

AAPA 67th Assembly of Presidents

10 November 2023

Mandarin Oriental, Singapore

**INTRODUCTORY REMARKS BY MR. SUBHAS MENON, DIRECTOR GENERAL
OF THE ASSOCIATION OF ASIA PACIFIC AIRLINES**

- MR. CHEE HONG TAT, ACTING MINISTER FOR TRANSPORT SINGAPORE
- MR. GOH CHOON PHONG, CHAIR, & THE EXECUTIVE COMMITTEE, OF AAPA
- MR. PETER SEAH CHAIRMAN OF SINGAPORE AIRLINES
- LADIES AND GENTLEMEN

GOOD MORNING,

WELCOME TO AAPA'S 67TH ASSEMBLY OF PRESIDENTS. AIR TRAVEL IS NOW TRULY OPEN. MOST ECONOMIES HAVE REACHED OR EXCEEDED THEIR PRE-PANDEMIC LEVELS OF CONNECTIVITY. DOMESTIC TRAVEL, HAS SURPASSED 2019 LEVELS. INTERNATIONAL AIR TRAVEL IS EXPECTED TO REACH 2019 LEVELS BY YEAR END. THIS REMARKABLE RECOVERY SHOWS HOW TRULY MISSED AIRLINES WERE DURING THE PANDEMIC.

ON HINDSIGHT IT IS PRESCIENT THAT THIS YEAR'S ASSEMBLY IS HELD IN SINGAPORE. IT IS ONE OF THE FIRST ECONOMIES TO REOPEN BORDERS, LIFT TRAVEL RESTRICTIONS, AND RECOVER TOWARDS PRE-COVID LEVELS. AVIATION CONTRIBUTES 200,000 JOBS AND 5% TO SINGAPORE'S GDP. THE SINGAPORE AIR HUB ALSO ANCHORS KEY SECTORS LIKE MANUFACTURING, LOGISTICS, TOURISM, AND MAJOR AEROSPACE COMPANIES IN THE REGION.

THE STRONG DEMAND FOR SERVICES IN 2023, ESPECIALLY AIR TRAVEL, PROMPTED THE IMF TO RAISE ITS FORECAST, FOR GLOBAL GDP GROWTH. GROWTH AT TOURISM HUBS, IS PARTICULARLY STRONG IN CONJUNCTION WITH THE SHIFT IN EXPORTS, FROM GOODS TO SERVICES.

BUT THE SHIFT TO SERVICES, TOGETHER WITH THE REOPENING OF SEA LANES FOR MARITIME TRADE, SAW AIR CARGO MARKETS SHRINK 5% IN THE YEAR TO SEPTEMBER 2023. AFTER ITS STRONG SHOWING DURING THE PANDEMIC, CARGO DEMAND IS SOFT, AND FREIGHT CAPACITY GROWTH OUTPACES THAT OF DEMAND. CARGO REBOUND HINGES ON ECONOMIC STABILITY, MANUFACTURING GROWTH AND USE UP OF INVENTORIES.

AS THE REGION'S BORDERS REOPENED AFTER THE REST OF THE WORLD, ASIA PACIFIC AIR TRAVEL RECOVERY AT 69%, TRAILS OTHER REGIONS, FOR THE YEAR TO SEPTEMBER. BUT GROWTH IS STILL DRAMATIC. ASIA PACIFIC PASSENGER TRAFFIC INCREASED 171% OVER THE SAME PERIOD IN 2022, WHILE CAPACITY GROWTH WAS A SLOWER 130%.

CHINA WAS THE LAST MARKET TO REOPEN. BEFORE COVID-19 CHINA WAS THE LARGEST AIR TRAVEL MARKET ACCOUNTING FOR A FIFTH OF ASIA PACIFIC'S INTERNATIONAL TRAFFIC. THIS IS 10% NOW IN 2023. CHINA'S AIR TRAVEL DEMAND IS GROWING AT AROUND 1000%, BUT IT IS STILL AT 34% OF 2019 LEVELS. AIR TRAVEL DEMAND IN INDIA, IS 20% ABOVE 2019 LEVELS, AS INDIA REOPENED SOONER.

THE WORLD TRAVEL AND TOURISM COUNCIL NOTED IN MAY, THAT TRAVEL IS SET TO BECOME A 15.5 TRILLION DOLLAR INDUSTRY IN 2033. THIS IS 50% MORE THAN IN 2019. TOURISM WILL GROW 5.1% PER YEAR, AND EMPLOY ONE IN EVERY NINE JOBS. THE RETURN OF CHINESE TRAVELLERS BY 2024, WILL KICK OFF ANOTHER WAVE OF GROWTH FOR GLOBAL TOURISM.

INDUSTRY RECOVERY HAS BEEN SLOWED BY INFLATION, A TIGHT JOB MARKET, SUPPLY CHAIN CONSTRAINTS AND FUEL PRICES, STILL HIGHER THAN IN 2019. NON-OIL COSTS ARE ALSO ESCALATING IN AREAS LIKE GROUND HANDLING AND TAXATION, THUS SQUEEZING PROFIT MARGINS.

LABOUR IS NOT IN SHORT SUPPLY IN ASIA. BUT THERE ARE MANY VACANCIES IN AVIATION. FRANKLY WE CANNOT FAULT FORMER AIR TRANSPORT WORKERS IF THEY ARE ONCE BITTEN TWICE SHY, AS NO INDUSTRY CAME TO A NEAR STANDSTILL FOR AS LONG AS OURS. FURTHERMORE, SUPPLY CHAIN ISSUES ARE LIMITING THE ABILITY OF AIRLINES TO UPGRADE THEIR FLEETS AND SERVICE THEIR AIRCRAFT ON TIME, LEADING TO AN INCREASE IN TRAVEL DISRUPTIONS.

PROGRESSIVE POLICIES LIKE QUICK AND FLEXIBLE WORK VISA ISSUANCE, WOULD HELP RELIEVE THE LABOUR CRUNCH, WHILE EASING SUPPLY CHAINS, WOULD HELP AIRLINES TO SPEED UP AIRCRAFT DEPLOYMENT.

AN UNEXPECTED BY-PRODUCT OF THE COVID-19 BORDER CLOSURES, IS THE INWARD-LOOKING FOCUS OF REGULATIONS. DURING THE PANDEMIC,

GOVERNMENTS RING-FENCED THEIR COMMUNITIES, IGNORING THE EFFECTS OF THEIR RULES ON FOREIGNERS AND FOREIGN ENTITIES. IN 2023, PROTECTIONISM STILL PERSISTS, LIKE A COVID HANGOVER.

ONE EXAMPLE IS UNILATERAL AIRPORT SLOTS REGULATIONS. SOME GOVERNMENTS ARE CONSIDERING PEAK SLOT PRICING, SLOT CAPS, OR THE CONFISCATION OF SLOTS. SUCH RULES DEVIATE FROM THE GLOBALLY ACCEPTED WORLDWIDE SLOTS GUIDELINES, WHICH CONTINUE TO SERVE THE INDUSTRY WELL. THESE PROPOSALS, IGNORE THE GLOBALLY-INTERCONNECTED NATURE OF THE AIR TRANSPORT, INCREASE THE OPERATIONAL AND COST BURDEN OF AIRLINES, WHILE DEPRIVING TRAVELLERS OF CONNECTIVITY. AS AIR TRAVEL RECOVERED LATER IN ASIA THAN OTHER REGIONS, MANY ASIAN AIRLINES COULD NOT RESUME SERVICES TO EUROPE TO USE SLOTS AS REQUIRED BY THE EU. THE LOSS OF THESE SLOTS AFFECTS CONNECTIVITY BETWEEN THE TWO REGIONS. INTERNATIONAL AIR TRANSPORT EXISTS UNDER A SHARED FRAMEWORK OF RULES AND NORMS AT ICAO. ANY UNILATERAL DEPARTURE FROM THIS FRAMEWORK, DETRACTS FROM ITS PILLARS, NAMELY SAFETY, SUSTAINABILITY, SECURITY AND CROSS-BORDER MOBILITY.

THE GLOBAL PRIORITISATION OF SAFETY HAS MADE FLYING THE SAFEST MODE OF TRANSPORT. AVIATION'S EXCELLENT SAFETY RECORD IS STILL INTACT AFTER THE PANDEMIC, IN 2023. GLOBALISATION IS ALSO KEY TO ENVIRONMENTAL SUSTAINABILITY. AAPA WILL WORK WITH GOVERNMENTS AND OTHER STAKEHOLDERS INCLUDING FUEL SUPPLIERS, TO FACILITATE

THIS. TO AIRLINES, SUSTAINABLE AVIATION FUEL (SAF), IS AN EXISTENTIAL ISSUE. SAF IS AN ESSENTIAL PRODUCT FOR AIRLINES AND DESIRABLE FOR THE WORLD. OIL AND GAS MAJORS CAN SEE SAF AS ANOTHER INCOME STREAM, FOR JUST 7.5% OF THEIR ANNUAL OUTLAY ON FOSSIL FUELS TODAY.

BE IT FOR PREDICTABLE WEATHER CONDITIONS FOR SAFE FLIGHT OPERATIONS, OR THE HEALTH AND WELLBEING OF PEOPLE, SUSTAINABILITY IS KEY TO THE SUCCESS OF INTERNATIONAL AIR TRANSPORT. TEMPERATURE INCREASES IN 2023 ARE ALREADY CLOSE TO THE RED FLAGS RAISED, BY THE INTER-GOVERNMENTAL PANEL ON CLIMATE CHANGE. UNTIL ADEQUATE SUPPLIES OF SAF ARE AVAILABLE, ICAO'S CORSIA SCHEME IS A NECESSARY MEASURE FOR AIRLINES TO MITIGATE THEIR CO2 EMISSIONS.

REGULATIONS MUST BE HARMONISED GLOBALLY TO MAKE THE WORLD SUSTAINABLE. LEGISLATION THAT INCENTIVISES SAF DEMAND AND SUPPLY, WITHIN BORDERS, MISSES THIS CRITICAL POINT. IF SAF IS ONLY AVAILABLE HALF WAY ON A RETURN JOURNEY, AIRLINES CANNOT BE SUSTAINABLE. ITS LIKE BUILDING A BRIDGE TO SOMEWHERE, ONLY TO STOP WHEN YOU ARE HALF WAY THERE.

IN SUM, SAFETY, SUSTAINABILITY, SECURITY AND CROSS-BORDER REGULATIONS, ARE PRIORITIES THE ASSOCIATION IS ADDRESSING IN THE INTERESTS OF THE REGION'S AIRLINES, WITH THE ONGOING SUPPORT OF OUR MEMBERS.

BEFORE I END, I WISH TO EXPRESS MY SINCERE GRATITUDE TO MR GOH CHOON PHONG, CEO OF SINGAPORE AIRLINES, FOR HIS LEADERSHIP, AND INFECTIOUS ENTHUSIASM AS CHAIRMAN OF AAPA IN 2023. DESPITE HIS BUSY SCHEDULE, HE AND HIS COLLEAGUES HAVE CONTINUED TO CHAMPION THE COLLECTIVE CAUSE OF AVIATION IN OUR REGION. OUR SINCERE THANKS ALSO TO THE EXECUTIVE COMMITTEE OF AAPA AND ALL MEMBER AIRLINES FOR THEIR WHOLEHEARTED SUPPORT. TO OUR MANY SPONSORS, WE THANK YOU FOR YOUR GENEROSITY AND GOODWILL FOR THE ASSOCIATION'S ACTIVITIES.

THE REGION HAS NOT FAR TO GO FOR A FULL TURNAROUND. THERE ARE SOME HEADWINDS BUT ALSO STRONG TAILWINDS TO DRIVE SUSTAINABLE GROWTH. THE AVIATION INDUSTRY HAS WEATHERED MANY CRISES AND ENJOYED MANY SUCCESSES. TWO YEARS OF HIBERNATION SHOULD NOT MAKE A DENT IN THE GROWTH TRAJECTORY, IF THE WORLD OF AVIATION CONTINUES TO WORK TOGETHER. THIS IS AN INDUSTRY 77 YEARS IN THE MAKING, WITH A TRACK RECORD OF SERVING THE GREATER GOOD OF SOCIETY. AS MY LATE MOTHER USED TO SAY, THE LONGER YOU'VE BEEN AROUND, THE BETTER YOU GET AT WHAT YOU DO.

THANK YOU FOR YOUR ATTENTION.

SUBHAS MENON

DIRECTOR GENERAL

ASSOCIATION OF ASIA PACIFIC AIRLINES

AAPA 67TH ASSEMBLY OF PRESIDENTS

10 NOVEMBER 2023, SINGAPORE