

AAPA 69<sup>th</sup> Assembly of Presidents

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Mövenpick BDMS Wellness Resort Bangkok



**His Excellency, Mr. Phiphat Ratchakitprakarn, Deputy Prime Minister & Minister of Transport Thailand, Captain Puttipong Prasarttong-Osoth, President & CEO Bangkok Airways, Presidents, Chief Executives, Managing Directors of AAPA member airlines, Distinguished Guests, Ladies & Gentlemen.**

**On behalf of everyone gathered here I wish to express our deepest and most sincere condolences to our Thai hosts on the passing of Queen Sirikit, the Queen Mother.**

**Over the past 30 years, the air transport industry in Asia-Pacific has faced numerous crises, with the Asian Financial Crisis, 9/11, the Global Financial Crisis and COVID bringing enormous challenges to stability and growth. It is great that air transport has bounced back strongly after every major crisis.**

**Regrettably we now all face a new crisis which comes in the form of Tariffs.**

**The Tariffs crisis is entirely man-made. Or should I say One Man Made. No obvious maths to the tariffs, but no country is left behind.**

**Asia is faring worse than other parts of the world with the tariffs.**

**But Tariffs haven't dampened demand yet. But they add to the supply crisis we are facing. Even in 2020 it was a supply issue because borders were closed. Demand came roaring back as soon as supply returned. There is no let-up in air travel and cargo growth since.**

**Ironically demand is less buoyant on routes to and from the US.**

**The American Express tagline used to be don't leave home without it. On US routes the motto seems to be just 'Don't Leave Home'.**

**Supply chain recovery is now undermined by tariffs which increase supplier costs. While aircraft and engines are exempt, their raw materials, and components which come from many parts of the world, are not. Tariffs also affect demand through inflation. It is a double whammy as both supply, and demand sides of the market are affected.**

**Cost increases are manifold. Airlines are not against cost increases only costs that do not serve a useful purpose. EU261 serves little purpose but is still applied for consumer protection in aviation in the EU. Now other governments are copy pasting these rules in their States. The problem with such rules is that**

they increase the travel cost without addressing the root causes of flight disruption. Governments are harmonising onerous disruption rules when it would help their economies more to standardise travel-enabling rules like China, leaving it to airlines to manage disruptions. Airlines have been doing this for many years at high cost and effectively.

**Military conflicts are on the rise and adding to the operational cost burden.**

At some point over the last 12 months crucial airspace over 14 countries has been closed. In particular, Russian airspace has been closed to most airlines. It is an inefficient operating environment compounded by risks like civil aircraft being caught in military crossfire and spoofing of air navigation satellite systems by, of all people, the militaries. The forces that are supposed to be protecting civilians are themselves compromising civil aviation safety.

Supply chain disruption and air space closures are significantly increasing passenger and cargo operational costs due to flight delays, diversions and cancellations.

**Air transport has benefited from and contributes to global economic vitality.**

**Air transport Growth mirrors GDP Growth, driven by the Services sector including air transport. This is a good example of a circular economy at work.**

**Speaking of which, Aviation, was one of the first industries to initiate a plan to address climate change.**

**Contrast this with Maritime. There is no agreement on net zero CO2 emissions under the IMO due to pressure from the US against the so called “Green Scam”.**

**Aviation is a hard-to-abate sector for carbon emissions. Yet we are asked to rely mostly on a hard-to-get commodity called SAF. To me this defies common sense.**

**The in-sector measure that this industry has relied on to achieve sustainability is our technology. Sustainability is not only addressing climate change. It is about economic continuity. Relying on reluctant fuel suppliers for SAF, the cost of which is borne by only airlines is not a sustainable strategy. Fuel suppliers should take responsibility for supplying SAF cost-effectively. At least we should aim for a balanced approach in which SAF and breakthrough technology have equal billing. And all parties in the SAF supply chain must have their hands on deck.**

**Fortunately, more governments in the Asia Pacific are rolling out enabling policies and measures to support the transition to renewable energy in aviation. Here in Thailand, the Thai airlines, working in tandem with their relevant ministries, civil aviation authority, the 3 largest fuel companies and foreign airlines flying to Thailand, have announced that Thai airports will be ready to supply 2% of SAF in 2026 and 5-8% of SAF by 2030. No mandates, no tax on frequent flyers, not much additional cost as the SAF will be co-processed in existing refineries.**

**The biggest opportunity economies have is to leverage the present and potential demand for air services, like Thailand. 25% of ICAO States have formulated policies for net zero emissions reduction by 2050. CORSIA is another area where Government support is critical and beneficial for their economies. Industry has signed up to offsetting but offsets are lacking.**

**Capacity will continue to be constrained for a while and longer if tariffs are not eased. Aircraft and engine deliveries are behind the curve significantly. Every shop visit for maintenance and repair takes 2-3 times longer.**

**Despite all this, demand growth is expected to continue well into 2026.**

**Protectionism and geopolitical tensions will downsize global trade and air cargo. Economies will also face headwinds. Air transport will be affected but so will most industries, retailers and communities as inflation is impartial.**

**On behalf of AAPA and the Assembly of Presidents my thanks to Khun Puttipong and Bangkok Airways for the great organisation, welcome and hospitality, rolled out for this year's Assembly. It has been an absolute pleasure for the AAPA team to work with Bangkok Airways to organise this year's Assembly in Bangkok.**

**Bangkok Airways enjoys a sterling reputation for serving delicious food, promoting Thailand's rich heritage and for its world class hospitality for the last 57 years. I'm pleased to say that you'll be able to gain a taste of each of these Thai flavours later today.**

**Ladies & Gentlemen**

**The future isn't what it used to be. In fact, it's starting to look suspiciously like the past. Tariffs are back for the first time since the 1930s. Trade is slipping into a kind of barter system of old. The supply chain is at worst a duopoly and at best an oligopoly — just like most industries were after the Second World War.**

**Aviation has flown on the wings of technology. But now, technology seems to be what's holding us back. Supply chain bottlenecks, and an ageing fleet are clipping our wings. Sustainability seems stuck on the runway.**

**Governments need to help — ease supply chains, and fuel progress by enabling the production of SAF, not by putting up new trade barriers.**

**We need real breakthroughs — in propulsion, in design, — if we're serious about reaching climate neutrality. Other than operational efficiency, technology is the truly in-sector measure which we can depend on. It is our core competence. The industry has little control over other aspects of the net zero road map like SAF.**

**Historically Aviation has been a disruptive technology as well as a conduit for socio-economic development.**

**This industry has been seen as a cash cow for the Economy and States, when not let down by the quality of the milking.**

**But it cannot be a cash cow if its udders are perpetually under repair.**

**Thank you.**

Subhas Menon

Director General

Association of Asia Pacific Airlines