Asia Pacific Aviation

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Aviation: moving the world

- Air travel delivers global mobility
- 3 billion passengers
  - 8 million people flying per day
- Carries 35% by value of global trade
  - Goods worth US$ 6 trillion
- Wider social and economic benefits
- Committed to sustainable growth
- Outstanding safety record

Source: ATAG
Overview

• Asia Pacific aviation
• Future growth drivers
• Infrastructure needs
• Regulatory challenges
• Industry priorities
Asia Pacific

• Diverse geographic region
• Home to more than 4 billion people
  - 60% of the world’s population
• Dynamic economies generate 37% of global GDP
• Wide range of income levels, rapidly growing middle class
• Aviation widely recognised as a key contributor to economic and social development
• Political diversity remains challenging: need for multilateral cooperation
Asia Pacific Aviation

US$171 billion revenue
US$3 billion net profit
1,053 million passengers
756 million domestic
297 million international
17 million tonnes of cargo
5,688 aircraft

Asia Pacific carriers overall market share:
31% of global passenger traffic
39% of global cargo traffic

Data: Financials, Traffic & Fleet: 2013 Estimates
Source: Combined AAPA + non-AAPA airlines GMT+5 to GMT+12
## Asia Pacific to lead world traffic

### World traffic by airline domicile (RPK billions)

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<th>% of 2012 world RPK</th>
<th>20-year growth</th>
<th>% of 2032 world RPK</th>
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- **Asia-Pacific**: 2012 traffic, 2012-2032 traffic
- **Europe**
- **North America**
- **Middle East**
- **Latin America**
- **CIS**
- **Africa**

### Overall market grows x 2.5 by 2032

Source: Airbus GMF2013-2032

AAPA
ASSOCIATION OF ASIA PACIFIC AIRLINES

20-year world annual traffic growth 4.7%
Profitability improving but margins remain very thin ... around $4 per passenger!
Airline profitability trends by region

Airline net post-tax profit margins

Source: ICAO, IATA

Resurgence of restructured US carriers
Selected enterprise values by region

North America
- American
- Delta
- United Continental
- Southwest
- Alaska Airlines

Europe
- Ryanair
- Lufthansa
- IAG
- Air France-KLM
- Easyjet

Asia Pacific
- Air China
- Cathay Pacific
- All Nippon Airways
- China Southern
- China Eastern
- Korean Air
- Singapore Airlines
- Japan Airlines

Market capitalisation as of 3 March 2014

Source: AAPA Estimates
Differentiated business models

Global network carriers expected to thrive despite competition

Source: Airbus GMF
Aspirational Demand for Air Travel

Trips* per capita over GDP per capita

Rising incomes, urbanisation, social development

Source: Airbus GMF 2013-2032

*passengers originating from respective country
The growing middle class

Global Middle Class*
(Millions of people)

- Other
- Asia-Pacific
- North America
- Europe & CIS

2012: 2,228
- Other: 432
- Asia-Pacific: 856
- North America: 265
- Europe & CIS: 675

2022: 3,576
- Other: 578
- Asia-Pacific: 2,038
- North America: 262
- Europe & CIS: 675

2032: 5,211
- Other: 757
- Asia-Pacific: 3,526
- North America: 253
- Europe & CIS: 675

World Population
- 2012: 7,100
- 2022: 7,800
- 2032: 8,400

% of world population
- 2012: 32%
- 2022: 46%
- 2032: 62%

*Households with daily expenditures between US$10 and US$100 per person (at PPP)
Airline industry global trend

Source: Boeing CMO 2013-2032

Asia Pacific moving to leadership position
Infrastructure

- Aviation infrastructure must keep pace with rapid traffic growth
- Chronic congestion and delays already evident in some areas of the region
- Potential safety implications
- Greater focus on operating efficiency, productivity and cost-effectiveness
- Government responsibility to coordinate planning and long term investment required
- Industry ready to play its part

*Infrastructure is critically important*
Global Regulatory Influences

Wider impact of US and EU regulations: Asia Pacific needs a unified voice
Regulatory leadership

• US & EU regulatory leadership through demonstrated level of experience and skills
• Many regulators acknowledge and follow US & EU recommendations
• Concerns remain over imposition of unilateral sanctions by US and EU
  • EU Safety List – lack of transparency
  • FAA International Aviation Safety Assessment (IASA)
• US & EU unilateral actions punish airlines for government failings and shortcomings
• Asia Pacific strongly supports ICAO global standards
Regulatory oversight

• Implementation challenges
  • Diversity of national capabilities
  • Political commitment
  • Financial resources
  • Manpower skill levels and shortages

• Strengthening oversight
  • Establish independent oversight body
  • Clear legislative framework and policies
  • Statutory powers
  • Protection from political interference
Aviation Safety

• Asia Pacific safety performance in line with world standards
• Greater effort needed by some Asian governments to ensure full compliance with agreed ICAO standards of regulatory oversight
• Industry delivering continuous improvements in aviation safety performance
• Fully support ICAO-led efforts on regional safety initiatives
Aviation Security

• Governments and industry need to work more closely together
• Security procedures must balance risks against costs and inconvenience to the travelling public
• Air passenger security screening processes are a shared responsibility
• Air cargo supply chain is built on a web of trusted relationships
• Global security best served through the mutual recognition of national security regimes
• Cyber security an emerging threat
Aviation & Environment

• Aviation delivers continuous improvements in fuel efficiency through technology, operations and infrastructure
• Industry committed to ambitious environmental goals
• Delivering CNG2020 will require supplementary market based measures
• ICAO remains the right forum to reach international consensus
• Asia Pacific has a leading role to play in discussions on market based measures at ICAO
Closing Thoughts

- Airlines operate in a complex and challenging business environment
- Asian airlines play an increasingly influential role in the development of global aviation
- A global industry requires more harmonised regulations and policies
- Asia Pacific perspectives need to be recognised internationally

*Industry united and committed to continuous improvement*
www.aapairlines.org

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