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**YANG BERHORMAT PENGIRAN DATO SERI SETIA SHAMHARY BIN PENGIRAN
DATO PADUKA HAJI MUSTAPHA, MINISTER OF TRANSPORT AND
INFOCOMMUNICATIONS, BRUNEI DARUSSALAM,**

**Captain Sabirin Haji Abdul Hamid, Chief Executive Officer Royal Brunei Airlines,
The Executive Committee, Presidents, Chief Executives of Member Airlines,**

Ladies and Gentlemen

Any visitor to Brunei Darussalam will be awestruck by its natural beauty. Brunei, is like Mother Nature’s VIP Lounge. Its pristine forests and serene waterways are Asia’s best kept secrets, only because there are just too few flights. The best things in life are free, but you must try a little harder to enjoy them. Brunei, is from a Sanskrit word meaning seafarer, while Darussalam is the ‘Abode of Peace.’

Considering the hectic nature of air travel today, it is rejuvenating to hold our aviation conference in an abode of peace.

Asia Pacific international air travel recovery is now just 2 percentage points from 2019 levels. It is like a marathon. The last half mile, seems to take forever. Where it matters though, industry recovery is complete. Airline operating profits and passenger load factors are better than they have ever been, while airports are seeing throughputs of old. And regulators are issuing rules faster than ever – a sure sign that normal service has resumed.

The Chinese market which went missing in 2020, is reasserting its presence. Chinese carriers' international passenger traffic is 19% of Asia Pacific for the year to September 2024, almost up to the 2019 share of 20%. Chinese airlines expanded rapidly in 2024, even to Australia and Europe, where their foreign counterparts have cut flights. Travel to China is compensating for the weaker Chinese outbound partly due to more bilateral visa-free arrangements. The market share of Chinese carriers on international routes from China, has grown from under half to nearly two-thirds.

Meanwhile, India and most of Asia, have seen traffic grow exponentially. Governments have been proactive in expanding air services and infrastructure. There are 155 airport projects underway in Asia Pacific. There is little doubt that Asia Pacific airlines will complete the formality of a full recovery by year-end. Airlines are pushing connectivity to new heights by adding flights on existing routes and by inaugurating new routes. Even with rising household debt, and currency inflation, air connectivity has bounced back with Asia Pacific the biggest beneficiary. Connectivity within Asia Pacific rose 62% in the second quarter of 2024. Connectivity from the region to the world is up 26%.

Air cargo demand is also buoyant. Freight load factors are healthy and yields higher, despite the increase in capacity. As the upswing is partly due to the shift from sea to air cargo, it may seem too soon to celebrate. Honestly, it is cold comfort if the increase in air cargo is from the closure of sea lanes due to wars. The last thing we want is more conflict and human suffering. The vitality of e-commerce suggests otherwise. Cargo market growth, is resilient, as e-commerce has accelerated by leaps and bounds since the pandemic.

The biggest threat to industry growth is the ongoing supply chain interruptions. Manpower and parts shortages, have plagued air transport since the pandemic. Aircraft engines are facing persistent issues. The push for environment-friendly technology has led to teething problems. Relatively new engines are requiring inspection and repairs. Higher certification standards together with more frequent failure of components, have aggravated the chokes in the supply chain. The strike at Boeing made matters worse. Even though the strike is over, its effects will persist. There are just too few competent suppliers in the aviation industry today. Experienced workers are also hard to find. If you add the air space closures due to the conflicts in Ukraine and the Middle East, it is a real wonder that industry growth is still as enduring as it is today.

The disruptions to flight schedules from all these, are provoking some regulators to mandate compensation for delays and cancellations. The airlines are already undertaking significant costs by re-accommodating passengers not to mention, sourcing for alternative aircraft at higher cost, to keep their schedules ticking. They will be even more out of pocket with onerous rules that attack the symptoms, rather than help mitigate disruptions. Manufacturers are predicting a three-year time frame for the supply chain distortions to ease. Knee-jerk reactions will only slow air travel growth. Air transport's importance to socio-economic wellbeing, argues for a more insightful response from governments.

Airlines are users and reliant on suppliers of equipment, fuel, airspace, and airports, for successful operations. This fact should be a vital consideration when introducing aviation regulations. But this is not the case often enough.

Climate change is another area crying out for supportive government policies. Proactive policies that encourage the adoption of SAF, act as enablers. Public-Private partnerships spur decarbonisation efforts. The US introduced revenue guarantees and tax credits for fuel suppliers, acknowledging the higher cost of SAF. Consequently, most SAF supply is in the US. Mandates do not increase supply, when viable sources of SAF are scarce and the price premium is exorbitant.

There are examples of proactive policies in Asia. Japan is developing measures to keep the SAF price down. In Japan there is an SAF supply chain of public-private partnerships comprising government ministries, fuel suppliers, airlines, and airports. Malaysia is leveraging its abundant biomass and used cooking oil, to aim for 47% of SAF by 2050.

Singapore has gone a step further. A refinery that produces SAF from used cooking oil and waste fats, has been established. Singapore has announced an air ticket levy which will be used to provide SAF at Changi Airport from 2026. The levy will be fixed, to hit a target for SAF, initially 1%, and to mitigate the projected SAF price premium. This provides certainty to airlines, fuel suppliers and consumers.

Other Asian States are also formulating policies. It is important to address the concerns of the fuel suppliers to stimulate SAF production. One way is to encourage conventional aviation fuel suppliers to co-process SAF. Co-processing is the simultaneous production of SAF and fossil fuel in existing refineries, by introducing sustainable feedstock into the refining process. This reduces the production cost of SAF.

The ICAO roadmap to 2050 is a multi-prong one. Since SAF supply is too little, technology, operational efficiency, and carbon offsetting, should be simultaneously pursued. We know that every generation of new aircraft and engines can provide 15-20% more fuel efficiency. Manufacturers should accelerate their plans for CO2-reducing technology by 2035, starting with short-haul aircraft, which account for around 30% of aviation emissions. CORSIA can offset CO2 but only until 2035. The transition to new technology and renewable fuel, would be expensive. But not doing so would be more costly for the industry and travellers.

Talking of costs, the crack spread between aviation fuel and Brent crude prices has narrowed in the past year. But fuel prices are still higher than before the pandemic. Meanwhile, passenger yields are sliding towards pre-COVID rates. Wages, landing fees and enroute navigation charges have risen significantly in the past year. Airports have signalled their intention to raise rates while air space closures mean higher operating costs.

Extreme weather and turbulent events seem to be on the rise, bringing home the message that climate change can also impinge on safety. Airlines have made changes to their inflight operations to safeguard passengers and crew during flight. An enduring solution probably lies in enhancing technology to better detect possible turbulence before it happens. R & D to improve weather radars and air navigation systems, together with AI may offer solutions.

2024 marks the 80th anniversary of the Chicago Convention. Countries came together in 1944 to forge this landmark agreement, to convert air transport from a military activity to a civilian resource for the good of human endeavour.

Regrettably the reverse is now happening in some parts of the world. Thankfully, many States in Asia are still prepared to uphold the ideals of the Chicago Convention. In a unanimous declaration of unity in New Delhi in September 2024, civil aviation ministers and regulators of 29 Asia Pacific States committed to a shift in aviation policy, towards sustainable aviation, enhanced safety and security across borders, as well as spurring innovation.

Before I end, and on behalf of all at AAPA, I would like to thank Captain Sabirin, and the RBA, team for their hard work, and superb organisation to make this Assembly possible. Our sincere thanks also go out to all the sponsors, for their ongoing support.

The industry can be optimistic about the future. The resilience of demand is not due to revenge travel anymore. Air travel is a genuine socio-economic necessity in the region which explains its rapid surge back to normality. Leisure travel, business trips and cargo demand, are all up and likely to stay up, well into 2025. Asia Pacific economies are also faring well and better than the global average.

This is not to say that there are no obstacles in the way. There will always be some, especially in a world that is fractious and polarised as it is today. Obstacles can be overcome with coordinated and harmonised approaches.

Only holistic, global solutions can ensure air travel growth. Safety is certainly not a competition. Neither is sustainability. Nor is SAF a magic potion against climate change. An all-industry, multi-prong approach is essential to success.

Any business is like a tea bag. You can tell the strength and quality of the tea, when you put the tea bag in hot water. Aviation was in hot water for more than two years. Like good tea, this industry's strength and quality shone through when it was put to the test.

Next generation consumers will prioritise sustainability and convenience. The industry must prioritise sustainable growth. Meeting the needs of the present means getting serious about the future.

As they would say in Brunei, may the force of Mother Nature be our tail wind and propel us to a sustainable future.

Thank you

May the FOREST be with YOU