

**Singapore Government**  
**MEDIA RELEASE**

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**EMBAROGED TILL AFTER DELIVERY**  
**PLEASE CHECK AGAINST DELIVERY**

**SPEECH BY MINISTER MENTOR LEE KUAN YEW AT THE LAUNCH OF THE  
NEW CIVIL AVIATION AUTHORITY OF SINGAPORE AND THE CHANGI  
AIRPORT GROUP ON 1 JULY 2009**

I am happy to launch the new Civil Aviation Authority of Singapore and the Changi Airport Group.

The civil aviation industry is one of the key drivers of Singapore's economy. The success of Changi Airport, Singapore's SIA and Silk Air, the MRO (maintenance, repair & overhaul) and air cargo sectors, and the spin-offs in trade, tourism and investments, they all have added significantly to our growth.

Our passenger handling capacity was less than 10 million per annum in 1980 at the old Paya Lebar airport. It has increased to nearly 70 million passengers per year at Changi Airport. Seven million passengers passed through Paya Lebar in 1980. Over 37 million people passed through Changi in 2008, through three full service terminals and a budget terminal. Cargo traffic has grown ten-fold from 180,000 tonnes per annum in 1980 to 1.9 million tonnes today. One of the best investments we made was to write off the \$800 million sunk into Paya Lebar Airport which we handed over to the RSAF, and to build Changi Airport with two runways for \$1.5 billion, which was then big money. The decision was made in 1975. If I had not intervened and we had built the second runway at Paya Lebar airport as our foreign experts recommended, Singapore's airport could not have become an air hub.

Changi Airport has set the benchmark for service excellence and operational efficiency internationally. It has won over 300 awards since 1987, including 13 awards in the first half of 2009. CAAS is recognised as an important

contributor to global civil aviation at international meetings. Since becoming a Council Member of the International Civil Aviation Organisation (ICAO) in 2003, Singapore has participated in 60 ICAO expert bodies, chairing 10 of them. CAAS is also active in other international organisations, including the Airports Council International and the Civil Air Navigation Services Organisation.

However, it would be a mistake to believe that past achievements will guarantee our continued success in the years ahead. Competition amongst air hubs is increasing with new mega-airports in the region like the Beijing Capital International Airport, Shanghai's Pudong Airport, Incheon International Airport and Dubai International Airport. Our competitors are catching up, with some beginning to equal, if not outperform us in certain areas.

The government has decided to corporatise Changi Airport in 2007 to meet the challenges ahead. Airports are run like business entities. They aim to be regional hubs. Airlines are re-examining their business models, especially after the proliferation of low-cost carriers in the region. Changi Airport, SIA, Silk Air and low-cost carriers Tiger Airways and Jetstar Asia Airways have to improve the way they operate to compete in the international premier league.

For the present, the aviation industry is in survival mode, with record-high fuel prices last year and an on-going global recession. The demand for air travel and services has dropped drastically. We see plunging airfares, falling demand for airlines' premium products and deteriorating cargo loads. All these are hitting airlines hard on their bottom lines. During its recent meeting in Kuala Lumpur, the International Air Transport Association (IATA) said recovery will be tough and that the industry will have to innovate to find ways to pull through this crisis.

We must restructure and strengthen our airport operations and regulatory system. When recovery comes, Singapore's aviation sector must be ready to meet the new challenges. The economic crisis has seriously dampened air travel. But once the global economy recovers, the aviation industry will

bounce back. Emerging economies in Asia and the Middle-East will lead the next wave of demand for air travel. We have to be ready for this. As airport users become more discerning and demanding, our service excellence and know-how must enhance the Changi Experience. Another opportunity is the emergence of low-cost carriers in Asia. They provide an attractive alternate mode of international travel for the growing numbers of Asian middle-class consumers. To compete, Full Service Carriers have to re-examine their business models and form new alliances or mergers. Changi Airport and SIA must not be left behind in the different operating environment.

The restructured CAAS will have better focus as an industry regulator, with greater capabilities to develop new areas for vibrant growth. It must work closely with the corporatised Changi Airport Group to promote Singapore as an air hub; and to plan the future expansion and development of Changi Airport infrastructure.

The corporatised Changi Airport Group must have the drive and initiative to capitalise on the new opportunities and meet the increasing competition. As a corporation, it is better able to aggressively pursue overseas business ventures and investment opportunities. It has the advantage of Changi as a brand name to enlarge its international presence. This will give greater flexibility to respond quickly to changes in the industry and in the global business environment. It will also attract and retain top talent to compete with global airport operators.

The journey of the old CAAS concludes today. But the vision, courage and dedication of its people will continue in the two new entities – the restructured CAAS and the corporatised Changi Airport Group. When they pull together for the common goal of achieving the best for Changi and Singapore, you will take civil aviation in Singapore to ever greater heights.

Thank you.