

**SPEECH BY MRS LIM HWEЕ HUA  
MINISTER (PRIME MINISTER'S OFFICE),  
SECOND MINISTER FOR FINANCE AND TRANSPORT  
AT MINISTRY OF TRANSPORT'S  
COMMITTEE OF SUPPLY DEBATE (AIR TRANSPORT)  
8 MARCH 2011, 5.45PM, PARLIAMENT**

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**State of the Air Hub**

1 Sir, let me thank Members for their interest in the aviation sector. Let me begin by providing an update on the state of our air hub. Professor Faishal Ibrahim enquired about plans to tap on the growing air transport market and air services liberalisation, and Mr Charles Chong asked about low cost carriers and the Budget Terminal.

2 Changi Airport recovered strongly from the global economic downturn that adversely affected the international aviation industry in 2008 and much of 2009. In 2010, Changi Airport handled a record 42 million passengers, or a robust 13% year-on-year growth. This is buoyed by a combination of the economic recovery, air services liberalisation and increased tourism. The airport handled over 1.8 million tonnes of cargo, representing a rise of 11%. Looking ahead, we expect traffic growth to moderate, in line with the International Air Transport Association's projection of global long-term annual growth of about 5 to 6%<sup>1</sup>.

**Air Services Liberalisation Efforts**

3 Sir, our air hub continues to benefit from our pursuit of Open Skies. We now have Air Services Agreements with more than 100 countries, of which more than a third are Open Skies Agreements. Such liberalisation has facilitated the commencement of new services at Changi Airport, such as SIA's upcoming passenger service to Sao Paulo<sup>2</sup>, which represents Singapore's first scheduled air link to South America. The nine new foreign carriers which commenced operations at Changi Airport in 2010 will continue to add vibrancy to our air hub<sup>3</sup>.

4 The expansion of our bilateral air services arrangements with countries like Malaysia and the Philippines has led to a surge in the number of short-haul services at Changi Airport. Low cost carriers (LCCs) have flourished with the opening of such regional sectors. This has benefitted the travelling public in terms of wider travel options and more competitive air fares.

5 At the multilateral level, Singapore plays an active role at various fora to facilitate greater people and trade flows through air services liberalisation. As noted by Professor Faishal, we are party to the Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT), which was initiated by APEC member economies as a pathfinder agreement for international open skies arrangements. We have also worked closely with ASEAN Member States to bring about air services liberalisation within the region and with ASEAN's key dialogue partners. A new Multilateral Agreement, signed by ASEAN Transport Ministers last November,

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<sup>1</sup> IATA Press Release (30 Dec 2010) - <http://www.iata.org/pressroom/pr/Pages/2010-12-30-01.aspx>

<sup>2</sup> These flights will be launched in March 2011.

<sup>3</sup> Source: Changi Airport Group

extends unlimited passenger access beyond the ASEAN capitals to all ASEAN cities. This brings ASEAN-wide open skies closer to reality. The ASEAN-China Air Transport Agreement was also concluded last year, paving the way for a liberal air services regime between ASEAN and China. The agreement is the first of its kind and sets the stage for similar agreements to be concluded with other ASEAN dialogue partners such as India and South Korea.

6 We will press on with our liberalisation efforts. Only then can we continue to enhance our air hub status and fully tap the potential of the fast-growing Asia-Pacific air travel market.

### ***LCCs & the Budget Terminal***

7 Given the growth opportunities ahead, we will continue to enhance Changi's passenger facilities. In addition to the ongoing S\$500 million upgrading of Terminal 1 that will be completed in 2012, there are plans to expand the Budget Terminal in the next two years.

8 We are thus well-positioned to welcome more LCCs to Changi. As Mr Charles Chong has pointed out, not all LCCs operate out of the Budget Terminal. While cost is a key consideration, there are other factors that shape the airlines' choice of terminals to operate from. For example, some LCCs may prefer operating at the main terminals to facilitate flight connections for their passengers.

9 For passengers transferring from a flight at the Budget Terminal to another at the main terminals, there is a free 24-hour shuttle bus service that plies at regular intervals between the Budget Terminal and Terminal 2. While such transfers between the Budget Terminal and the main terminals are a relatively new trend and their numbers are still small, we expect them to increase in tandem over time with the growth of LCCs. The Civil Aviation Authority of Singapore (CAAS) is thus working with the airport operator, Changi Airport Group, and other stakeholders to study ways of enhancing connectivity between the Budget Terminal and the main terminals, for the convenience of passengers.

### **Growing the Aviation Sector**

10 Sir, in addition to ensuring that we cater to the evolving needs of our air hub at Changi, we will need to sustain developmental efforts for the wider aviation industry. Let me highlight some of the initiatives that we have introduced to support the growth of Singapore as an aviation hub, a question that is raised by Mr Charles Chong.

### ***Aviation Development Fund***

11 In April 2010, CAAS launched the S\$100 million Aviation Development Fund (ADF). To date, more than half of the ADF funds have already been allocated to three incentive programmes, namely the Aviation Partnership Programme, Aviation Innovation Programme and the Aviation Manpower Programme. These programmes support initiatives by local companies to raise productivity, promote innovation, grow talent, and enhance the competitiveness of the industry.

12 Projects that have received ADF grants so far include the development of new capabilities for the repair of aircraft engines and the setting up of Southeast Asia's

first flammability test-lab. Funding has also been provided to encourage the adoption of quality management systems by local aerospace companies. Such projects are estimated to generate more than S\$20 million of direct value-add over 5 years.

13 Earlier this month, CAAS also launched the Process Innovation Challenge to encourage productivity improvements in work processes. Local aviation companies with qualifying projects could receive grants of up to S\$50,000. By supporting the innovative spirit of the industry, we hope to boost the quality and productivity of our aviation companies.

### ***Infrastructure***

14 The past year also saw several noteworthy enhancements to Changi Airport's airfreight-handling capabilities. For example, the SATS *Coolport* is Asia's first on-airport perishables handling facility while the Singapore Freeport is Asia's first and the world's largest dedicated facility for art collectibles. These specialised facilities will enable our airlines and airfreight partners to better tap the evolving and increasingly sophisticated needs of the Asia-Pacific market. Looking ahead, the opening of the Air Cargo Express (ACE) hub in 2012 will enable air express companies to use Singapore even more effectively as a gateway to serve the Asia-Pacific market.

### ***Seletar Aerospace Park and Seletar Airport***

15 Professor Faishal asked about Seletar Airport. Like Changi, Seletar Airport's traffic was also affected by the global economic downturn in 2009. We are now seeing a gradual return to pre-crisis levels, with a 16% year-on-year growth in passenger traffic last year. Seletar Airport also serves the wider aviation industry. Our on-going efforts to develop Seletar will help to spur further traffic growth.

16 Seletar Airport and its surrounding areas are being transformed as part of a multi-agency effort to develop Singapore into a leading hub for aerospace maintenance, repair and overhaul (MRO) in the Asia-Pacific region.

17 Singapore is currently already among Asia's largest and most comprehensive MRO hubs. The phased development of Seletar Aerospace Park (SAP) from 2007 to 2018 will strategically put in place infrastructure to secure a good share of the huge growth potential for aerospace MRO in Asia. The SAP will also help to attract aviation-related design and manufacturing centres. I am happy to report that industry response to the SAP has been good. 75% of the land in Phase 1 and 2 of the development has been spoken for, with infrastructure works for the Phase 3 slated to begin next year.

18 Sir, we also want to develop Seletar into a regional business aviation hub. The prospects for business aviation are promising given Asia's strong growth momentum. Business aviation will complement our strength in commercial aviation and provide further depth to Singapore's value proposition as a major air hub.

19 The upgrading of Seletar Airport is thus critical to our plans. We are in the midst of major upgrading works at the airport, which will be fully completed in 2014. These include extending the existing runway to accommodate larger aircraft, constructing additional taxiways and aircraft parking areas, as well as implementing

a new landing system for flight operations even in low visibility conditions. Next-generation air traffic control facilities, including a new control tower, will also be put in place. To date, about a third of these works have been completed. When fully developed, Seletar will inject new vibrancy to the aviation sector in Singapore.

### ***Manpower***

20 Manpower is an important issue. Having the right infrastructure is important, but ensuring a ready pool of competent human capital is even more important. We will intensify efforts to attract talent and develop our workforce to support the aviation industry. In addition to student outreach efforts, CAAS will be launching an industry scholarship programme later this year to attract top polytechnic graduates to the sector.

21 To groom the next generation of industry leaders, we will also provide more opportunities for professional development. For example, CAAS collaborated with Embry-Riddle Aeronautical University to launch a Masters in Business Administration in Aviation programme in February this year.

### **Ensuring Safe Air Transport Operations**

22 Sir, let me now move on to an important area – civil aviation safety, for which Mr Charles Chong has raised some queries. Singapore's strength as an air hub is predicated on the safety record of our air transport system. We remain firmly committed to ensuring the safety of the travelling public and aircraft operations in Singapore. This is even more critical as traffic volume expands at Changi.

23 To this end, CAAS ensures that Singapore's safety regulations and procedures comply with, and where practicable, exceed the standards and recommended practices set by the International Civil Aviation Organization (or ICAO), including Annex 6 of ICAO's Standards and Recommended Practices referred to by Mr Charles Chong. The regulations and procedures govern almost every aspect of civil aviation carried out in Singapore, including aircraft airworthiness and flight operations, airport operations, the provision of air navigation services, aircraft maintenance, and the training and licensing of aviation personnel. CAAS also takes proactive steps to ensure the safety of foreign carriers that operate to Singapore. For example, there is an existing system of inspections to check on the airworthiness of these aircraft and the qualifications of their flight crew.

24 Our safety regime is regularly reviewed and updated to incorporate international best practices and to address new safety issues. In August 2010, Singapore was audited under the ICAO Universal Safety Oversight Audit Programme and was found by ICAO to be effective in all aspects of our safety oversight functions. This is testament to the strong commitment of CAAS and the various stakeholders in ensuring the safety of the travelling public.

25 However, a strict safety regulatory regime cannot guarantee that there will never be any aviation incident. What CAAS has done is to put in place procedures to handle aircraft in distress so as to minimise risk to life and property in the air and on the ground, such as assisting aircraft in distress to keep clear of populated areas, and guiding them to an eventual safe landing. The rigour and effectiveness of these procedures were clearly demonstrated during the A380 aircraft engine failure

incident last year. All the stakeholders including the flight crew, air traffic control and emergency services responded effectively and the aircraft landed safely in Changi. By acting in accordance with established contingency plans, the risk to people on the ground at any time was well managed and not significant.

26 Singapore's aviation safety record has thus far been exemplary. Members should be assured that CAAS will continue to work closely with all stakeholders to continually enhance the safety of civil aviation in Singapore.

### **Conclusion**

27 Sir, Singapore celebrates 100 years of aviation history this year. We have come a long way since Singapore witnessed her first flight at the old race course at Farrer Park in 1911. Even as we commemorate the centennial milestone, we remain committed to securing Singapore's position as a leading aviation hub in the long-term. We will continue to work in close partnership with key industry stakeholders to build on our strengths as an aviation hub.

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