



State of the Industry Report

Towards a more Resilient & Sustainable Growth

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Association of Asia Pacific Airlines**



A11-A21

malaysia airlines

SINGAPORE AIRLINES

離港 Departures

Garuda Indonesia

THAI

air astana

EVA AIR Cargo



ICAO
LTAG
NET-ZERO 2050

LONG TERM GLOBAL ASPIRATIONAL GOAL FOR INTERNATIONAL AVIATION



Sustainable Aviation Fuel 使用でCO2削減
ANA begins SAF-powered commercial flights from Japan



A BETTER AIRPORT EXPERIENCE IS COMING TO YOU SOON

Overview

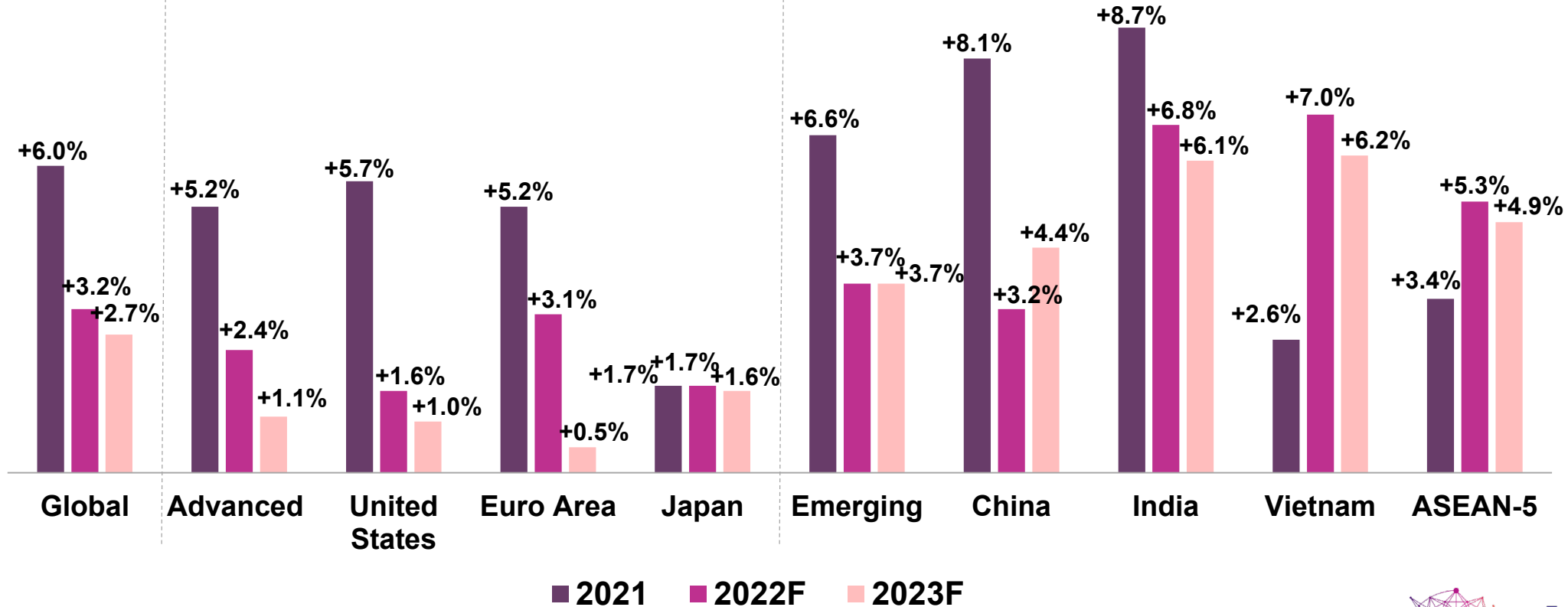
- **Global Trends**
- **Asia Pacific Aviation**
- **Regulatory Landscape**
- **Industry Priorities**
- **An Eye To The Future**



Global Economic Slowdown



Annual GDP Growth, % Change

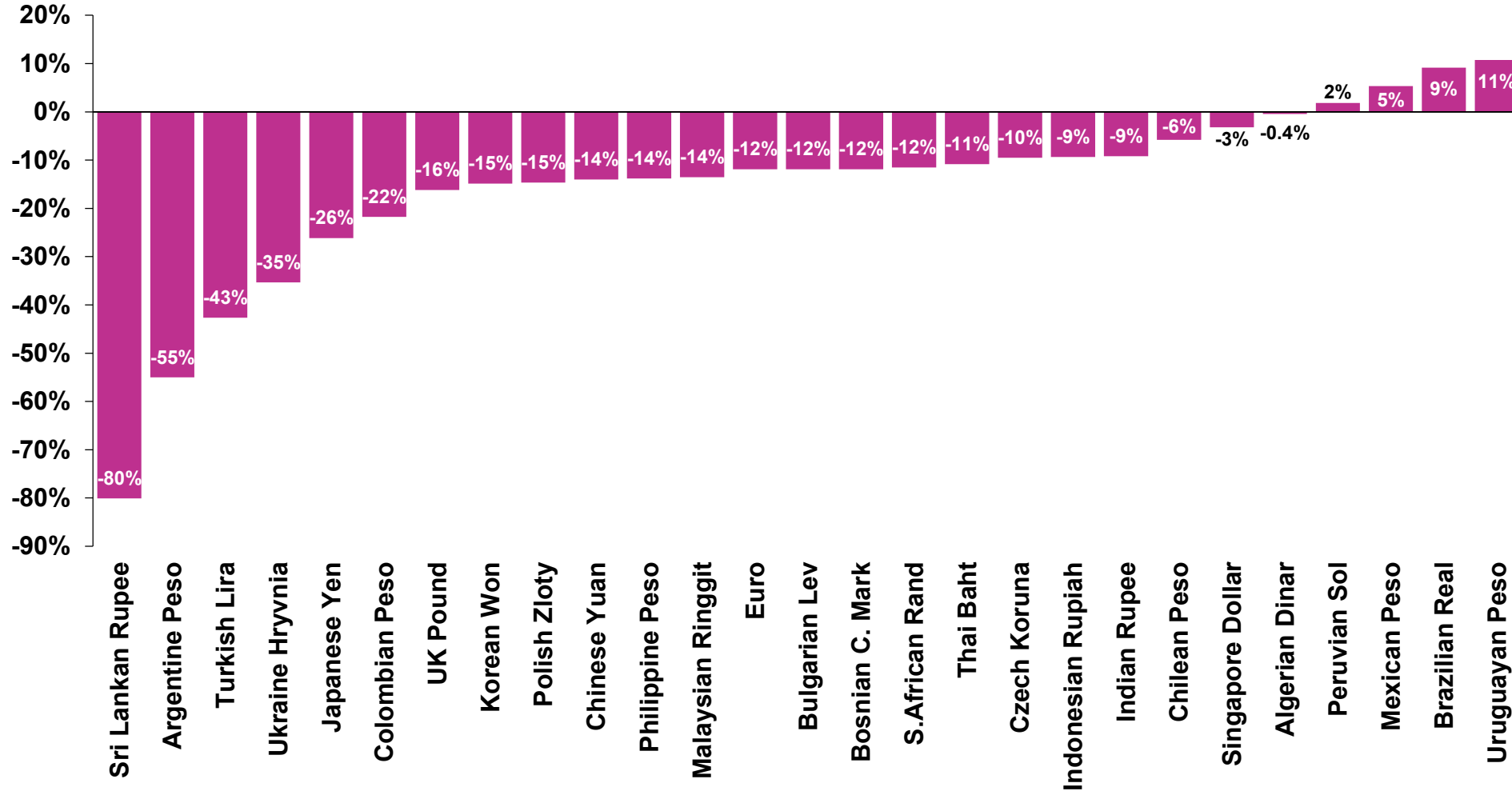


Emerging market economies relatively resilient

Dollar surge diminishing spending power



Percent Change Against USD, Year-to-8Nov

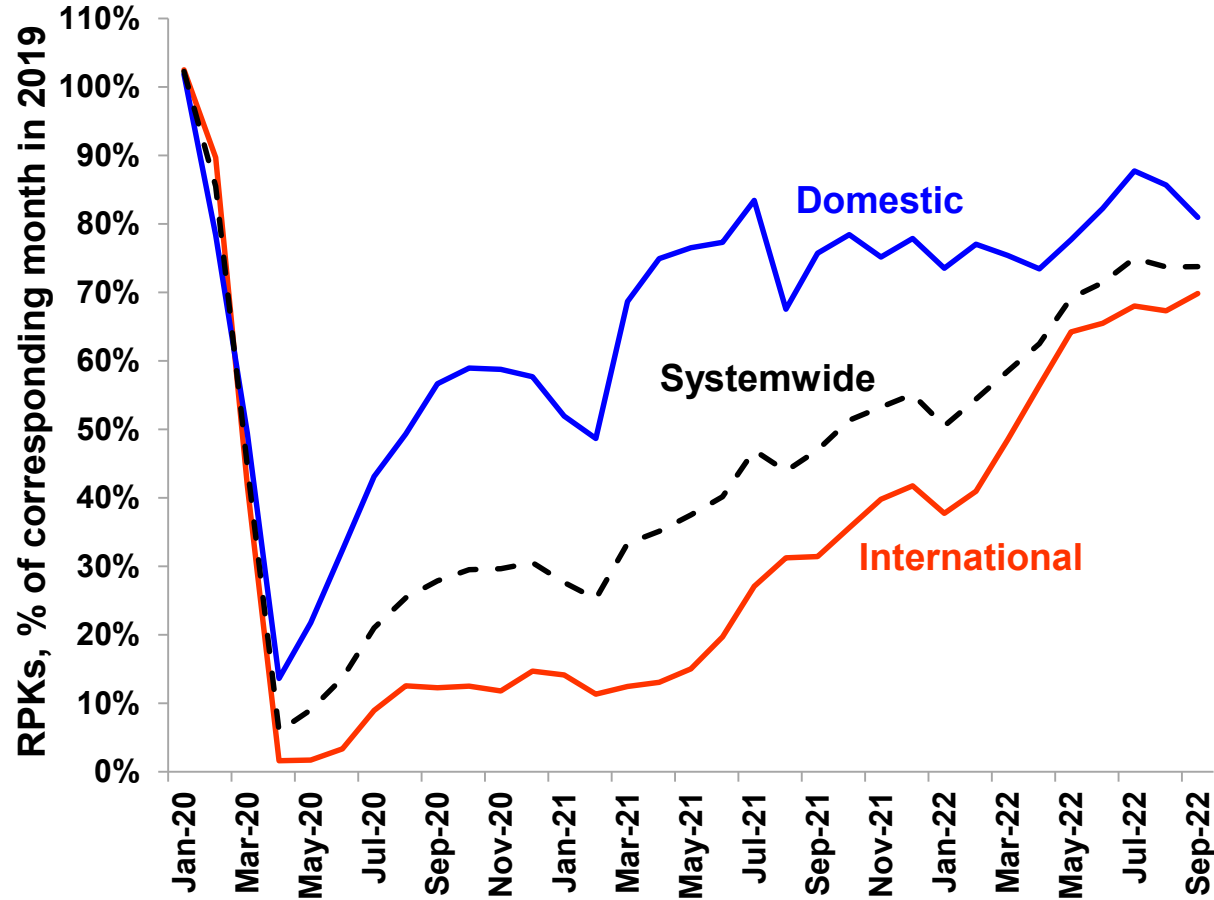


Source: xe.com

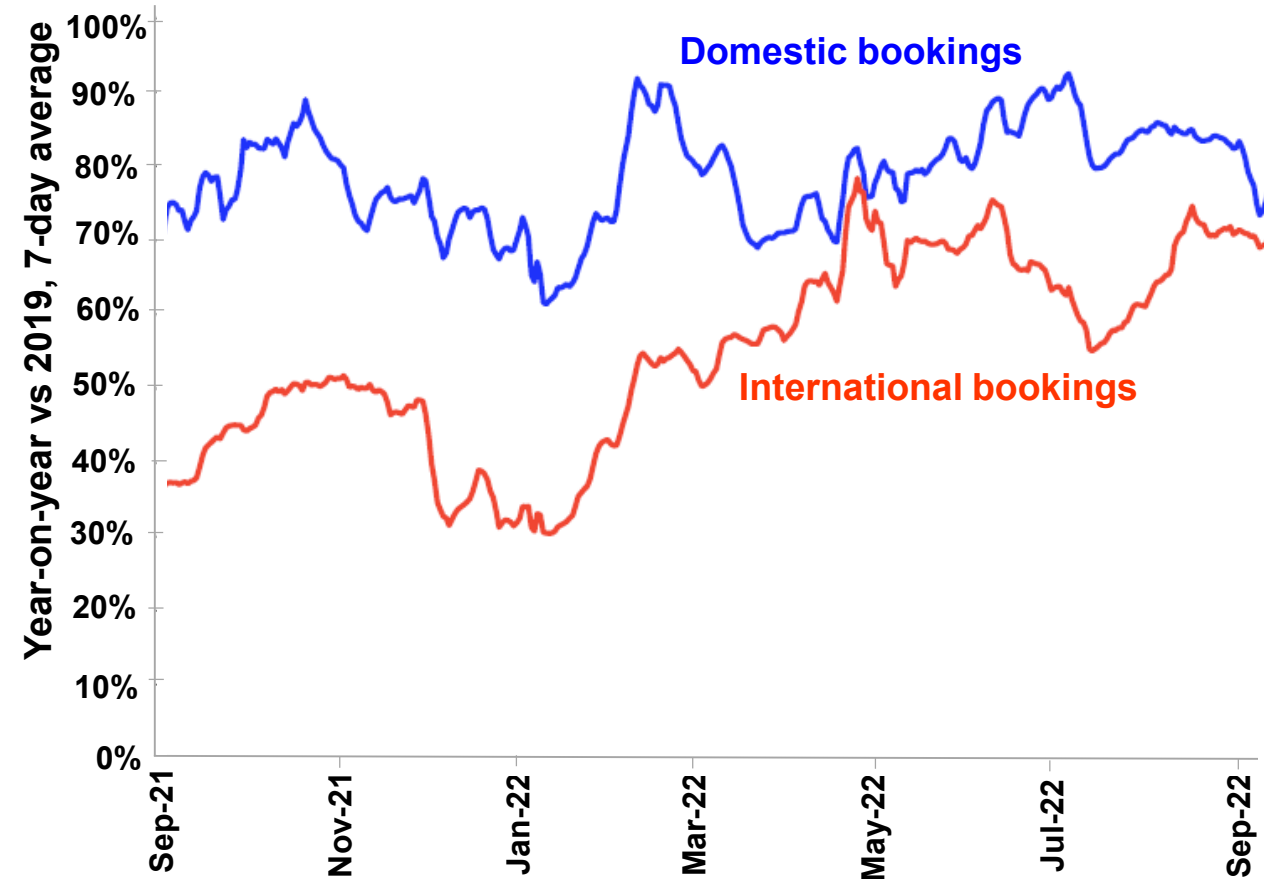


Air travel demand surging ahead

Global Air Passenger Demand



Bookings by Purchase Date

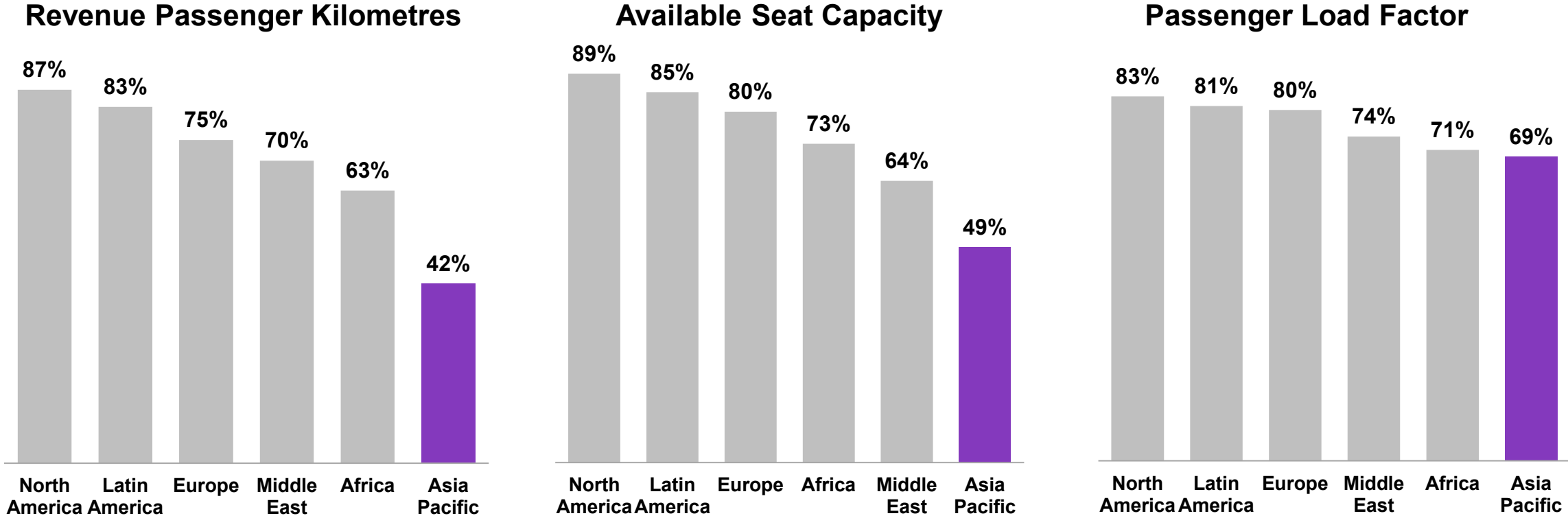


- *The lifting of travel restrictions unleashed pent-up demand for international travel*
- *Forward ticket sales affirm demand resilience*

Asia Pacific missing an elephant in the room



Systemwide Passenger Operations, Year-to-Sep 22 as a % of Year-to-Sep 19



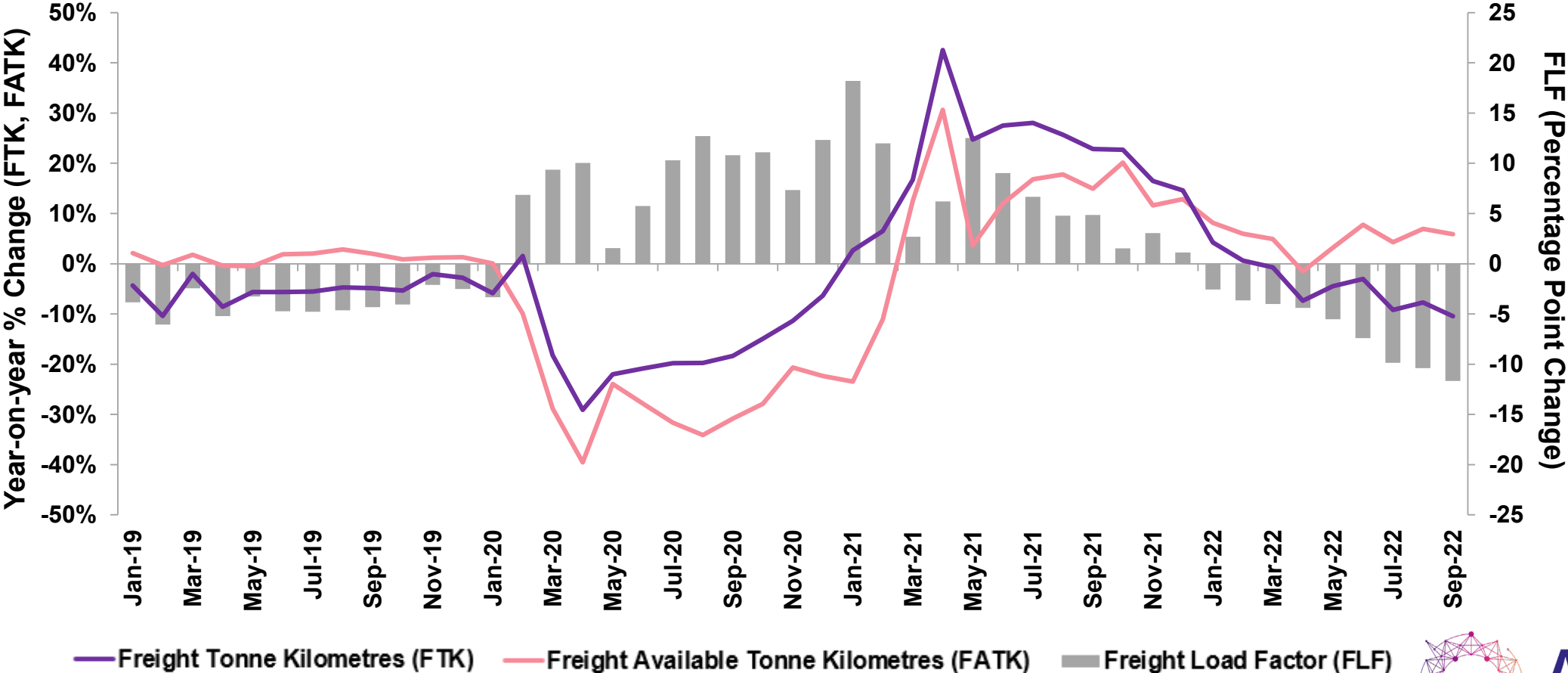
Source: IATA



Cargo tracking the global economy



International Cargo Operations



Demand under pressure, driven by declining export orders

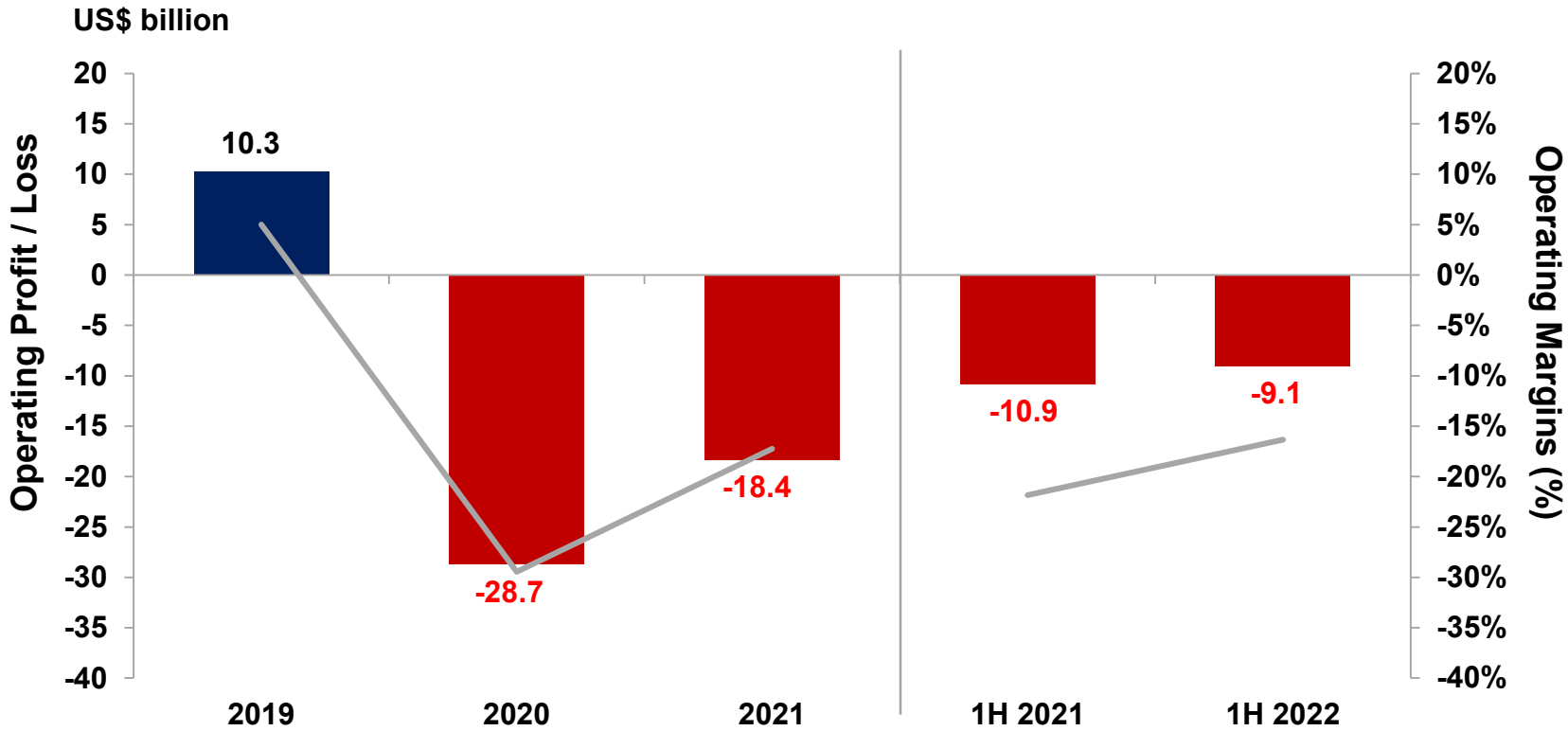


Source: AAPA

Asia Pacific airlines losing less money



Operating Profit / Loss



Operating Margins %

1H 2021	1H 2022
-21.9%	-16.4%



Source: AAPA, Preliminary Results: Estimates & Actual

Regulatory Landscape



Global regulation aplenty



- *Long arm of the EU and US regulations*
- *Dude! Less is always better than more*
- *And harmonise please*



Regulatory Issues

Aviation is subject to intensive regulation

- **Sustainability**
- **Safety**
- **Security**
- **Passenger Facilitation**
- **Digitisation**
- **Slots Management**
- **Taxes & Charges**
- **Infrastructure**



Sustainability – Time to Deliver



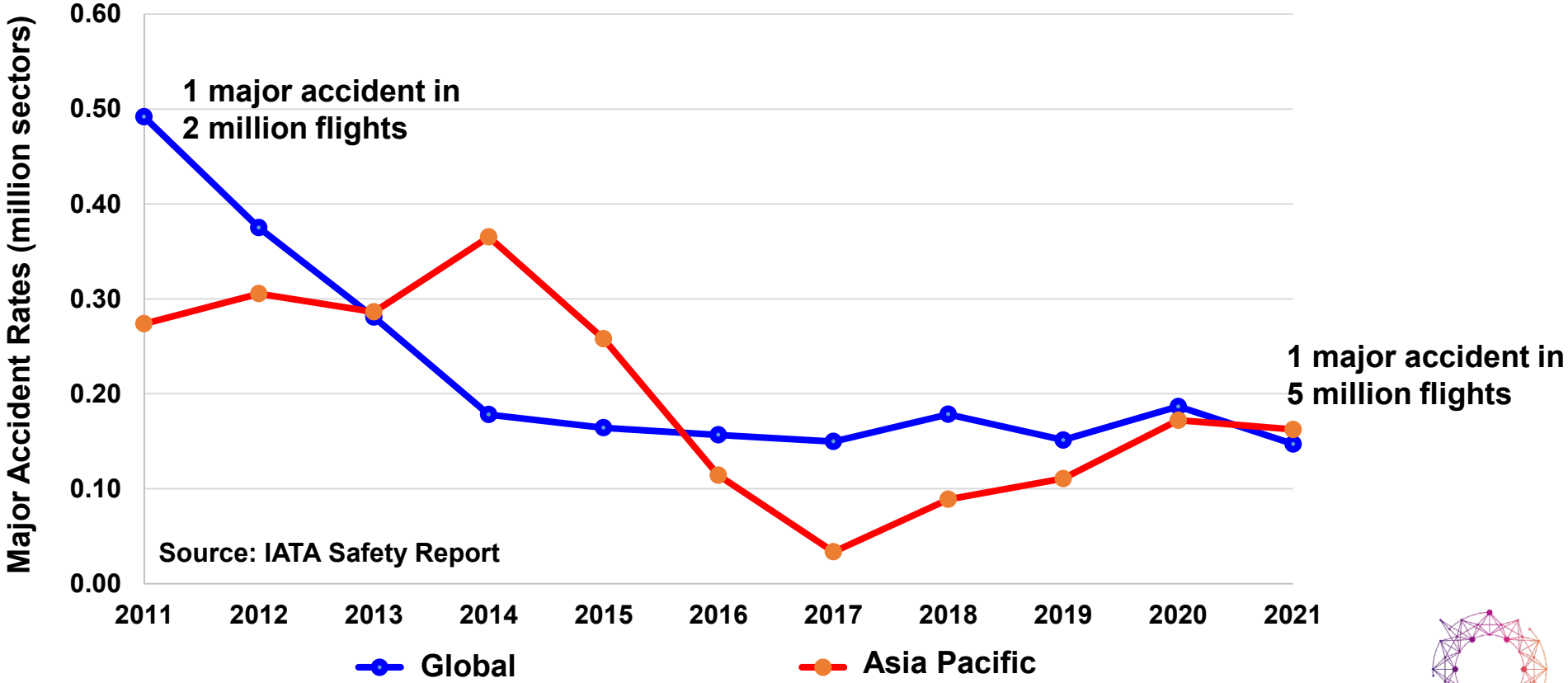
- **41st ICAO Assembly**
 - ✓ **Long Term Aspirational Goal (LTAG) of Net-Zero Carbon Emissions by 2050**
 - ✓ **LTAG pathways: production and deployment of sustainable aviation fuel (SAF)**
 - ✓ **Plus CORSIA for CNG2020**
- **Government support & incentives**
- **Fuel supplier investment, knowhow for energy transition**
- **Taxes only increase cost of travel, not supply & take-up**



Aviation safety record still intact



Commercial Jet Aircraft Major Accident Rates 3-year moving averages 2011 - 2021



Flying is extraordinarily safe based on collective commitment and cooperation



Source: IATA Safety Report

Aviation Safety: Next Generation Challenges



Lack of Resources

- **Women**
- **Pilots, cabin crew, technicians, ground staff, security personnel**
- **Attract, motivate, innovate**
- **Spare parts slowed by supply chain woes**

5G

- **FAA mandate to replace/upgrade radio altimeters by July 2023**
- **Rollout of new C-band spectrum without “catastrophic disruptions”**
- **For US telecommunications operators, not aviation safety**
- **Supply chain and cost issues on retrofit parts**
- **Extra-territorial application**



Aviation Security: Contingency Planning



- **Cyber threats:**
 - **Airlines, airports and aviation ecosystem being targeted**
- **Cyber resilience of safety critical systems**
- **Aviation cybersecurity capacity building and implementation**
- **Increase awareness on addressing cybersecurity in civil aviation**

Facilitation – Lessons Learned (COVID-19)



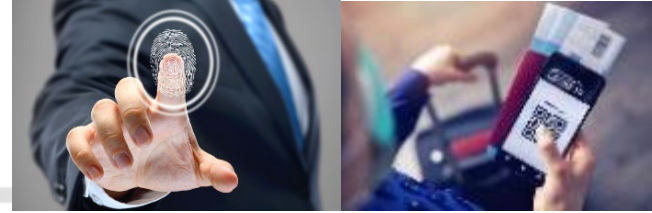
- **Uncoordinated pandemic rule-making in long supply**
- **Flexibility & coordination in short supply**
- **Lack of notice to industry**
- **Myriad apps with NO interoperability**

Coordination & Interoperability:

Common data, encoding, understanding & trust framework



Technology for seamless, contactless travel

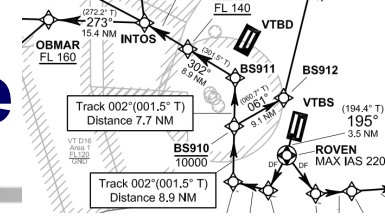


- **Contactless digital & biometric tools to global standards**
- **E-passport, VDS-NC and facial/tactile technology**
- **Off-airport pre-clearance for convenience**
- **Multilateral dialogue**

Mobile one-stop easy solutions for quick & secure travel experience and confidence



Slots Management: Infrastructure Issue



- **Uneven pace of border reopening**
- **Slot management is not a response for capacity limitations**
- **Infrastructure planning crucial to meet future growth**
- **Safety and Fairness**

Taxes & Charges: Airlines are not cash cows

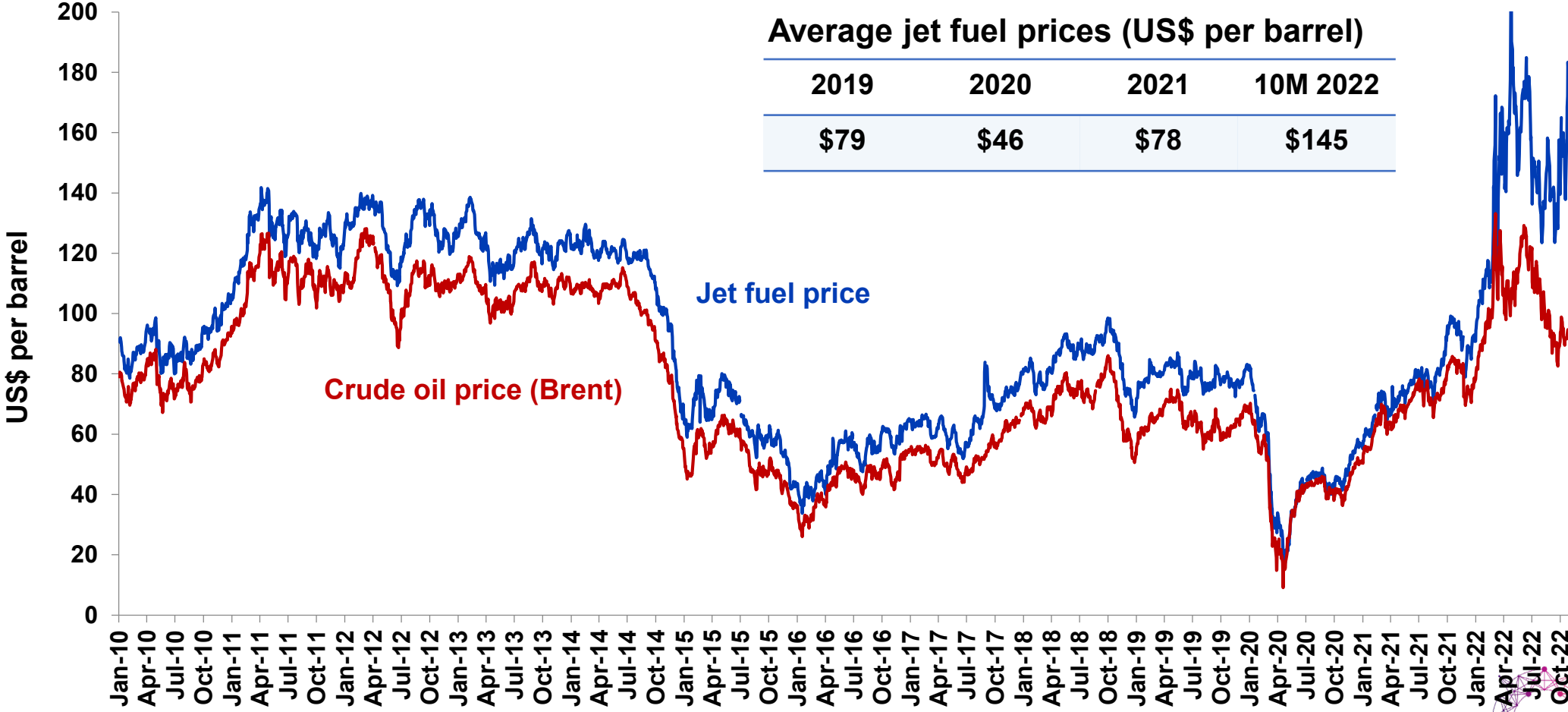
- **Rising cost must come with benefits**
- **Charges based on real costs & outcomes**
- **Not to recoup losses**
- **Transparent, non-discriminatory & frequently reviewed**



An Eye to the Future



Headwinds – Oil, Interest Rates, Carbon Price



Average jet fuel prices (US\$ per barrel)

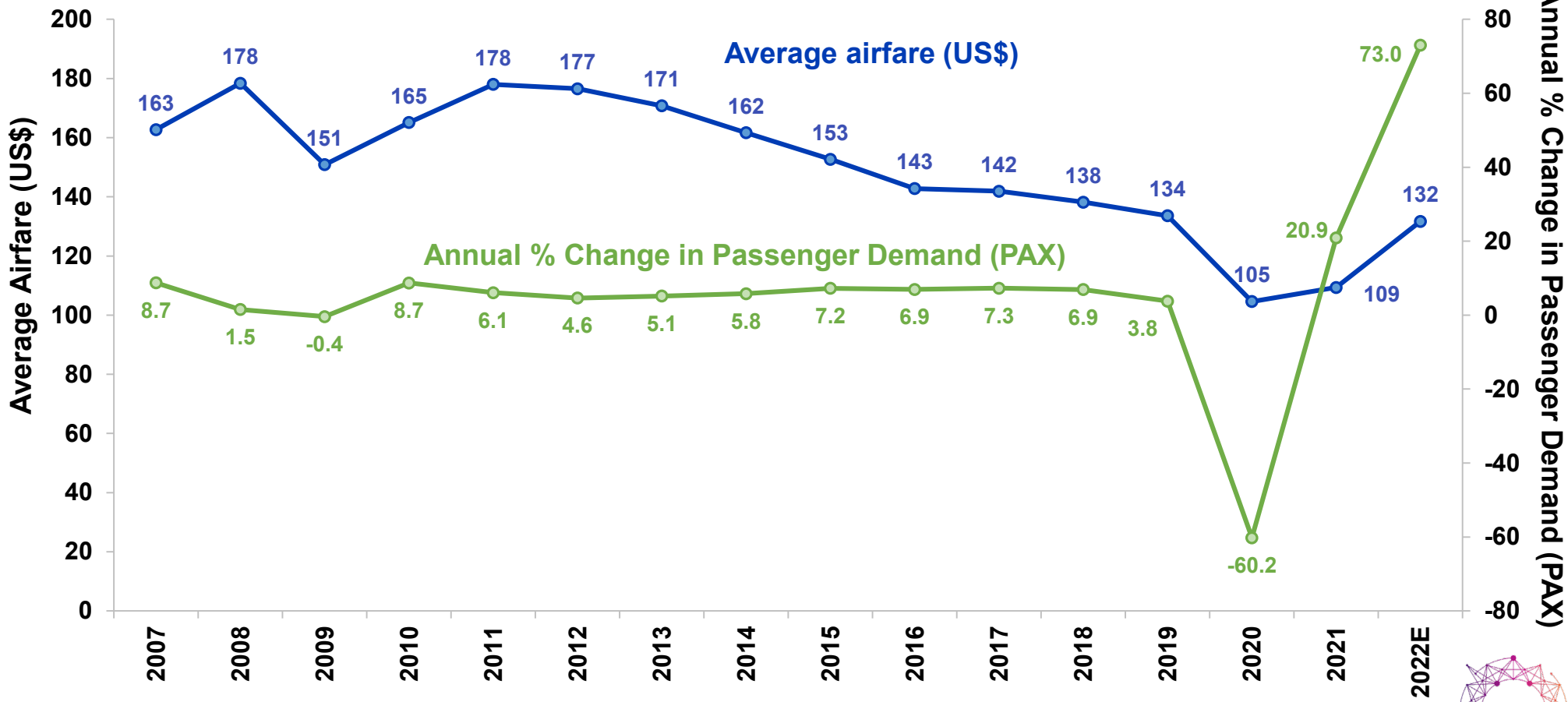
2019	2020	2021	10M 2022
\$79	\$46	\$78	\$145

Crack spreads at historical highs

Source: US Energy Information Administration



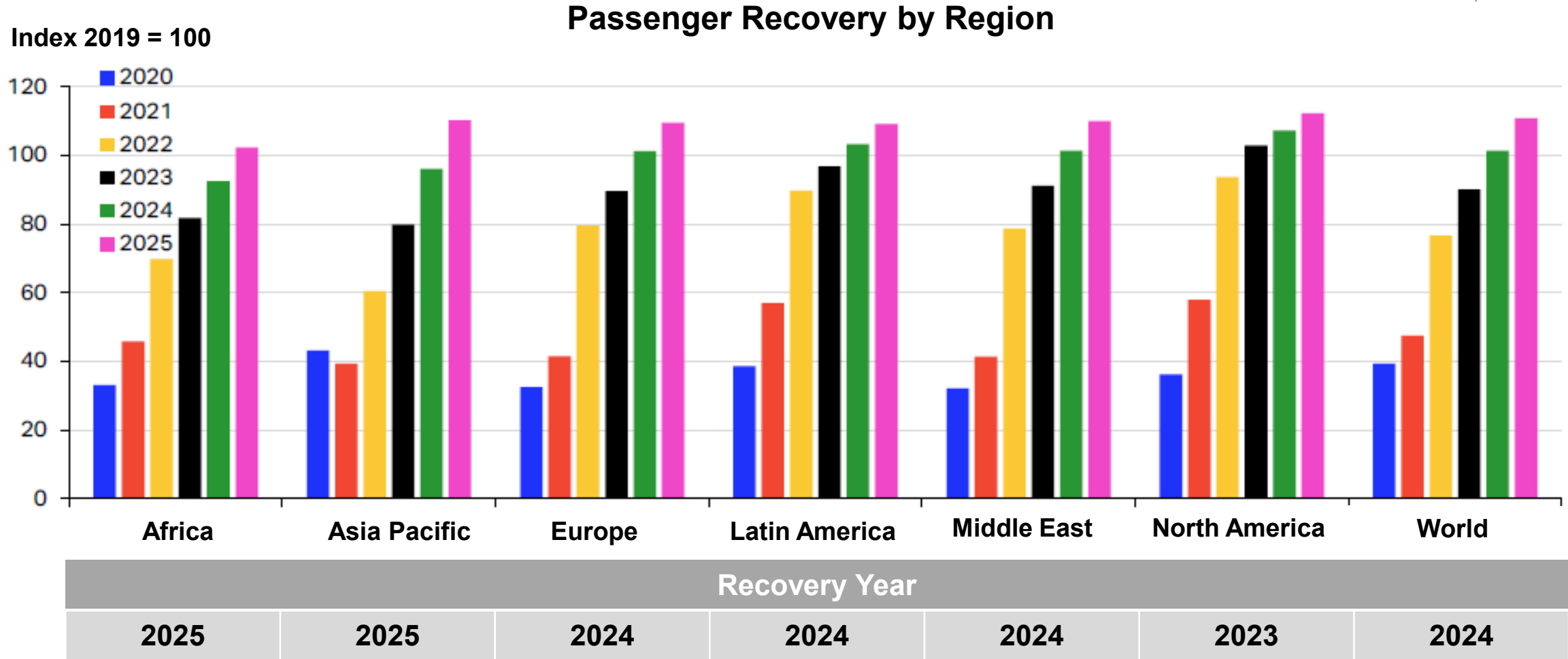
Air fares tracking demand



Source: IATA



Full recovery 2-3 years away



Asia Pacific and Africa expected to lag, with full recovery by 2025

Closing Thoughts



- **Global issues require global solutions**
- **Technology is the answer**
- **Robust demand evidence of resilience**
- **Sustainability is also the answer**
- **China – Elephant not in the room**



Aviation: delivering global mobility

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

39%
by value of global trade*

US\$8.2 trillion
Value of goods carried*

44 million
Employment supported**

US\$1.8 trillion
Economic activity supported**

