



# AAPA

ASSOCIATION OF ASIA PACIFIC AIRLINES

## Special Edition



# TRAVEL DAILY ASIA

All the news, decisions and updates from the AAPA 55th Assembly of Presidents in Seoul

## Asian airlines join forces to boost regional growth

Resolutions agreed at the AAPA Assembly of Presidents aim to tackle factors currently limiting region's growth...



Delegates at the 55th Assembly of Presidents of the Association of Asia Pacific Airlines (AAPA) have agreed a series of resolutions aimed at easing the constraints to the industry's growth potential. The high-level meeting at The Shilla Hotel in Seoul concluded with resolutions on five key issues; taxation, passenger facilitation, security, infrastructure and the environment.

In the area of taxation, the AAPA said it "strongly urges governments to carefully consider the overall economic effects of putting further financial strain on the travelling public and on the aviation industry". It also called on governments to refrain from imposing taxes that undermine the aviation sector.

With reference to passenger facilitation, the AAPA called on government agencies to consult with the aviation industry on national border control objectives, to ensure that passenger processing

procedures are only implemented when "truly justified... practical, cost-effective, and efficient". It also called for the increased use of technologies to streamline passenger travel.

On the topic of security, the AAPA said it will push for more intelligence-led security measures, and renewed its call on governments to conduct cost-benefit analysis of new security measures, "in order to strike a reasonable balance between aviation security and passenger facilitation that minimises unnecessary inconvenience and delays".

In terms of infrastructure, the AAPA stated that rapid growth of the region's aviation industry necessitated "timely investments in the development of aviation-related infrastructure, including airport runways and terminal capacity, as well as modernising air traffic management systems". It also called on governments in the Asia Pacific region to develop a regional air

traffic flow management strategy.

Finally, the association reiterated its plea to the EU to scrap plans to include foreign airlines within the Emissions Trading Scheme (ETS) and to re-engage with the international community. The AAPA also strongly urged governments to work with the ICAO on the development of a multilateral agreement on aviation and the environment.

"Unjustified new regulations, taxes and charges do untold damage to the economy, counteract innovation by the airline industry, harm the travelling public by making air travel less affordable and undermine air transport's vital role in fostering social and economic development," said Andrew Herdman, AAPA Director General.

The AAPA will continue to be outspoken on the major challenges that need to be addressed if the Asian airline industry is to reach its full potential in the global market," he added.

## AAPA calls for end to unilateral aviation taxes

The Association of Asia Pacific Airlines (AAPA) has called for an end to the growing number of unilateral taxes hitting the industry. In his opening address at the AAPA's 55th Assembly of Presidents, AAPA Director-General Andrew Herdman cited the EU's Emissions Trading Scheme (ETS), UK Air Passenger Duty (APD), and the German and Austrian ecological travel taxes as examples of new "revenue raising measures" that are threatening the region's carriers.

Herdman also highlighted the new US travel authorisation fee, which levies a charge of US\$14 just to apply for to travel to the States, and Sri Lanka's recently announced a US\$50 tax on international arrivals.

"Taxing the very people who you want to attract as visitors to your country is neither an effective welcome message nor a good way to develop the tourism industry," Herdman stated.

This sentiment was later echoed by Thai Airways' President, Piyasvasti Amranand, who cited his own country's example. "Thailand used to impose a travel tax, but we dropped it – it wasn't worth it. Some other countries could learn from Thailand," Piyasvasti said.

"Taxes cripple economies," Herdman continued. "The UK may be generated US\$4 billion from APD, but it is crippling the tourism industry by limiting growth. Rather than focus on adding layer upon layer of new regulations, or additional taxes, governments would do well to reflect on the fact that aviation is a key contributor to economic recovery and job creation, led by travel and tourism," he concluded.

## Asian aviation needs unified voice

AAPA Director-General Andrew Herdman addresses delegates in Seoul



The Asia Pacific aviation sector needs a unified voice if it is to make itself heard in the global arena. This is the view of Andrew Herdman, AAPA Director-General, and Brian Simpson, MEP & Chairman of Transport Committee for the European Parliament who admitted that a key challenge facing the region's airlines was achieving a unified cross-border stance on regulatory issues.

When asked by Peter Harbison, Executive Chairman of the Centre for Asia Pacific Aviation (CAPA), how effective the Asian voice was within the EU, Simpson said that the problem Europe has is that it is dealing with multiple individual governments, rather than a single Asia Pacific position.

"The EU and US are leading the way on regulation. Why? Because they are unified with a single voice. The only time I hear an Asian view is from the AAPA," said Simpson.

Herdman stated that the recent ASEAN +3 meeting demonstrated the ability of the Asia Pacific region to work together, but also called for a more unified front within the AAPA.

"The Asia Pacific region's airlines can collectively demonstrate this strength with one united voice on global regulatory issues," Herdman stated.

"AAPA's mission is to articulate, to our industry partners, regulators, other stakeholders, and the public at large, the perspectives of Asia Pacific airlines. The AAPA is an association set up by airlines to serve the wider interests of the community. Ours is a voice that is only as strong as your collective solidarity. With your support, we can engage more effectively with governments and regulators around the world on issues that affect us all. The benefits achieved from these efforts accrue to each and every one of you," he added.

## Asiana puts on a show!



When Malaysia Airlines (MAS) hosts the AAPA's 56th Assembly of Presidents in Kuala Lumpur next year, they will have a hard task matching the show put on by Asiana Airlines in Seoul last week. Proving that flight attendants are more than just pretty faces, Asiana's cabin crew took to the stage on the first night to perform a musical set that included rock n' roll classics, an Abba medley and concluded with a show-stopping performance of Duffy's 'Mercy'.

Proving their versatility at Friday's night's gala dinner, the flight attendants returned to the stage to perform a series of magic shows and variety acts at the Banyan Tree Seoul. The evening was topped off by a live performance from popular 'K-pop' girl group, T-ara.

MAS should probably start planning their 2012 performances now.

## EU to press ahead with ETS - MEP



The European Union is set to press ahead with its plan to include foreign airlines in its controversial Emissions Trading Scheme (ETS), despite widespread objections.

Addressing delegates at the AAPA's 55th Assembly of Presidents, Brian Simpson (pictured), MEP & Chairman of Transport Committee for the European Parliament, said that the EU had "no plan B", if a resolution was not reached by 1 January 2012, when the scheme is expected to be put into place.

"The EU belief is that come 1 January 2012, all countries, except the US, will comply," Simpson said, adding that it was playing a "dangerous game or bluff and double-bluff".

Simpson, who was sympathetic to the arguments of Asian countries, admitted that the EU had made "little progress" in its ETS discussions. In a frank admission, he also reiterated the view among many in the industry that the environmental plan was merely a revenue-generating scheme for cash-strapped European governments.

The British MEP did offer his own stop-gap solution to the problem, suggesting that airlines only pay ETS once they arrive in EU airspace, therefore easing the sovereignty issue that has become one of the main objections to the scheme. Simpson admitted that the EU's Climate Change Commissioner had not agreed to his plan, but said the offer "remains on the table".

Echoing the sentiments of the AAPA's Director-General, Andrew Herdman, Simpson also expressed his concerns that the implementation of ETS would lead to a damaging trade war, and called on the International Civil Aviation Organization (ICAO) to take a lead in the development of a global standard for aviation emissions.



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## Asian aviation innovation leads the world

New airline tie-ups, aircraft types and business models are leading the global aviation industry...

The innovation taking place among Asia's airlines will lead them to the forefront of the global aviation industry, delegates at last week's 55th Assembly of Presidents of the Association of Asia Pacific Airlines (AAPA) were told.

Citing examples of Asian aviation innovation, such as the emergence of new start-up airlines, Japan's new LCC tie-ups - Peach Aviation, Jetstar Japan and AirAsia Japan - and the fact that both the Airbus A380 and Boeing 787 Dreamliner made their global debuts in Asia, the AAPA's Director-General, Andrew Herdman said that the new direction Asian carriers were taking would put them at the forefront of the industry.

"Asia Pacific's airlines are entering an exciting new phase of development," Herdman said. "The traditional distinctions between full-



service network carriers and low-cost carriers focusing solely on short-haul point-to-point routes, have become increasingly blurred over time. The recent development of a number of new joint ventures between traditional carriers and new entrants, seeking to combine their respective strengths and tap new markets is testimony to this trend," he added.

Herdman pointed out that the new trend toward so-called "hybrid carriers" such as the Japanese joint ventures, and long-haul LCCs

such as Scoot and AirAsia X, which offer low-cost services but with twin cabin classes, is breaking down the barriers of traditional aviation business models.

"Passengers don't discriminate any more; they buy based on price and service levels. You regularly see businessmen now travelling on LCCs," he said. "The key to success will be efficient execution, regardless of the chosen business model," Herdman added.

## Capacity management a priority for Asian airlines in 2012

Asia Pacific's airlines will continue to focus on capacity management next year, delegates at the AAPA's 55th Assembly of Presidents have heard. In a panel discussion featuring Cathay Pacific's Chief Executive John Slosar, Thai Airways' President Piyasvasti Amranand, and Philippine Airlines' President & COO Jaime Bautista, the three airline chiefs admitted that 2012 would be a bit of an unknown in terms of demand, and that airlines needed to be quick to respond in terms of capacity.

"We're a bit nervous about next year," Slosar admitted. "Aviation is like a bet on the world economy; if the growth disappears it will hit Asian travel."

Bautista added that he was concerned that debt crisis in the EU could impact tourist arrivals to the Philippines, while THAI's Piyasvasti outlined the broader challenges facing his airline and the region as a whole.

"Events in Europe could have a knock-on effect to Asia. We're not sure how events will unfold, but Europe[s debt crisis] is not the only problem; competition from Middle Eastern carriers is also a big challenge," he stated.

Piyasvasti added that carriers will need to be quick to adjust capacity, in light of any challenges that unfold. He admitted that THAI is currently adjusting its capacity on a day-to-day basis to deal with Thailand's flood crisis.

The three executives also expressed mixed opinions about the huge plane orders placed by several of the region's low-cost carriers this year. Bautista said that buying 100 aircraft was "risky", while Slosar queried whether the LCCs will actually need such a high level of new capacity.

"I don't think the LCCs actually know where they're going to fly the new planes to," Slosar said. "But they can always lease them out if they don't need them."

## Unions fail to understand airline problems – panel



Labour unions are increasingly demanding a say in the way airlines are run, but fail to understand the pressures carriers are facing. This is the view of a high-level panel of airline executives, which discussed the prominent issue of industry relations at the AAPA's 55th Assembly of Presidents in Seoul last week.

Commenting on the recent disputes faced by Qantas,

Philippines Airlines and other carriers, Cathay Pacific's Chief Executive, John Slosar said that the aviation industry's rapid growth was presenting unions with a misleading picture of airlines' state of health.

"Pilots and cabin crew see lots of new aircraft, but they don't see the margins," Slosar told delegates. "[Airline] CEO's need to think about the long-term, but getting unions to think similarly is difficult, as they tend to only think of today."

Thai Airways' President, Piyasvasti Amranand admitted that the sensitive issue of industrial relations was becoming increasingly difficult. "We have to work with everyone, but pilots are more difficult as there is a strong demand

for their services from other airlines. We need to keep a balance," he said.

Philippine Airlines' President & COO, Jaime Bautista, revealed the problems his airline has faced recently following its decision to spin off three subsidiary units.

"Unfortunately the [Philippine] government wanted a popular decision, with no job losses," Bautista said. "But it was difficult to convince the new service providers to employ all our staff, as we were already overstuffed."

He added that following a period of wildcat strikes, PAL was now operating around 90% of its schedule, and that this would return to a full schedule later this month.

## Asian airlines call for "level playing field"



Middle Eastern carriers were two key challenges to the region's carriers.

Cathay Pacific's Chief Executive, John Slosar stated that the current global aviation environment was not balanced. "Competition is competition, and we need to meet this. But currently aviation is not a level playing field," Slosar said. This view was echoed by Thai Airways' President, Piyasvasti Amranand. "Right now aviation is not a level playing field, and EU ETS will only make it worse," he said. "Open skies I don't mind, but let's have it everywhere," he added.

Philippine Airlines' President & COO, Jaime Bautista highlighted the impact of Middle Eastern carriers on his airline. "We stopped flying to the Middle East after the Philippine government gave away too many landing rights to Middle Eastern airlines. These turned into loss-making routes for us," he said.

Piyasvasti agreed with Slosar however, that Asian airlines need to rise to these challenges with new product innovation and route development. "Good products will always drive demand, so we're retrofitting our fleet," the THAI President said. "We also need to add links to new markets, such as emerging second tier cities in Asia," he added.

## Asiana eyes expansion



Asiana Airlines has outlined an expansion plan that aims to place it in the world's top 10 carriers. Speaking to media at the AAPA's 55th Assembly of Presidents in Seoul, which was hosted by Asiana, the airline's Senior Vice President of Strategic Planning, E-Bae Kim, said that would operate a fleet of 76 passenger aircraft by 2015 – an increase of 14 compared to its currently fleet of 62. As part of this expansion, Asiana will start taking delivery of its six ordered Airbus A380s from 2014, followed by its new A350 XWBs in 2016. While Kim did not confirm the cabin layout of

its new A380s, he did say that the double-decker jets would be used on long-haul routes to North America.

In addition, the airline has already commenced a series of cabin upgrades including new fully-flat beds in business class, revamped in-flight entertainment and a staggered 1-2-1 configuration in its premium cabins.

Kim said that Asiana expects to post a 6.0% rise in passenger traffic in 2011, followed by a 5.5% rise next year, and that its long-term goal was to become one of the world's top 10 airlines in terms of operating revenue.

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