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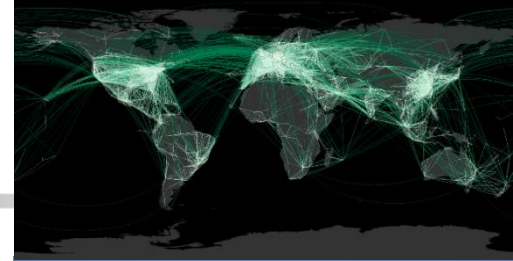
Andrew Herdman
Director General
Association of Asia Pacific Airlines

IATA OPS Conference
31 March-2 April 2014 • Kuala Lumpur, Malaysia

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**

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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

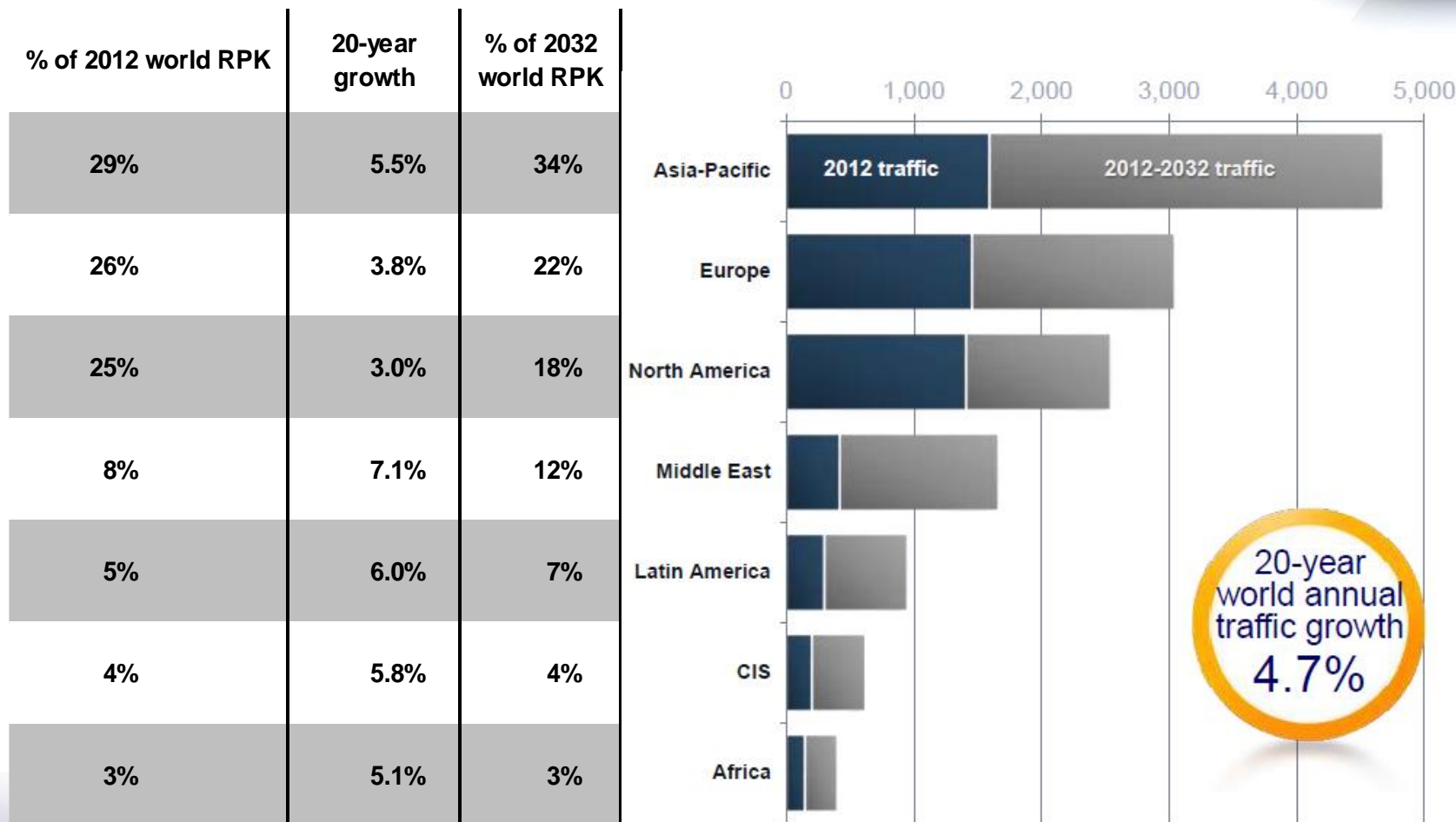**Data: Financials, Traffic & Fleet: 2013 Estimates**

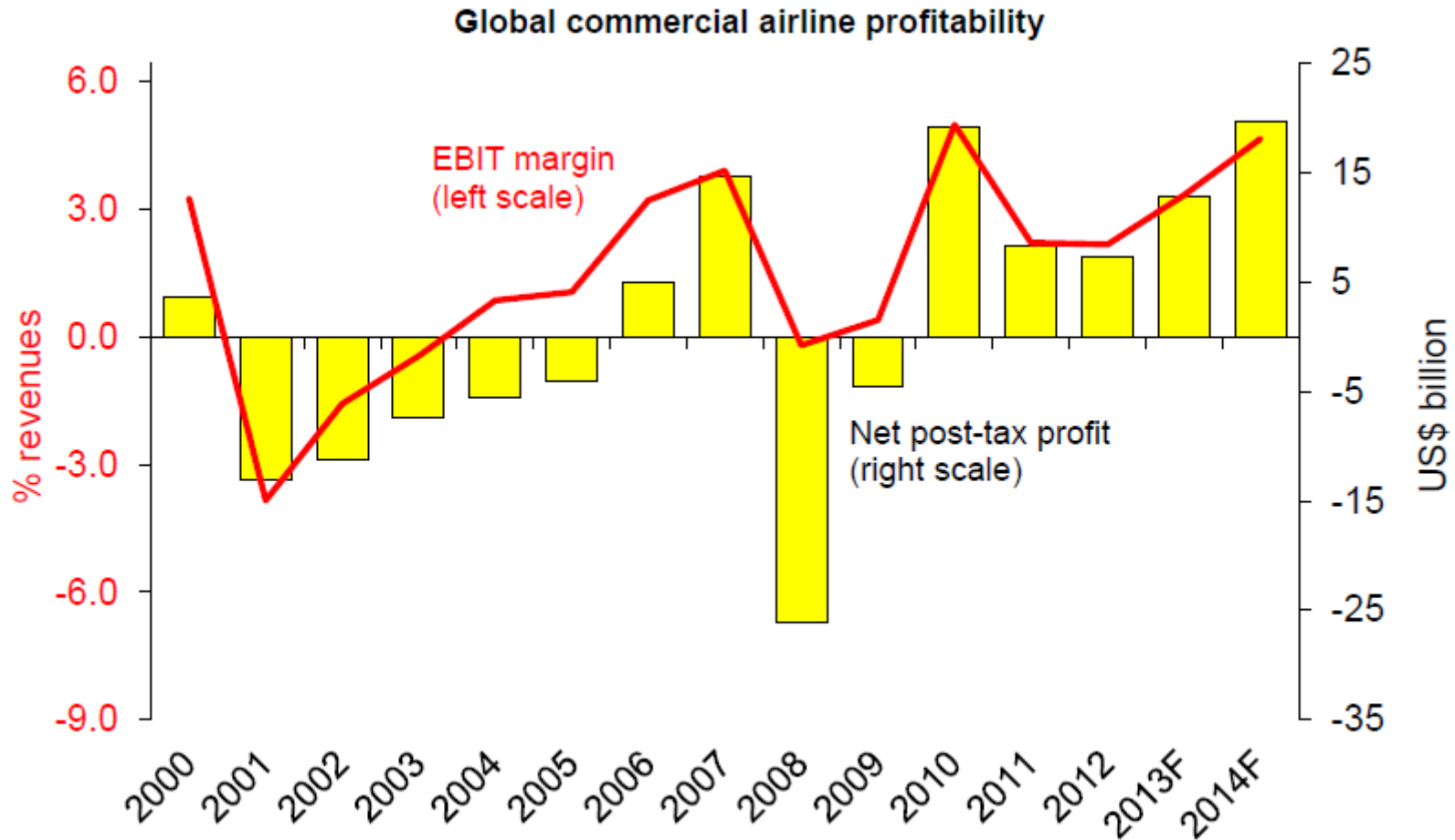*Source: Combined AAPA + non-AAPA airlines GMT+5 to GMT+12*

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Asia Pacific to lead world traffic

World traffic by airline domicile (RPK billions)

% of 2012 world RPK	20-year growth	% of 2032 world RPK		
29%	5.5%	34%	Asia-Pacific	
26%	3.8%	22%	Europe	
25%	3.0%	18%	North America	
8%	7.1%	12%	Middle East	
5%	6.0%	7%	Latin America	
4%	5.8%	4%	CIS	
3%	5.1%	3%	Africa	

20-year world annual traffic growth 4.7%

Overall market grows x 2.5 by 2032

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Global airline industry profitability

Global commercial airline profitability

Source: ICAO, IATA

Profitability improving but margins remain very thin … around $4 per passenger !

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Airline profitability trends by region
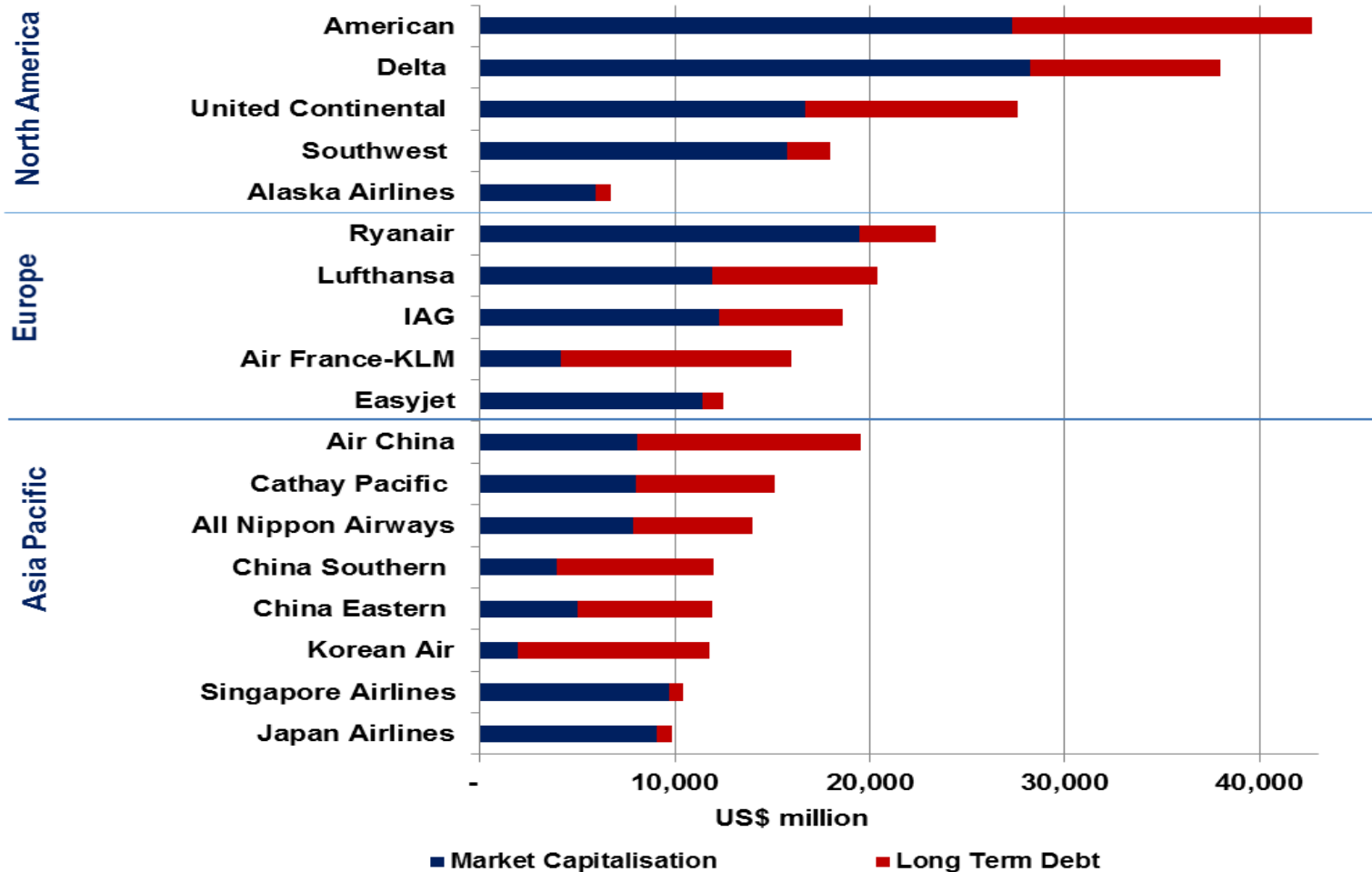

Airline net post-tax profit margins

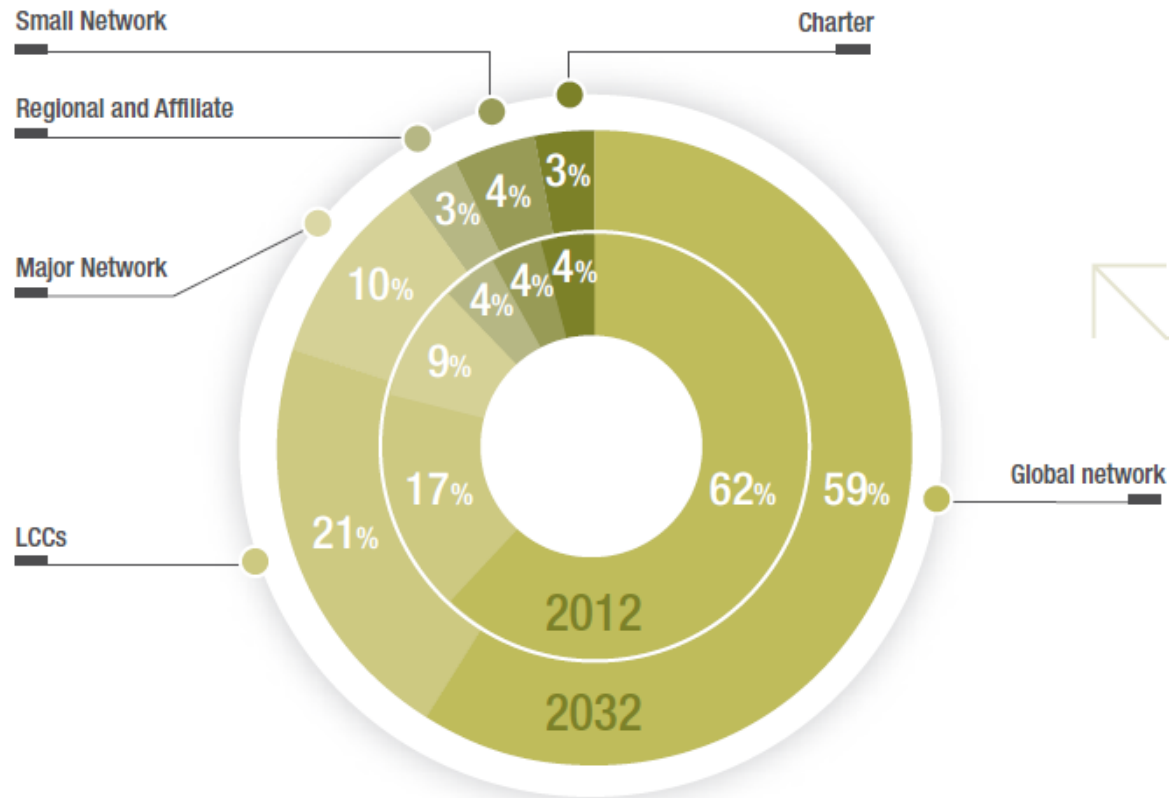Source: ICAO, IATA

Resurgence of restructured US carriers

Selected enterprise values by region

Market capitalisation as of 3 March 2014
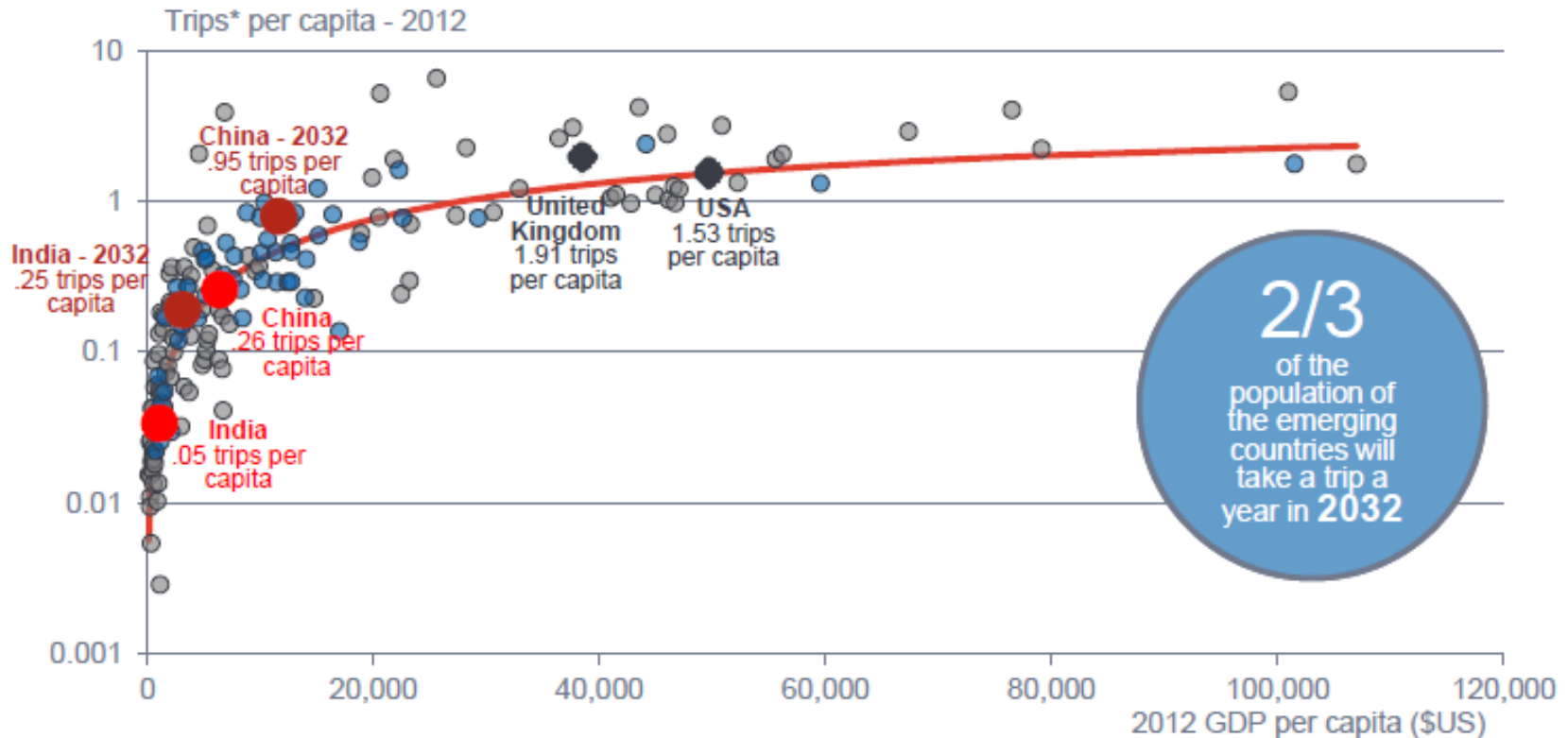
Differentiated business models

Source: Airbus GMF

Global network carriers expected to thrive despite competition

Aspirational Demand for Air Travel
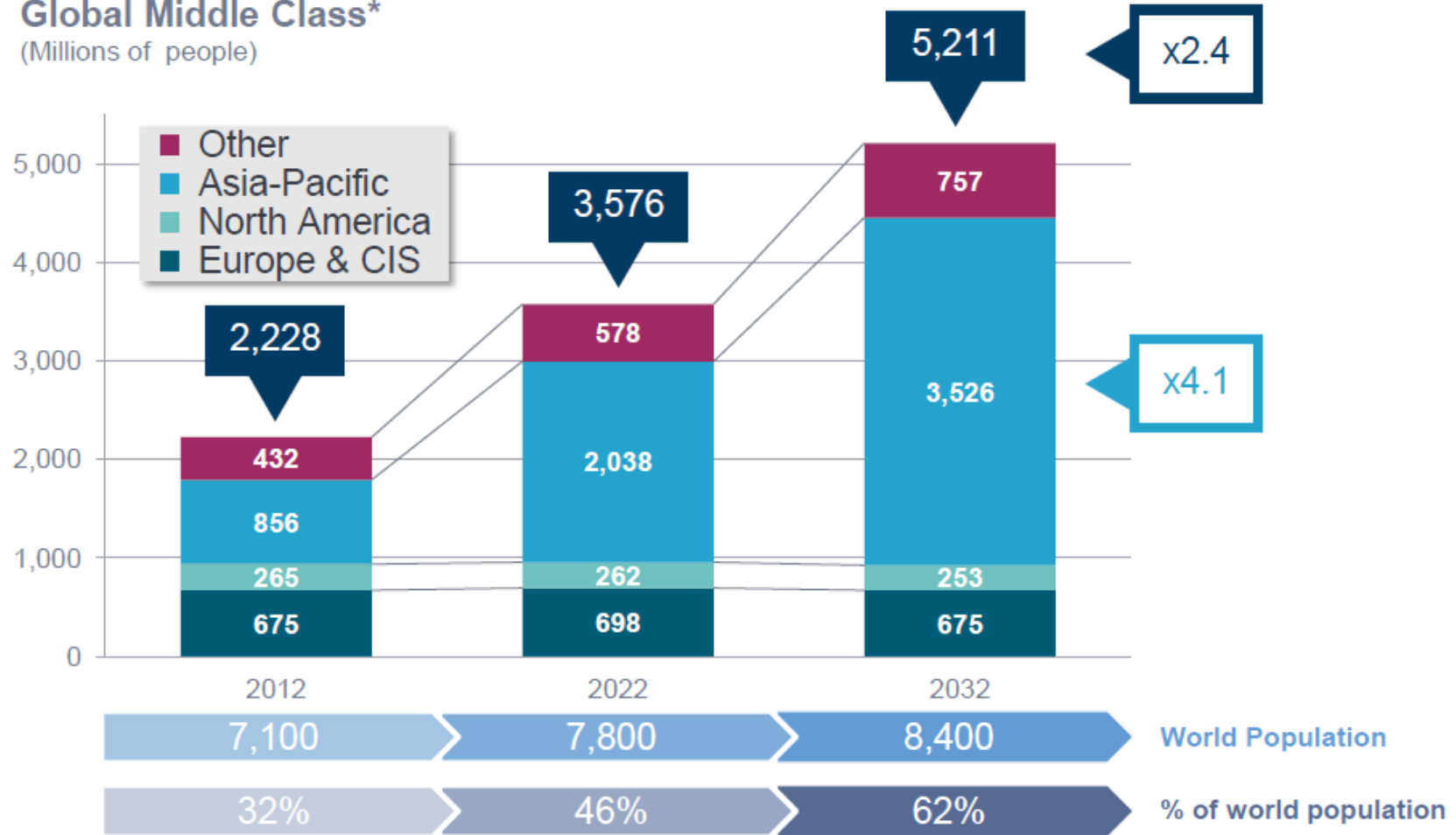
Trips* per capita over GDP per capita

Rising incomes, urbanisation, social development

Source: Airbus GMF 2013-2032
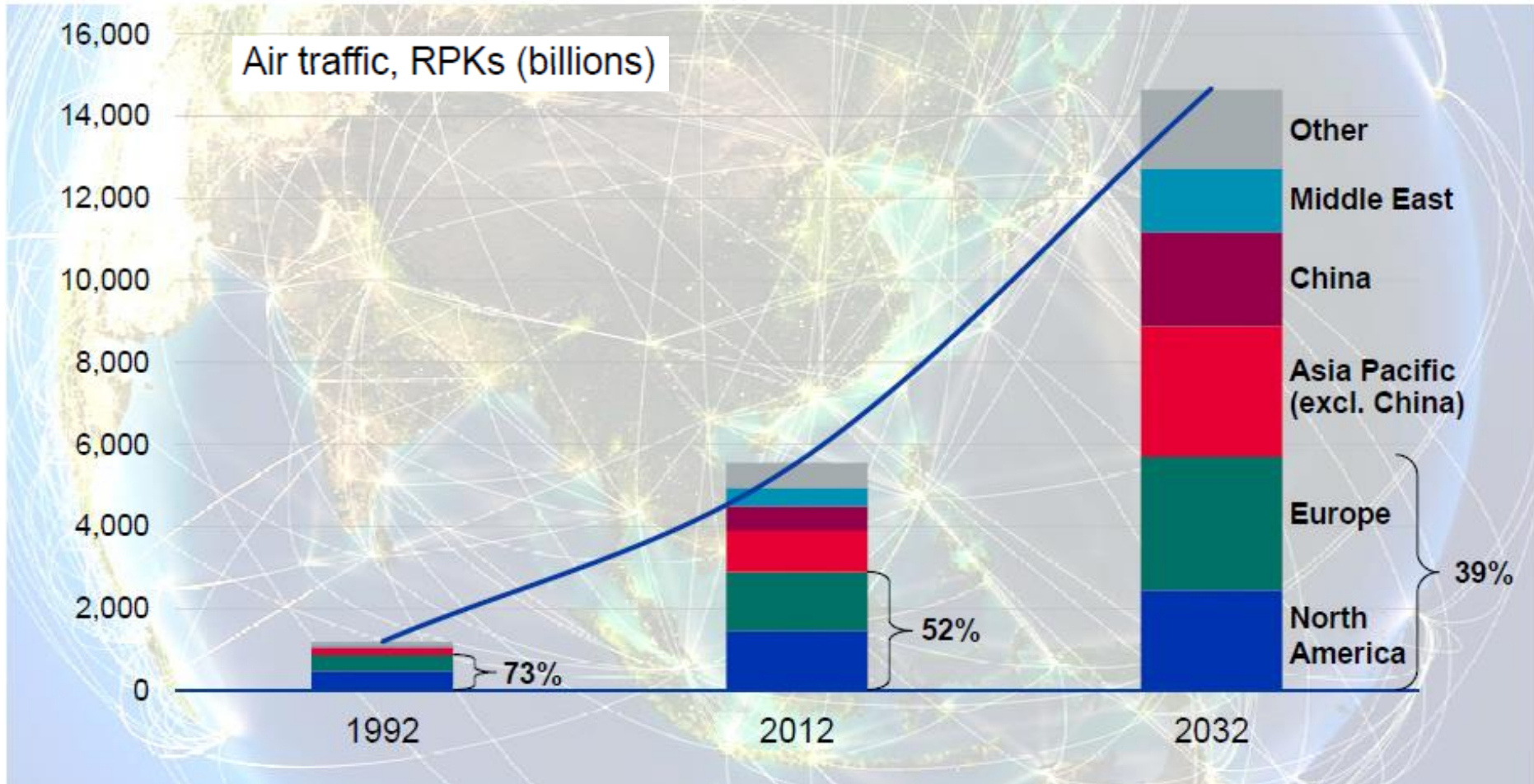
*passengers originating from respective country

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The growing middle class

Global Middle Class*
(Millions of people)

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

	2012	2022	2032
Total	2,228	3,576	5,211
Other	432	578	757
Asia-Pacific	856	2,038	3,526
North America	265	262	253
Europe & CIS	675	698	675
World Population	7,100	7,800	8,400
% of world population	32%	46%	62%

x2.4

x4.1

Households with daily expenditures between US$10 and US$100 per person (at PPP)

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Airline industry global trend

Air traffic, RPKs (billions)

Source: Boeing CMO 2013-2032

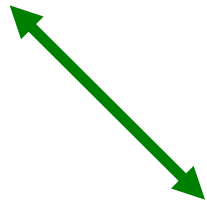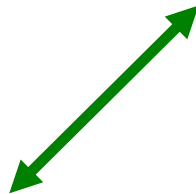*Asia Pacific moving to leadership position*

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**

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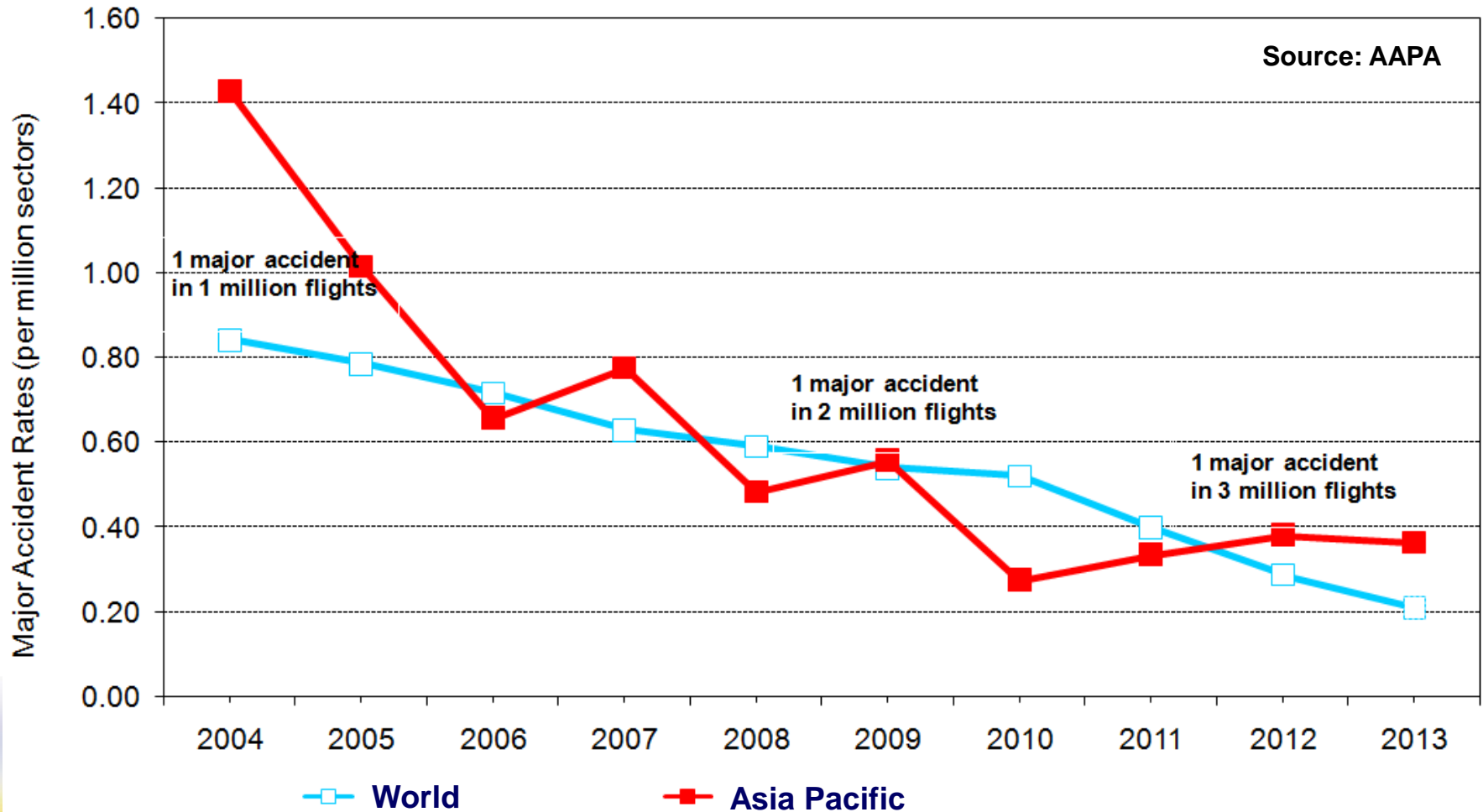
Regulatory oversight

- **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**

Safety Performance Trends

Western-built Jet Aircraft Major Accident Rates
by Operator Region 2004 - 2013
3-year moving averages

Source: AAPA

Major Accident Rates (per million sectors)

1 major accident
in 1 million flights

1 major accident
in 2 million flights

1 major accident
in 3 million flights

□ World   ■ Asia Pacific

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**

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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

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

Tel: +60 3 2162 1888
Fax: +60 3 2162 6888

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