

# **Asia Pacific Aviation**

## ***Stronger Together***

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**Association of Asia Pacific Airlines**



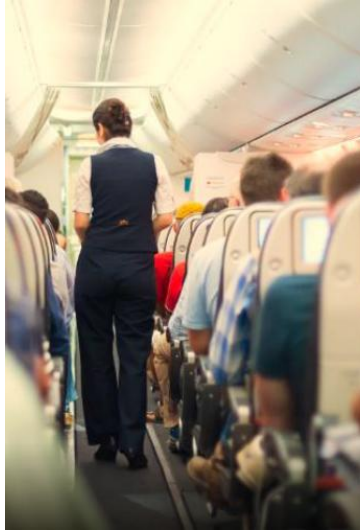




# Overview

- **Asia Pacific aviation**
- **Business trends**
- **Future growth**
- **Sustainability**
- **Regulatory challenges**

# Aviation: delivering global mobility

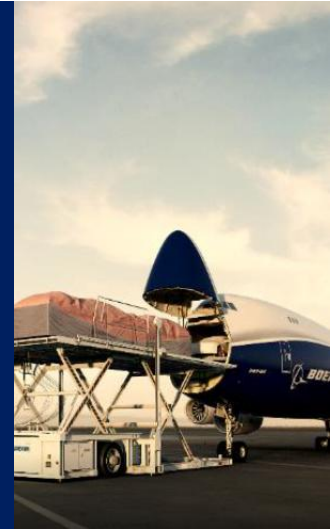


**3.8 billion**  
passengers

**10+ 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**

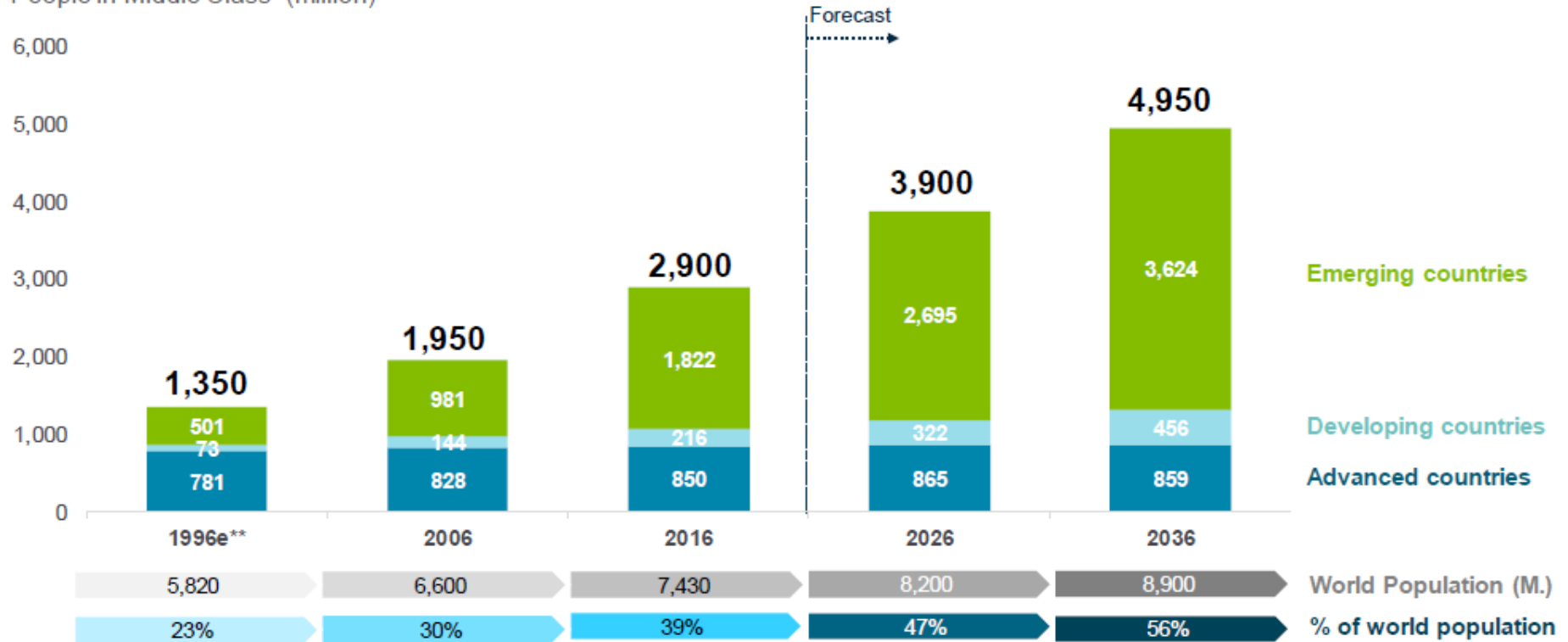
# Asia Pacific



- **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**

# Growing middle class

People in Middle Class\* (million)



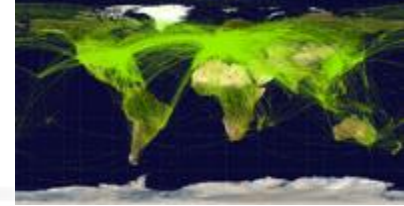
\* Households with yearly income between \$20,000 and \$150,000 at PPP in constant 2016 prices

\*\* Estimate for 1996 split by region

## Rapid growth of emerging market consumers

Source: Airbus GMF 2017-2036

# Asia Pacific Aviation



**US\$166 billion revenue**

**US\$7 billion net profit**

**1,340 million passengers**

**950 million domestic**

**390 million international**

**21 million tonnes of cargo**

**7,600 aircraft**

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

***33% of global passenger traffic***

***37% of global cargo traffic***



**AAPA**

61<sup>st</sup> ASSEMBLY  
of PRESIDENTS

TAIPEI  
2017

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

Traffic: IATA WATs 2017, Financials: AAPA Estimates, 2016 data

# World's ten busiest international/regional routes

Rank	Route	PAX (million)
1	Hong Kong - Taipei	5.2
2	Jakarta - Singapore	3.4
3	Dublin – London	3.4
4	Bangkok – Hong Kong	3.0
5	Kuala Lumpur – Singapore	2.8
6	Hong Kong – Seoul	2.8
7	London – New York	2.7
8	Hong Kong – Singapore	2.6
9	Osaka – Taipei	2.6
10	Tokyo – Taipei	2.5

Source: IATA WATS 2017, 2016 data

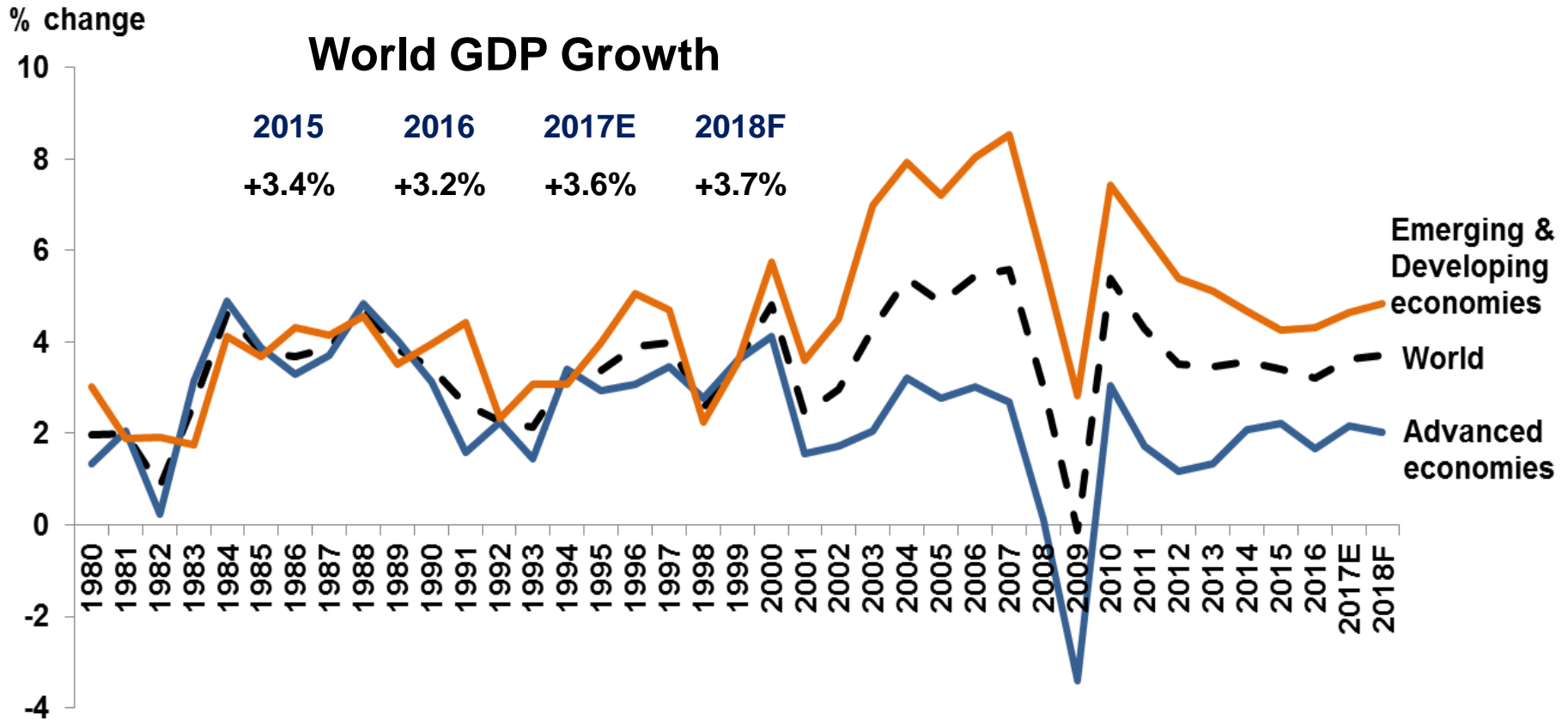


# World's ten busiest domestic routes

Rank	Route	PAX (million)
1	Jeju – Seoul	11.6
2	Sapporo – Tokyo	7.7
3	Fukuoka – Tokyo	7.3
4	Melbourne – Sydney	7.3
5	Hanoi – Ho Chi Minh City	6.3
6	Beijing – Shanghai	6.3
7	Delhi – Mumbai	5.5
8	Jakarta – Surabaya	4.5
9	Jeddah – Riyadh	4.4
10	Beijing - Chengdu	4.4

Source: IATA WATS 2017, 2016 data

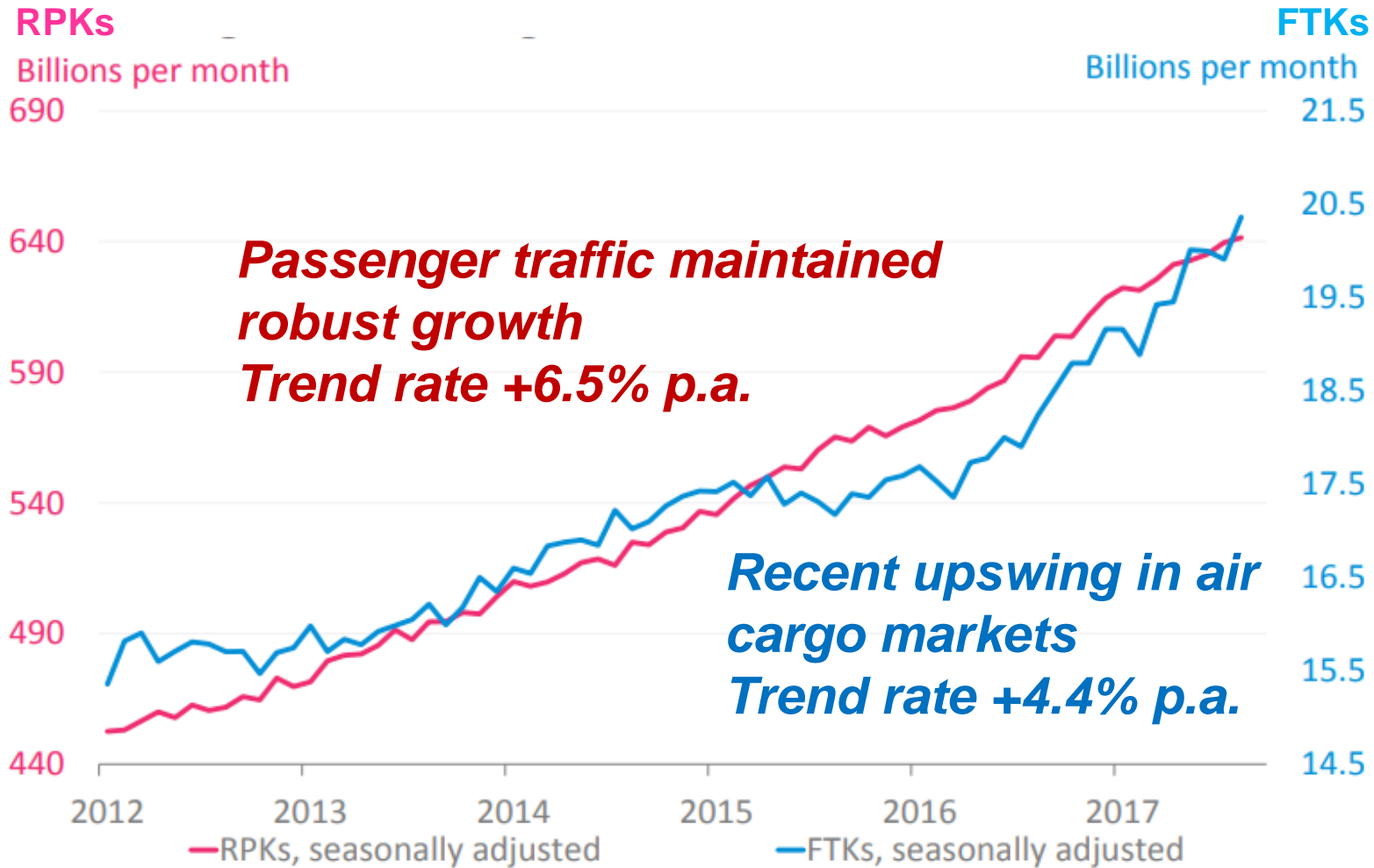
# Global economic trends



***Positive momentum in business and consumer confidence***

Source: IMF

# Global passenger and cargo traffic



Source: IATA

# Evolving airline business strategies

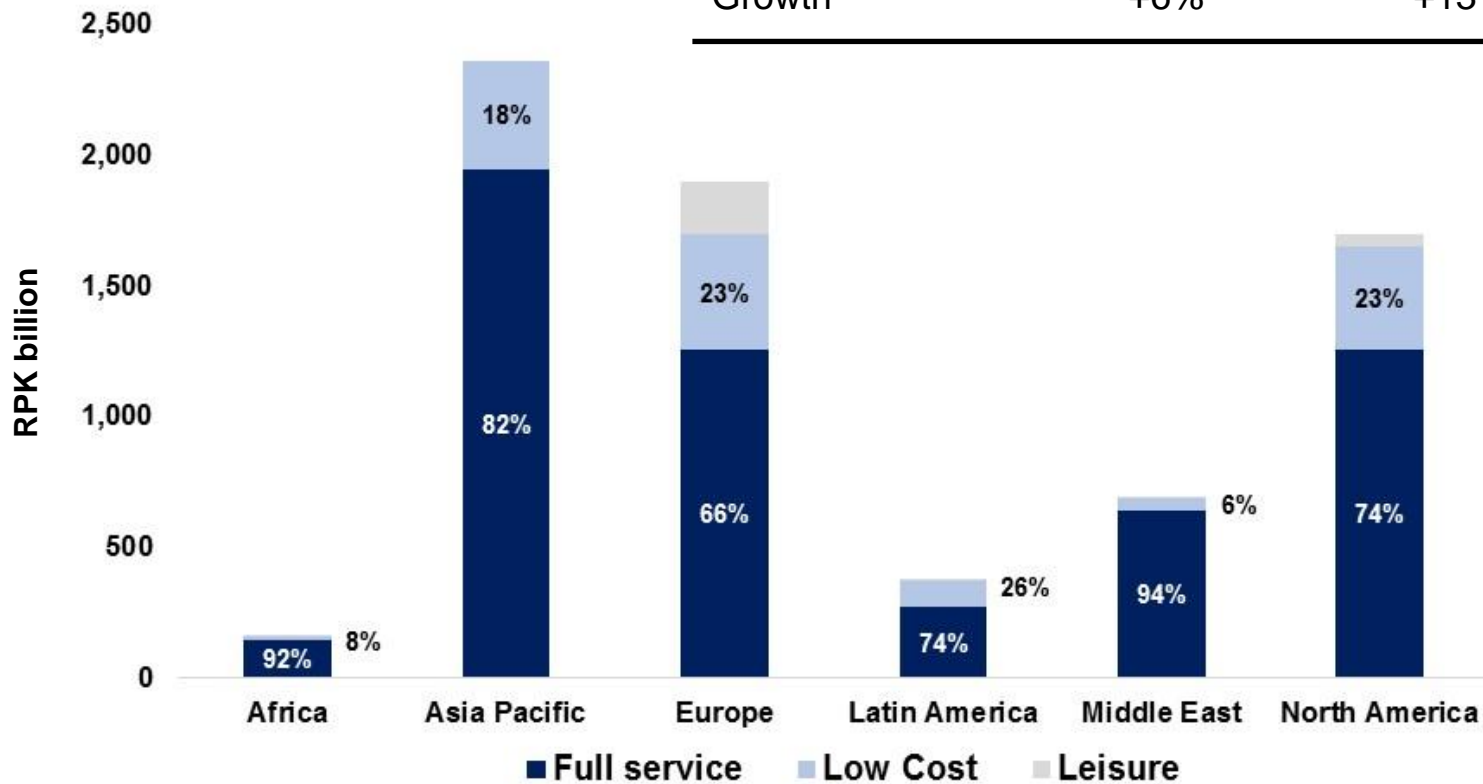


- **Business models continue to evolve, adapting to a dynamic marketplace**
- **Group structures & multiple brands**
- **Differentiated classes of service**
- **Unbundling ancillary services at a price**
- **Revenue optimisation through network connectivity & cooperative relationships**

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

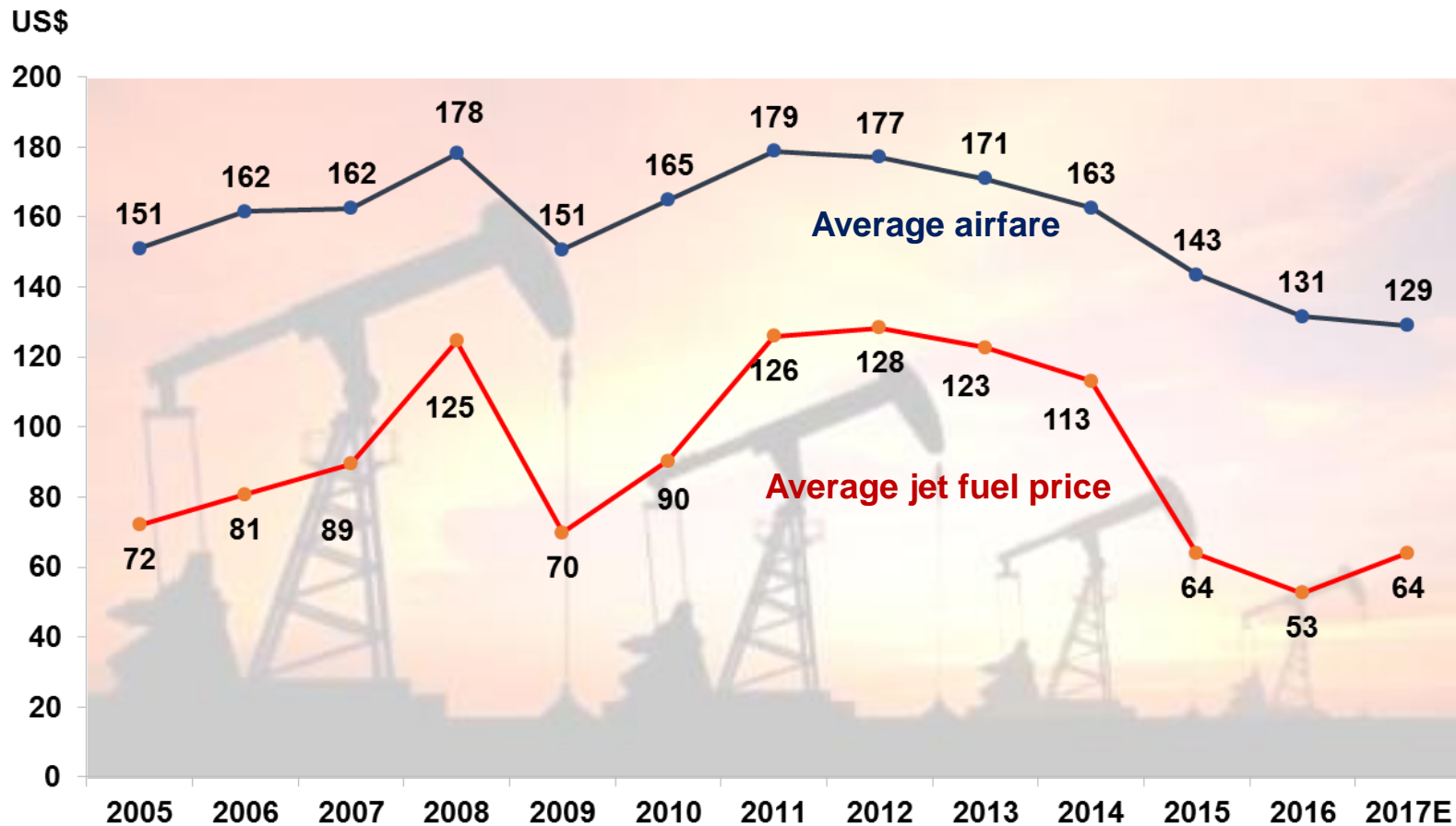
# Business models share by region

Global	Full Service	Low Cost
Market Share	77%	20%
Growth	+6%	+13%



Source: IATA WATS 2017, 2016 data

# Air fares remain highly competitive



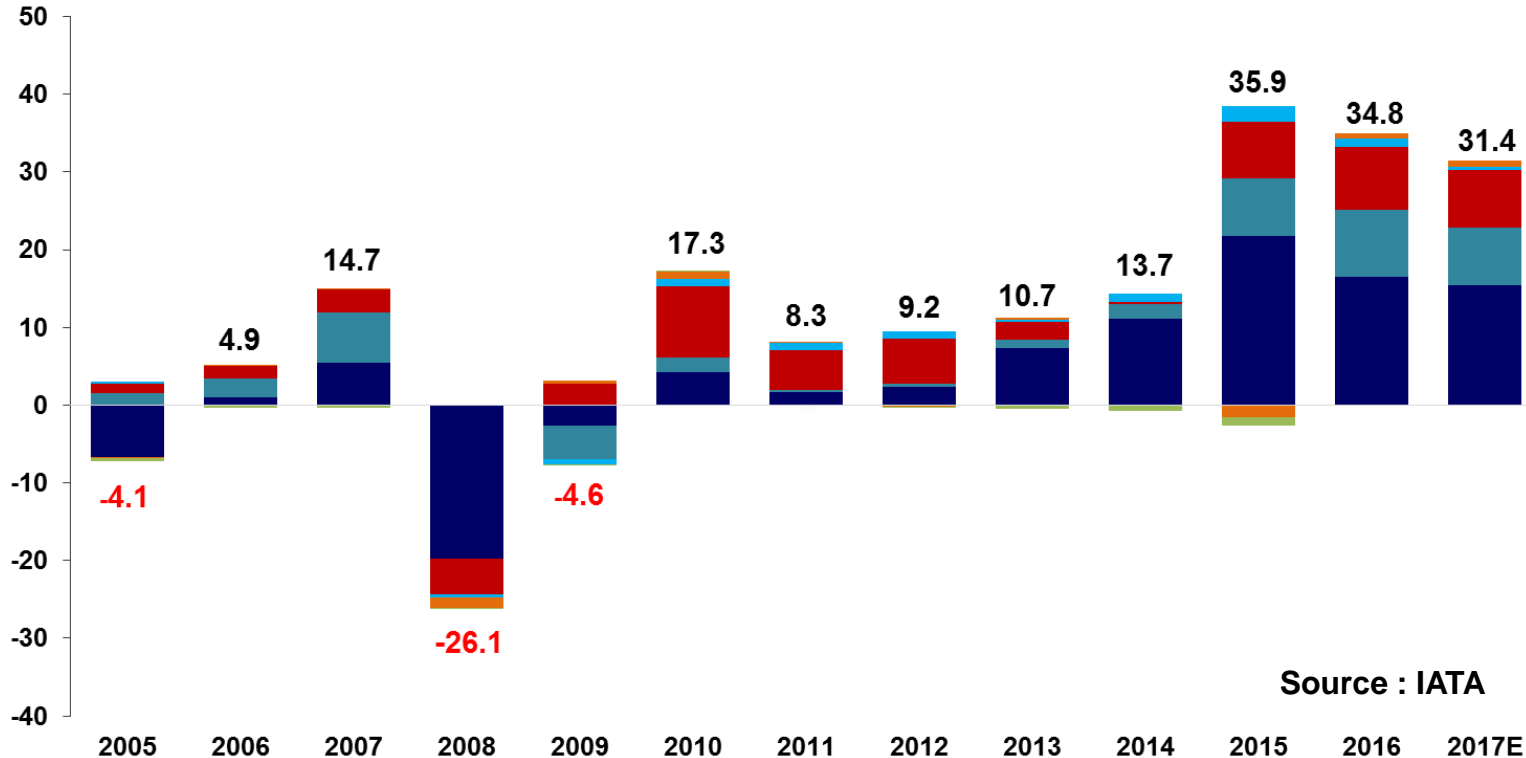
- *Airfares track changes in fuel costs*
- *Competition constrains margins*

Source : EIA and IATA

# Global airline profitability trends



US\$ billion



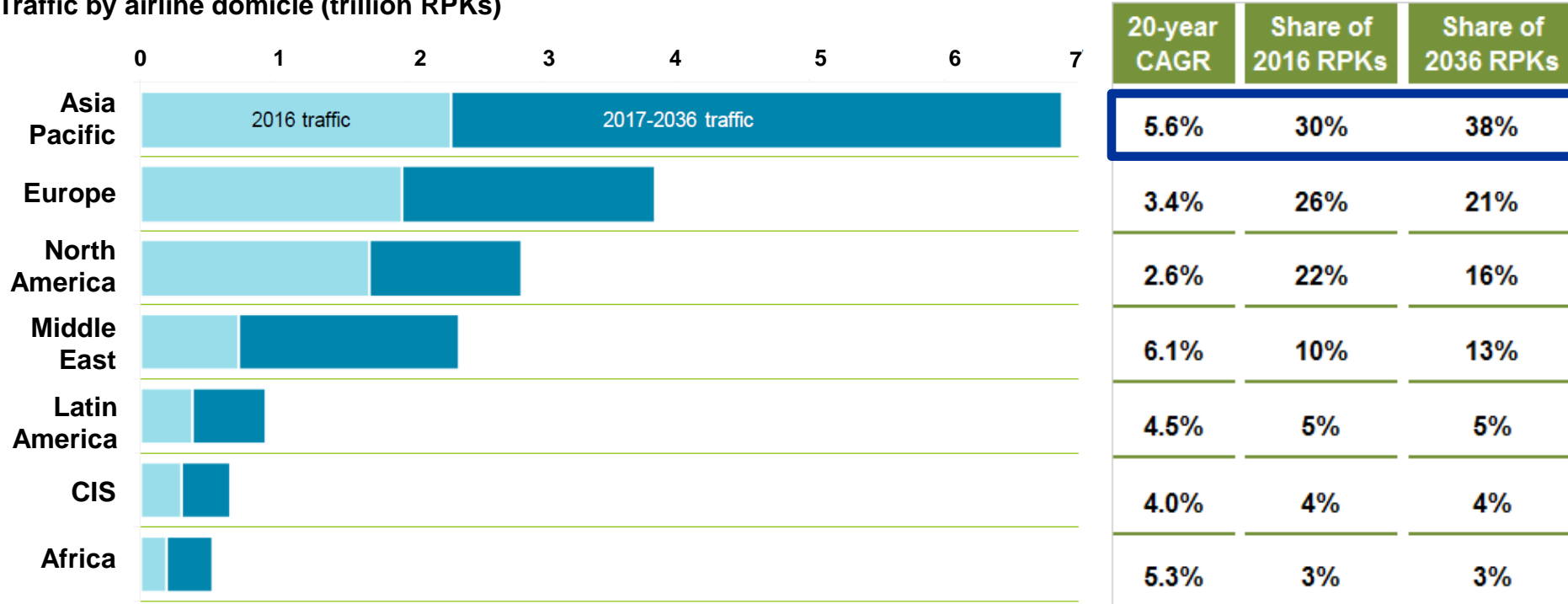
Source : IATA

■ North America ■ Europe ■ Asia Pacific ■ Middle East ■ Latin America ■ Africa

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

# Asia Pacific markets to lead future growth

Traffic by airline domicile (trillion RPKs)



- *Major capital investment required*
- *Asia Pacific represents 40% of future aircraft orders & associated infrastructure requirements*

Source: Airbus GMF 2017-2036





# 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***



# 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 interim measure, not a solution**
- **Governments need to think beyond national borders and develop regional air traffic flow management systems**

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

# Global regulatory influences

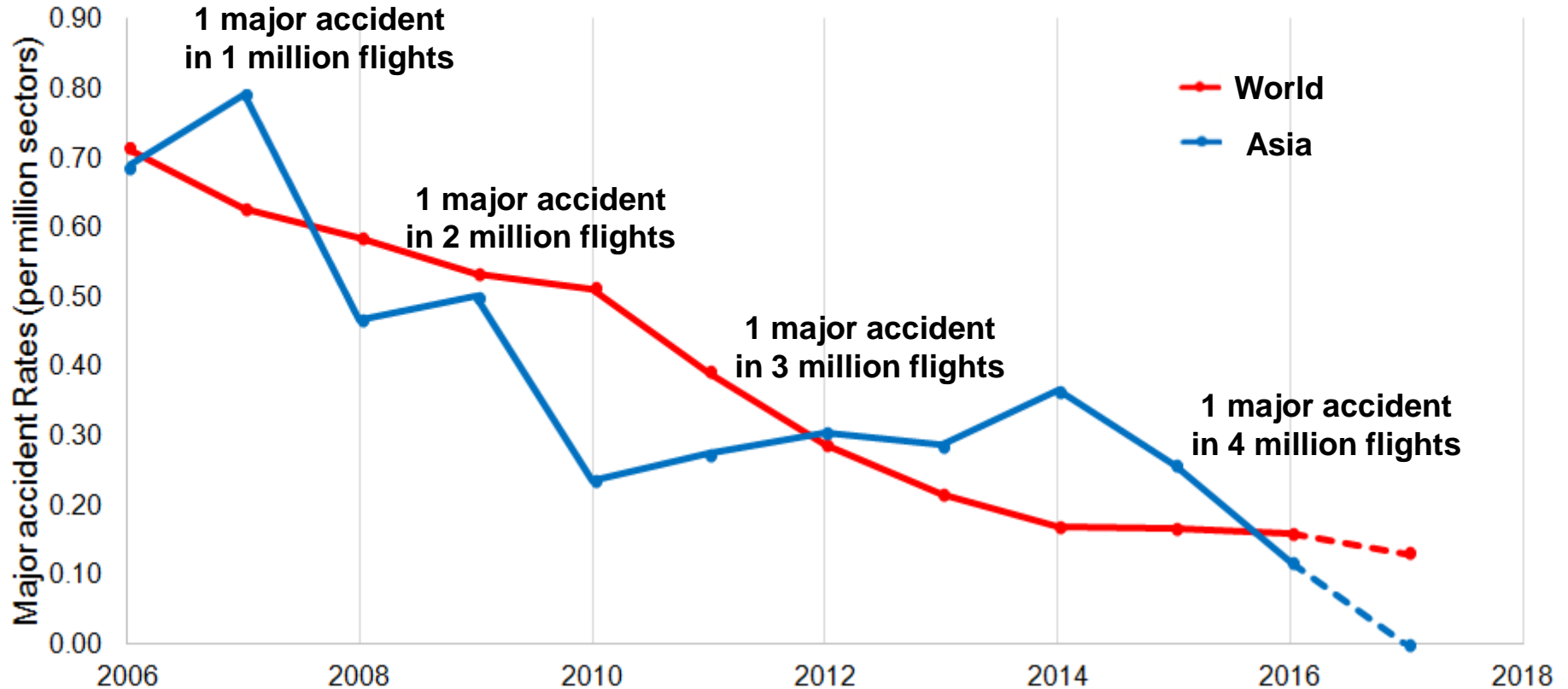


- *Wider impact of US and EU regulations*
- *Asia Pacific needs a unified voice*
- *Need for harmonised global standards*

# Aviation Safety Performance



Western-built Large Jet Aircraft Major Accident Rates  
by Operator Region 2006-2017\*  
3-year moving averages



Source: AAPA

\* 2017 data as of 10 Oct 2017

*Striving for continuous improvement*

# Aviation Security



- **Aviation remains highly secure despite perceived risks**
- **Threats and challenges evolving: no room for complacency**
- **Shared global concern requires close international coordination**
- **Mitigation measures need to be proportionate, focus on the probable threat, avoid unnecessary disruption**
- **Support ICAO leadership and multilateral cooperation involving trusted relationships between governments and industry**

# Regulatory Framework & Competition



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

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

# Taxes & Charges

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- **Rising taxes and user charges increase overall cost of travel**
- **User charges must be transparent, cost-related, non-discriminatory & for current use**
- **Economic regulation of monopoly service providers often lacking**
- **Opportunistic taxes hurt the wider economy and inhibit job creation**

# Passenger Facilitation



- **Challenges of processing 10 million daily passengers**
- **Opportunities to streamline integration of airline, security & border control processes using biometric technologies**
- **Passenger Name Record (PNR) transfers raise privacy issues**
- **Border control is a government function and costs must be borne by government authorities**

***Balancing passenger facilitation and security needs***



# Closing thoughts

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- **Aviation drives economic and social development**
- **Flying is safer than ever**
- **Governments need to rethink their approach to aviation security**
- **Future infrastructure planning is today's challenge**
- **Governments need to keep pace with changing market dynamics**
- **Asia Pacific airlines are shaping the future of global aviation**





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

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