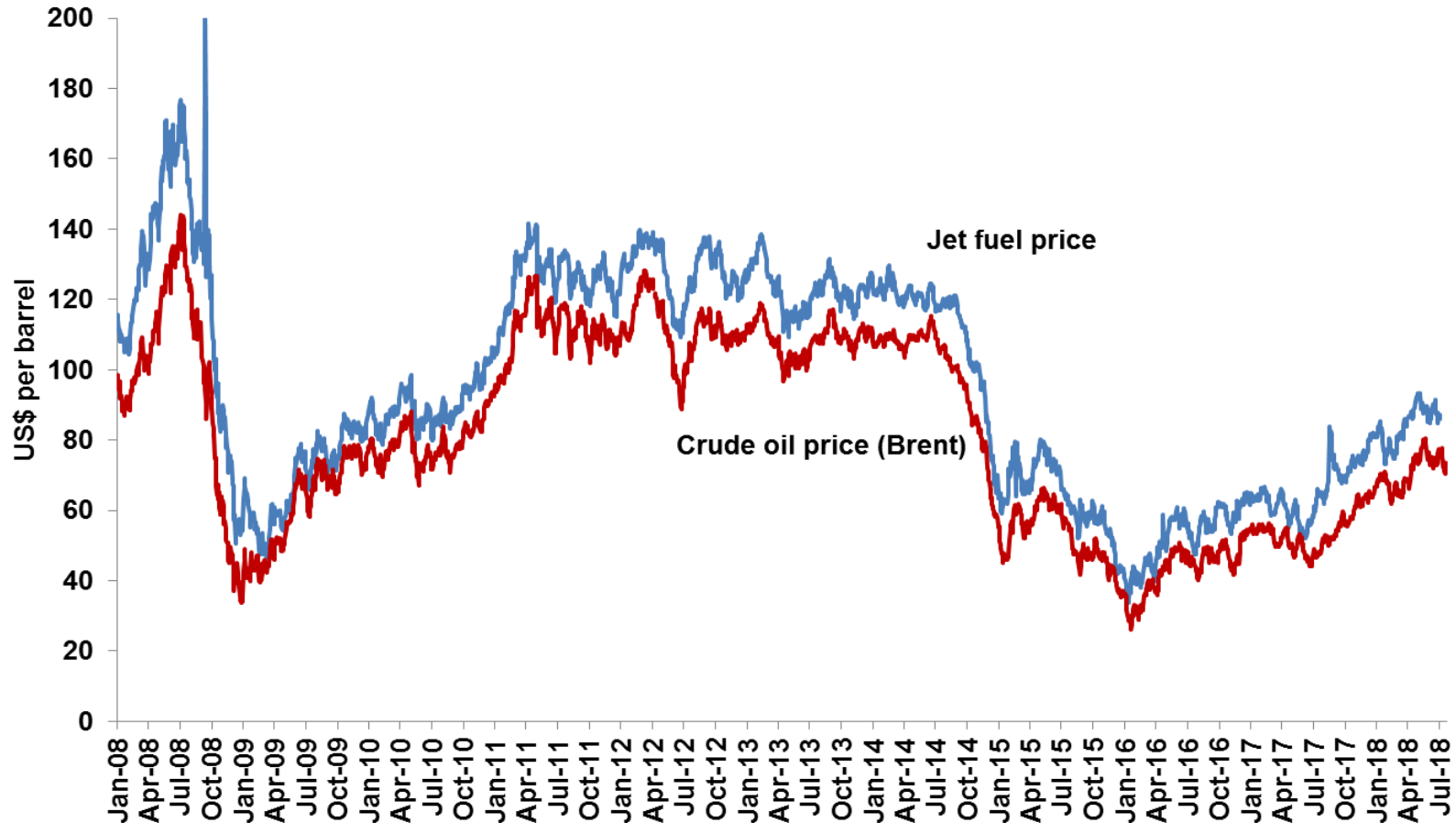
# Global passenger and cargo traffic



**AAPA**

Source: IATA ASSOCIATION OF ASIA PACIFIC AIRLINES

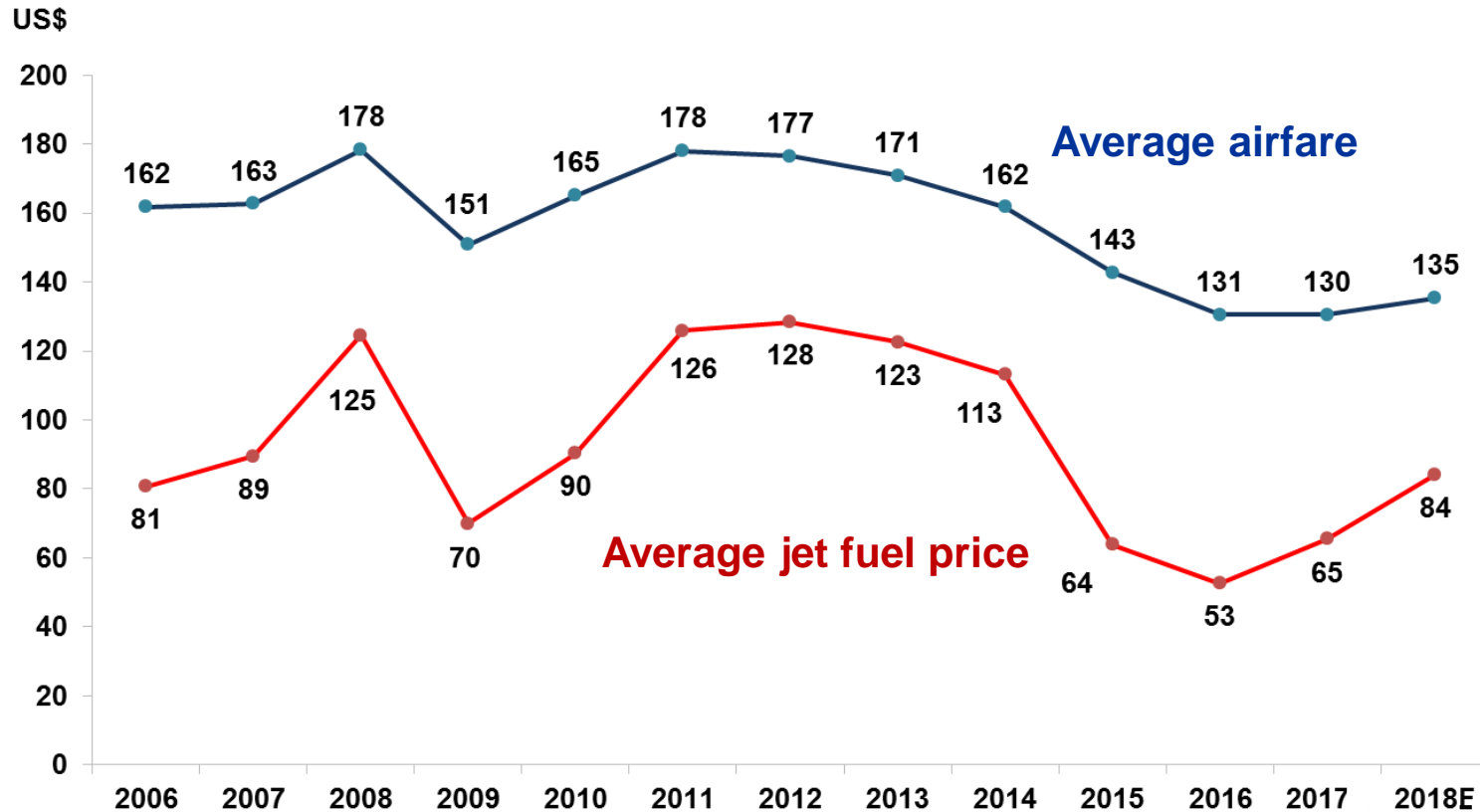
# Oil prices rising



***First half of 2018 saw a 37% increase in jet fuel prices to average US\$84 per barrel***

Source: US Energy Information Administration

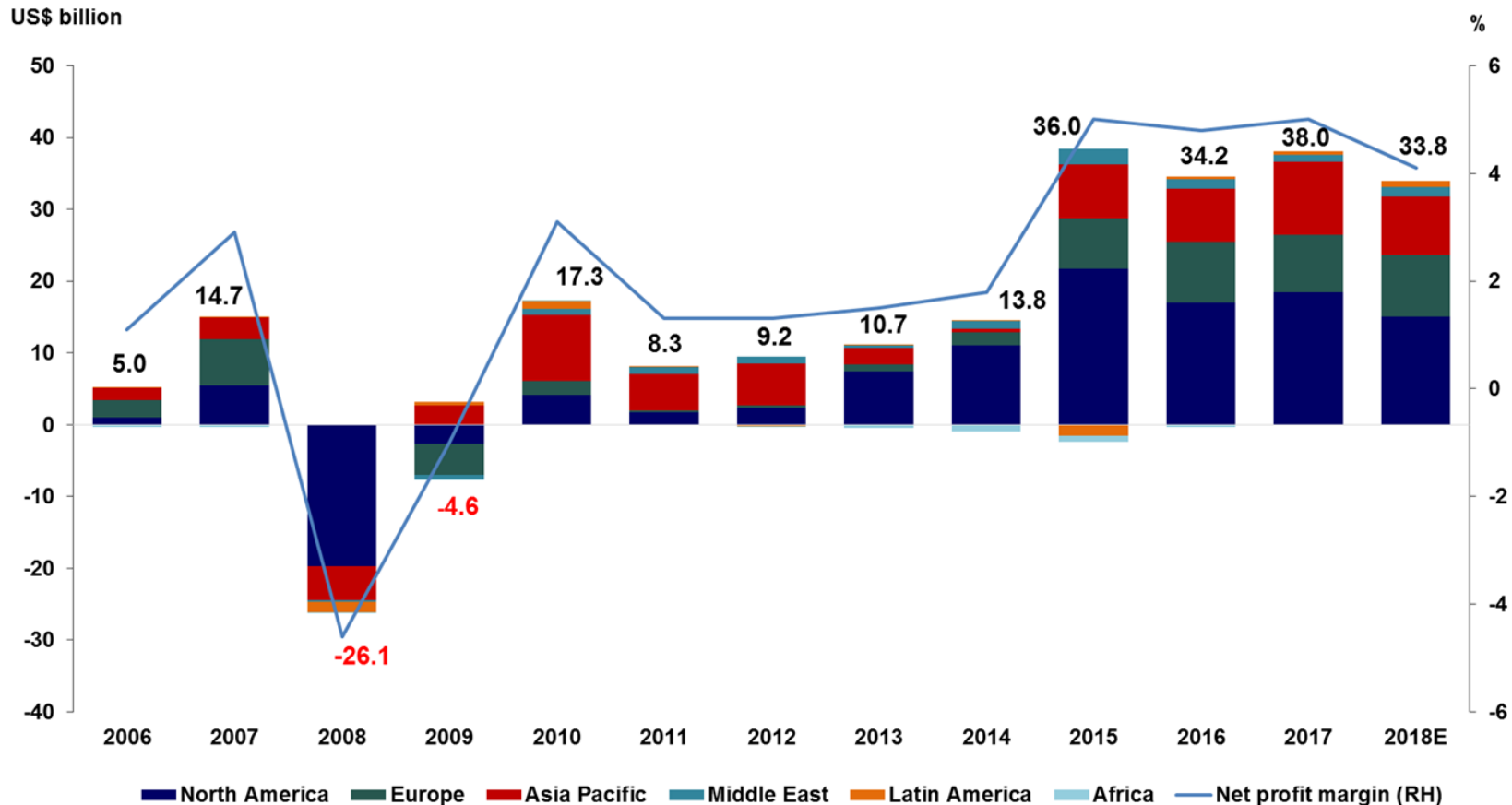
# Airfares follow changes in oil prices



***Airfares remain highly competitive,  
margins under pressure***

Source : IATA

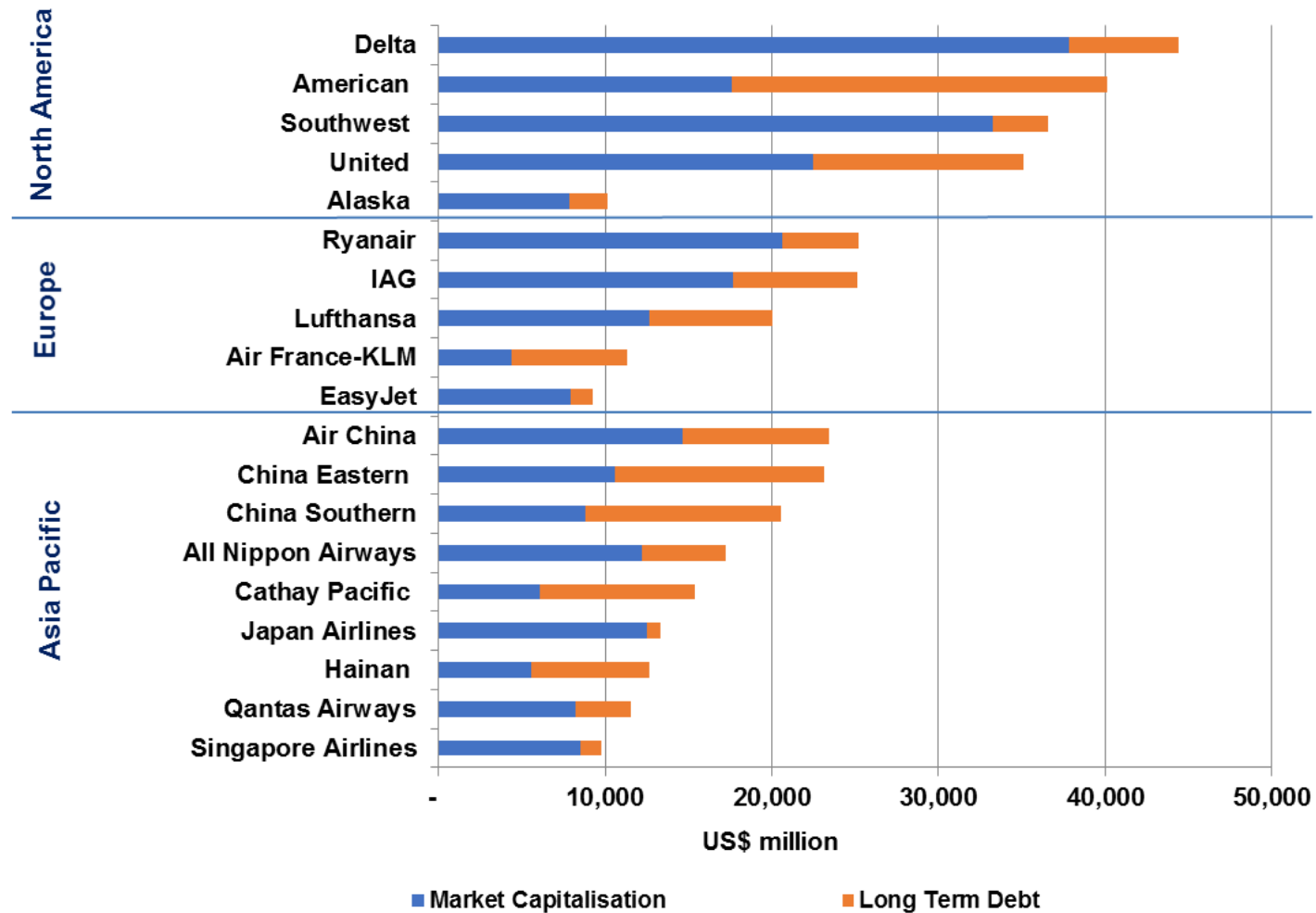
# Global airline profitability trends



- **Strong passenger and air cargo markets**
- **Average profit margin just 4% or US\$8 per passenger**



# Airline enterprise values by region



Market capitalisation as of 10 August 2018

Source: AAPA Estimates

# **Regulatory Challenges**

# Global regulatory challenges

**Aviation is subject to intensive regulation**

- **Safety**
- **Security**
- **Sustainability**
- **Passenger Facilitation**
- **Consumer Protection**
- **Competition Laws**
- **Taxes & Charges**



# Global regulatory influences



- *Wider impact of US and EU regulations*
- *Asia Pacific needs a unified voice*
- *Need for harmonised global standards*

# Regulatory framework & competition



- **Barriers to cross-border consolidation**
- **Cooperation, codeshares, joint ventures**
- **Emergence of complex group holding structures**
- **Trade protectionist sentiments may impede liberalisation efforts**
- **Varying interpretations of ownership & control restrictions, subsidies, fair competition**

***Global regulatory framework must keep pace with evolving market dynamics***

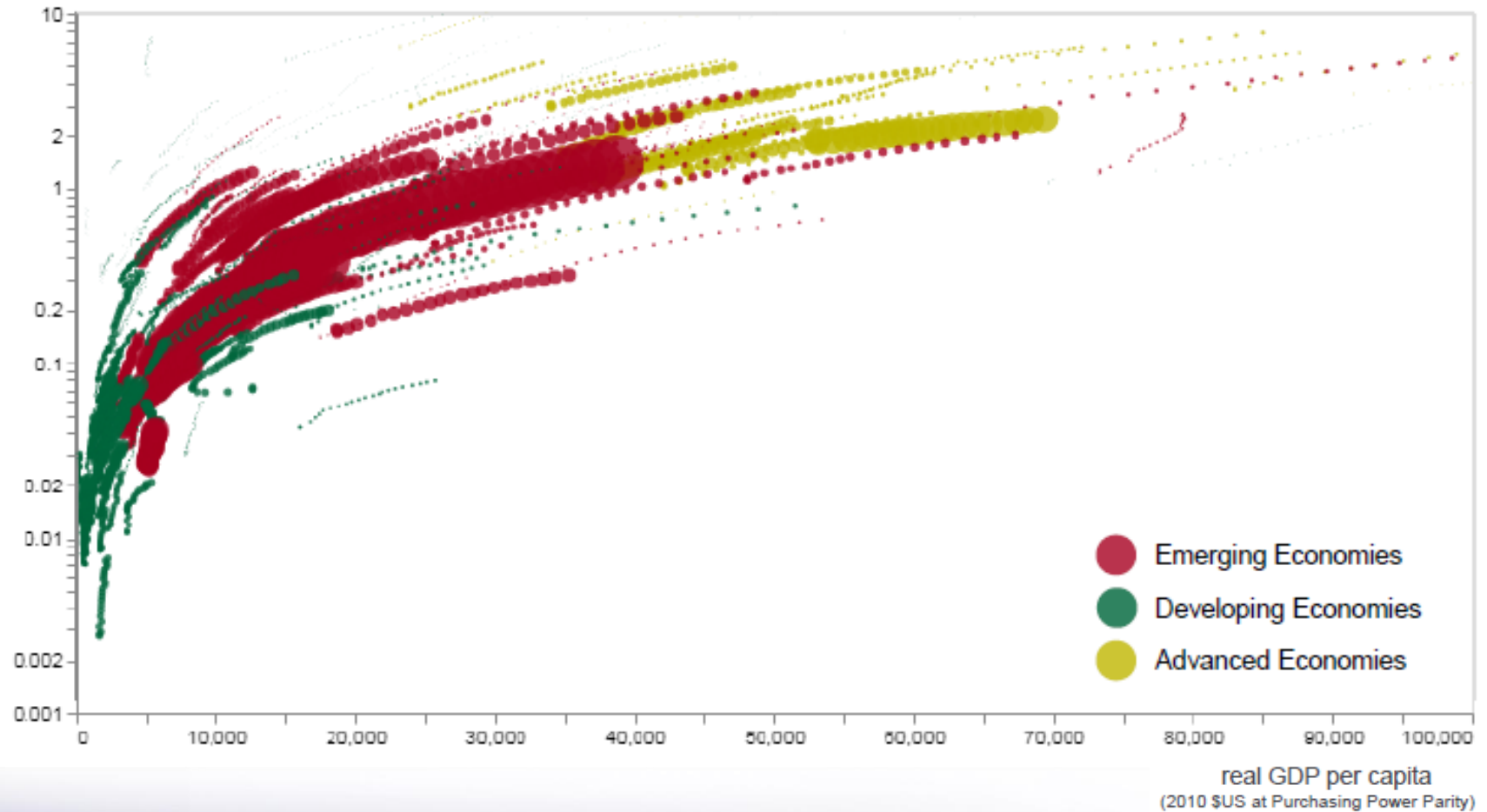


# **Future Growth**



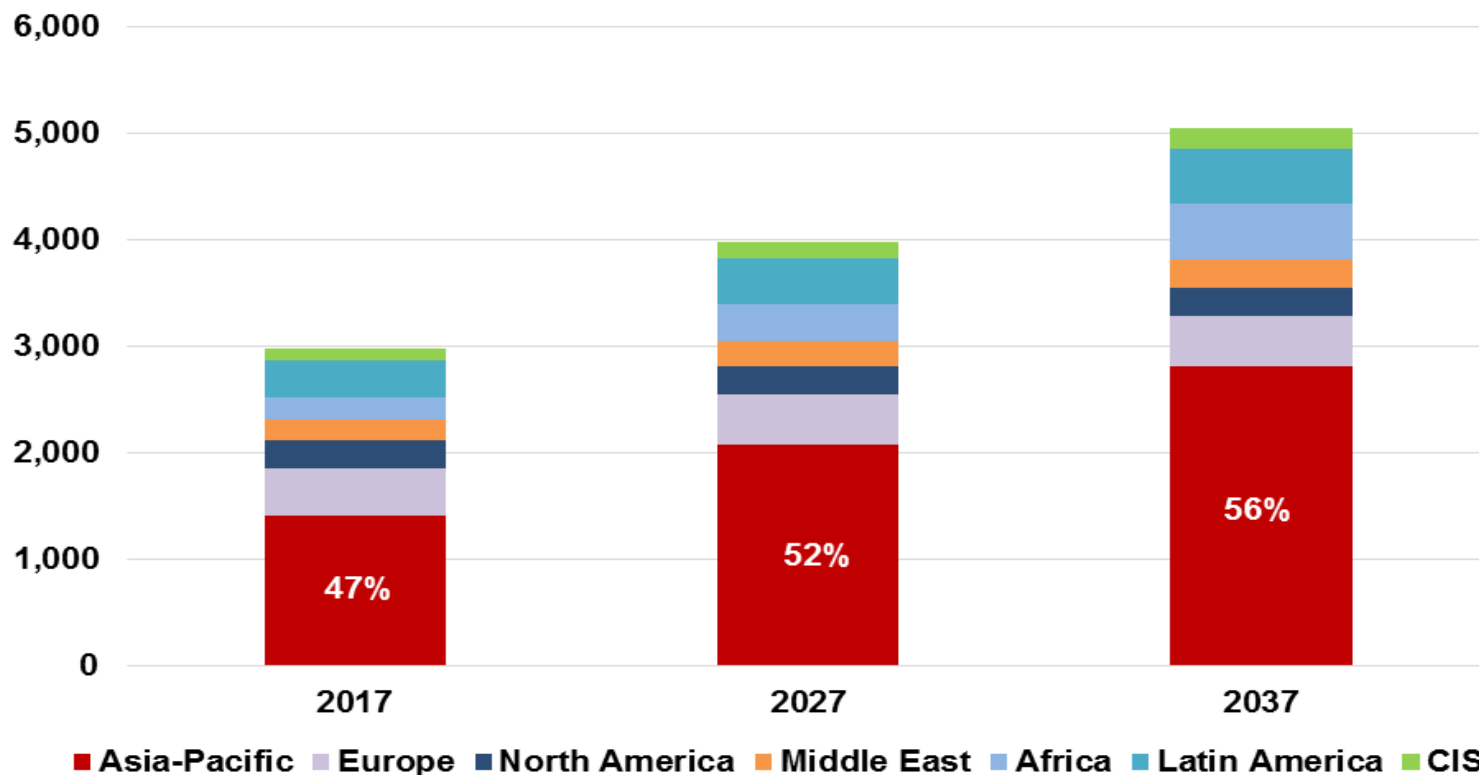
# Aspirational demand for air travel

2017-2037 trips per capita (each bubble is a country)



Source: Airbus GMF 2018-2037

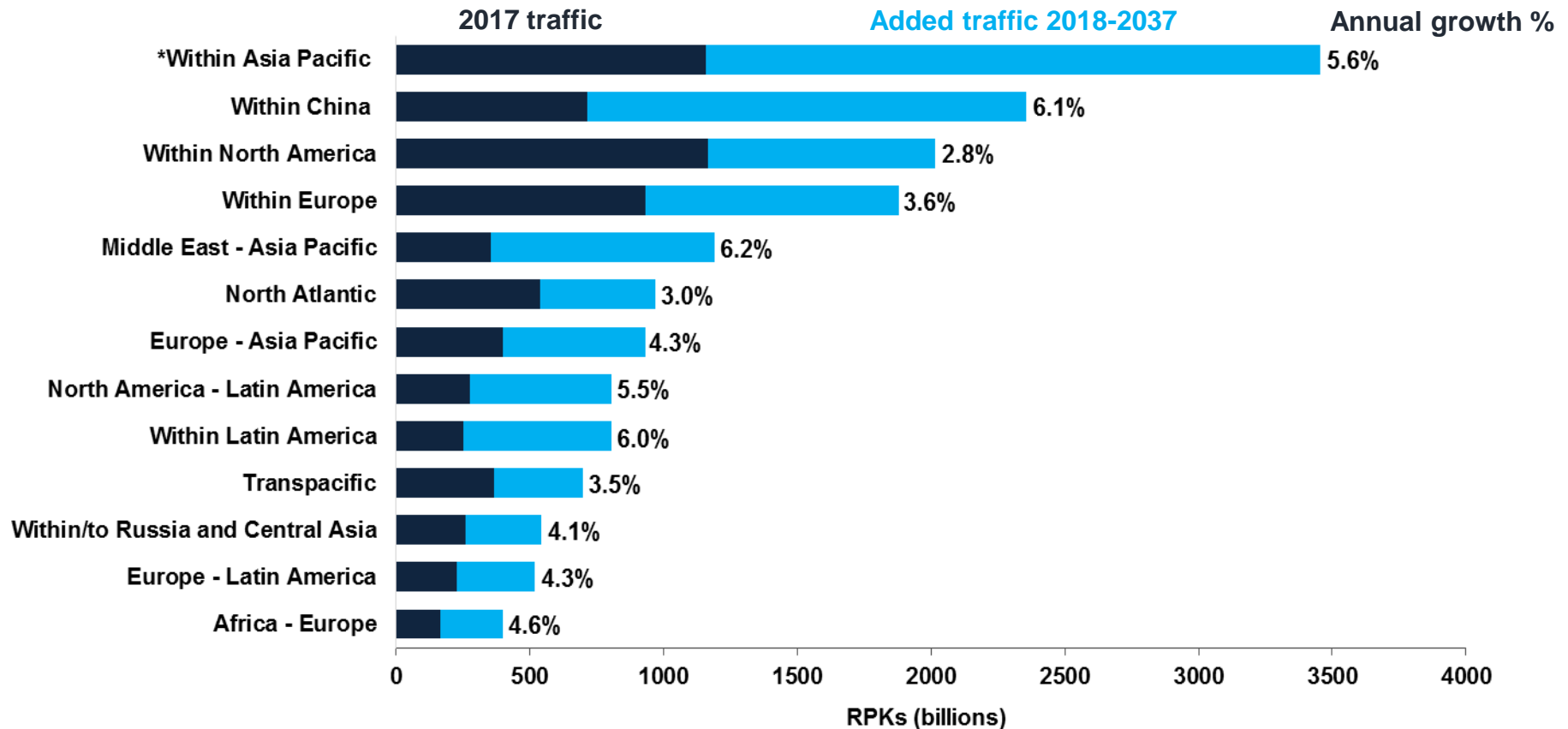
# Growing middle class consumers



***Rising demand for goods & services including air travel***

Source: Oxford Analytics, Airbus  
Households with yearly income between \$20,000 and \$150,000 at PPP in constant 2017 prices

# Asian markets leading future growth



\*Does not include travel within China

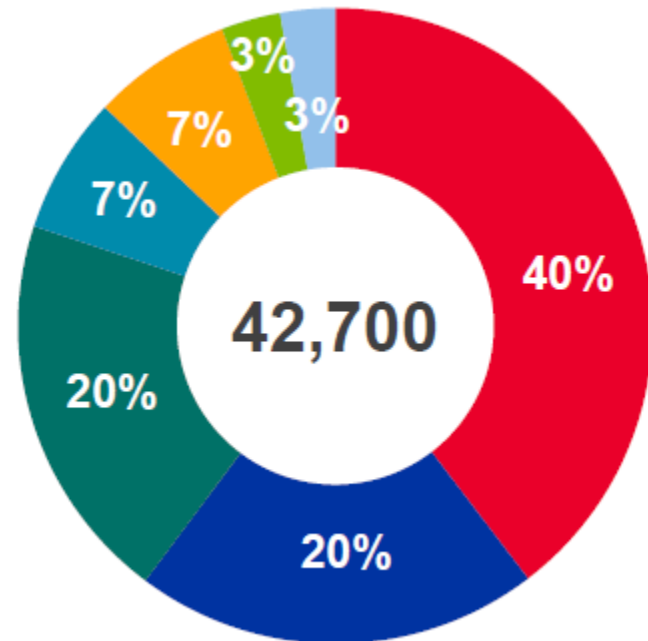
Source: Boeing CMO 2018-2037

# Future orders led by Asian airlines

## New airplane deliveries by region

2018 - 2037

Region	Airplanes
● Asia Pacific	16,930
● North America	8,800
● Europe	8,490
● Middle East	2,990
● Latin America	3,040
● Russia & Central Asia	1,290
● Africa	1,190
World Total	42,700



- ***Asia Pacific to account for 40% of new aircraft deliveries***
- ***Infrastructure & manpower requirements***

# Infrastructure

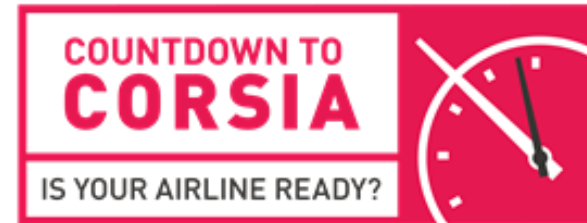


- Airports and airspace modernisation must keep pace with rapid traffic growth to avoid congestion and delays
- Significant capital investment required
- Slots management is an alleviation, not a solution
- Governments need to think beyond national borders & develop regional air traffic flow management systems
- Strengthen cyber security & resilience

***Government role to coordinate infrastructure planning and investment***

# Aviation & sustainable development

- **Aviation pursuing multi-pillar strategy:**
  - Fuel efficiency through technology
  - Operational enhancements
  - Infrastructure improvements
  - Sustainable alternative fuels
  - Supplementary carbon offsets through ICAO CORSIA
- **Aviation is the first industry sector to implement a global market based measure**
  - ICAO CORSIA technical guidelines - 2018
  - Airline international emissions reporting - 2019
  - ICAO CORSIA carbon offsetting obligations - 2020 onwards



***Aviation has set ambitious targets and is delivering on its commitments***



# **Airline Strategies**

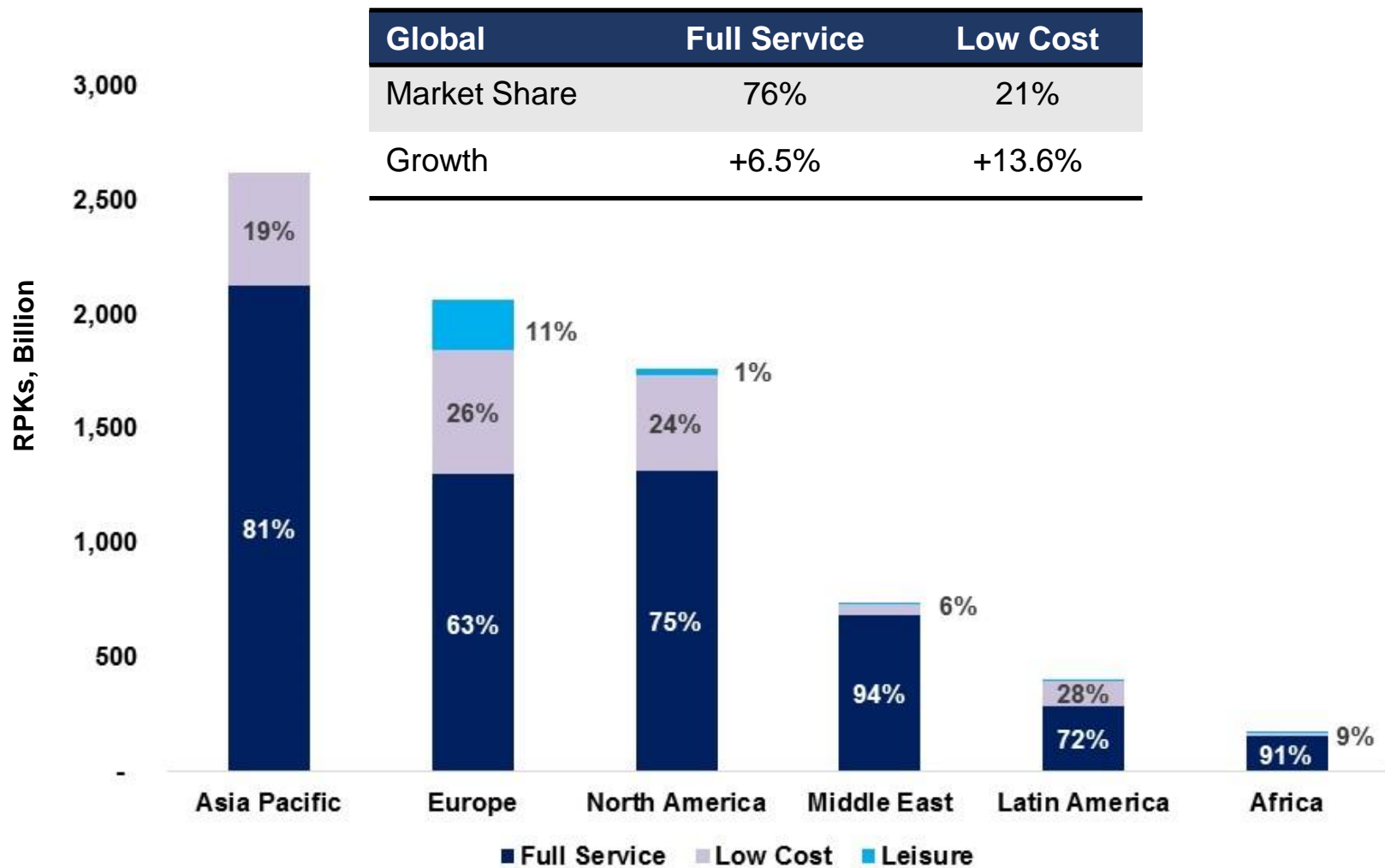
# Evolving airline business strategies



- **Business models continue to evolve, adapting to a dynamic marketplace**
- **Differentiated classes of service**
- **Unbundling ancillary services at a price**
- **Group structures & multiple brands**
- **Revenue optimisation through network connectivity & cooperative relationships**

***Asia Pacific airlines at the forefront of global industry developments***

# Business models share by region



Source: IATA WATS 2018, 2017 data

# Closing thoughts

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- **Aviation is driving global economic and social development**
- **Future infrastructure planning is a key challenge**
- **Airline strategies adapting to changes in market demand and consumer preferences**
- **Competing travel distribution & merchandising platforms**

***Asia Pacific airlines are shaping the future of global aviation***

# AAPA

ASSOCIATION OF ASIA PACIFIC AIRLINES

**[www.aapairlines.org](http://www.aapairlines.org)**

**Association of Asia Pacific Airlines  
Level 27-1, Menara Prestige  
1 Jalan Pinang  
50450 Kuala Lumpur  
MALAYSIA**

**Tel: +60 3 2162 1888**

**Fax: +60 3 2162 6888**



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