

**SPEECH BY MR LUI TUCK YEW, MINISTER FOR TRANSPORT, AT
THE CHANGI AIRLINE AWARDS 2011 ON 18 JULY 2011 AT THE
SHANGRI-LA HOTEL BALLROOM**

Mr Liew Mun Leong,
Chairman of the Changi Airport Group,

Mr Lee Seow Hiang,
Chief Executive Officer of the Changi Airport Group,

Distinguished Guests,

Ladies and Gentlemen,

A very good evening.

2 It gives me great pleasure to be here tonight at the Changi Airline Awards 2011. Now in its sixth year, this annual event provides a good platform for the Changi Airport Group (or CAG) and its airline partners to celebrate another year of partnership and achievements. Changi Airport's close partnership with its airline community is a valuable asset that has helped our air hub weather past storms and strengthen Changi's position as an international air hub. This partnership must continue to be

strengthened in order for Changi and its airline partners to face the ever-increasing competitive landscape ahead.

Scorecard for 2010

3 2010 marked several milestones for Singapore's aviation and travel industries. For the first time, annual passenger movements at Changi Airport crossed the 40 million mark – Changi handled more than 42 million passenger movements last year, representing a robust 13% year-on-year growth. Moreover, some 4 million passengers travelled through Changi in December 2010 – yet another record. This comes on the back of the strong recovery in Singapore's tourism industry from the global economic recession of 2008. The number of international visitor arrivals to Singapore last year reached 11.6 million, registering a year-on-year increase of 20%.

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4 Changi's strong performance was a result of several factors. Firstly, Singapore benefited from strong domestic and regional economic growth. Our GDP grew by a record 14.5% in 2010¹, and Asia, on the whole, enjoyed high employment rates and strong economic performance. Secondly, the opening of new and exciting tourist attractions in Singapore,

¹ Source: Ministry of Trade and Industry, Singapore

such as the Marina Bay Sands and Resorts World Sentosa attracted record visitor arrivals and gave our tourism sector a powerful boost. Finally, CAG's active cultivation of airlines and customised incentive programmes encouraged airlines to capitalise on the immense growth potential for air travel in the region. This resulted in new airlines starting operations at Changi and existing airlines increasing flight frequency and seat capacity.

Positive medium-term outlook

5 Indeed, the outlook for global air travel in the medium-term is positive. Globally, both international passenger and freight traffic rose in 2010. The average load factor for passenger and freight also showed improvement in 2010². By 2014, the International Air Transport Association or IATA has forecasted that there would be over 3 billion air travellers – 800 million more compared to 2009. Cargo volume will reach 38 million tonnes – 12.5 million tonnes more than in 2009³. Asia is expected to take the lead, with

² Source: International Air Transport Association (IATA). According to IATA, 2010 saw an 8.2% increase in international passenger traffic and a 20.6% increase in freight traffic. Average passenger load factor for the year was 78.4%, while average freight load factor was 53.8%. In contrast, passenger demand for 2009 was down 3.5% with an average load factor of 75.6%, whereas freight showed a full-year decline of 10.1% with an average load factor of 49.1%. 2009 was described by IATA as the worst year the industry has ever seen.

³ Source: IATA. The industry consensus forecast released by IATA on 14 February 2011 indicates that by 2014, there would be 3.3 billion air travellers, up by 800 million from the 2.5 billion in 2009. By 2014,

China and India as the engines of growth. Already, Asia-Pacific carriers are expected to earn US\$2.1 billion in revenue this year – the most profitable of all regions. Of the 800 million new air travellers expected in 2014, 360 million or almost half will travel on Asia Pacific routes.

6 Singapore is fortunate to be located at the centre of this growth momentum. With Changi's excellent connectivity, coupled with strong economic growth and new developments and attractions in Singapore coming on-stream over the next 12 months, such as the International Cruise Terminal, the Gardens by the Bay and the River Safari, we are well positioned to tap on the strong growth opportunities in the region.

7 For 2011, the performance at Changi thus far has been encouraging.

From January to June this year, total passenger traffic reached 22.4 million, a 10.7% increase over the same period last year. This strong double-digit

growth has been achieved despite the fall in traffic to Japan following the earthquake and tsunami disasters in March, and lingering political uncertainty in the Middle East. During the same period, cargo movement

international aviation will handle 38 million tonnes of air cargo, up 12.5 million tonnes from 26 million tonnes carried in 2014. China would be the biggest contributor of new air travellers. Of the 800 million new air travellers expected in 2014, 360 million (45%) will travel on Asia Pacific routes and of these, 214 million will be associated with China.

at Changi has also increased by 3.3% to over 907,000 tonnes. We expect a favourable outlook for the remainder of the year.

Singapore as a leader in aviation

8 We recognise that air transport is a key enabler of our country's economic growth. The Singapore Government is committed to ensure that Changi remains a strong and competitive air hub. We have pursued a liberal air services policy aimed at facilitating greater people and trade flows. To date, Singapore has bilateral Air Services Agreements with more than 100 countries, of which over 40 are Open Skies Agreements.

9 Singapore also plays an active role at various international fora to champion and push for greater air services liberalisation. For instance, ASEAN Transport Ministers have signed a new Multilateral Agreement last November to extend unlimited passenger access beyond the ASEAN capitals to all ASEAN cities, thus bringing our goal of an ASEAN Single Aviation Market and 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. Such liberalisation

efforts have enabled Changi Airport to be connected to more than 200 cities in 62 countries today.

10 Besides this, Singapore also supports the international airline industry and its initiatives to ensure a safe, secure, efficient and sustainable global air transport system. In February this year, Singapore signed a Memorandum of Understanding with IATA under which Singapore will support IATA's Asia-Pacific Regional Headquarters in driving various programmes on industry advocacy, communications, technical issues and human capital development. Singapore also hosted the 67th IATA Annual General Meeting (AGM) in June – the third time that this AGM has been held in Singapore⁴. This came just four months after the very successful IATA Vision 2050 discussions, also held here in Singapore, which involved some 35 global strategic thinkers, Ministers and CEOs of airport and airlines to chart the strategic long-term future of the airline industry.

11 We also strive to build a vibrant aviation industry and Centre of Excellence for aviation knowledge and human resource development in Singapore. Under the Civil Aviation Authority of Singapore's Aviation

⁴ The IATA AGM was previously held in Singapore in 1976 and 2004.

Development Fund, S\$100 million has been set aside over a five-year period to develop and grow Singapore's aviation industry and ensure its continued competitiveness globally.

Changi Airport: Partnering for Success

12 Air hubs and their airlines often share a symbiotic relationship, and the fortunes of air hubs are closely linked to that of their airlines. Just as Changi Airport saw strong growth in 2010, many airlines operating here also posted strong financial results. Airports must therefore innovate and respond flexibly to the diverse needs of its airline customers as well as adapt to the changing economic environment. This is the reason why the Singapore Government decided to corporatise Changi Airport in 2009. As a corporatised entity, CAG would be better able to focus on airport operations and possess more flexibility to pursue growth.

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13 Post-corporatisation, CAG has been able to provide more customised support to its airline partners to facilitate their growth. Already, we have seen some examples of early success. Last year, CAG was able to attract the Jetstar Group to establish its largest Asian base in Singapore. It was also CAG's partnership with the Henan Government, through a

Memorandum of Understanding signed in November 2010, which resulted in the establishment of a new air link between Singapore and Zhengzhou in March this year. Through such initiatives, Changi has welcomed 16 new carriers, and enhanced its connectivity with 20 new passenger and 5 new cargo city links since corporatisation.

Looking ahead

14 This year, we celebrate the 30th anniversary of Changi Airport. Changi has come a long way since its humble beginnings in 1981. From a single terminal with a capacity of 12 million, the airport now has four terminals with a total capacity to handle more than 70 million passengers per annum. Looking ahead, there are some uncertainties on the horizon that may slow down growth for airlines. Rising fuel prices, natural disasters and shorter economic cycles can threaten the delicate fabric of the airline industry.

15 Despite these challenges, the underlying demand drivers in Asia and Singapore remain sound and airlines can look forward to growing air traffic demand. By working closely together, the Singapore Government, CAG

and airlines can continue to strengthen Chang's position as an international air hub.

Conclusion

16 On this note, I would like to congratulate this year's recipients of the Changi Airline Awards. I wish all of you a pleasant and enjoyable evening.

Thank you.

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