

**SINGAPORE AIRSHOW 2012 AVIATION LEADERSHIP SUMMIT
OPENING ADDRESS BY MR LUI TUCK YEW, MINISTER FOR TRANSPORT AND
SECOND MINISTER FOR FOREIGN AFFAIRS
13 FEBRUARY 2012, RAFFLES CITY CONVENTION CENTRE**

Your Excellency Mr Roberto Kobeh Gonzalez,
President of the Council of ICAO

Mr Tony Tyler,
Director-General & Chief Executive Officer of IATA

Excellencies, Distinguished Guests,

Ladies and Gentlemen

1 A very warm welcome to the Singapore Airshow Aviation Leadership Summit 2012, especially to all our overseas friends and delegates present here. Since its inception in 2008, the Summit has grown in stature as a global platform for dialogue among aviation leaders from both government and industry. Aviation today is at a crossroad, and this year's Summit theme – "Driving Change, Overcoming Challenges Together" reminds us that we must ride the winds of change together or risk becoming its victims.

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Global Aviation Today

2 Aviation has been buffeted by severe financial crises, a spike in fuel prices, a heightened security environment and numerous natural disasters since the beginning of this century. All these have had a significant impact on the aviation industry. Notwithstanding, global aviation has tenaciously continued to grow and renew itself. Global air traffic volumes have grown by close to 50% over the last decade. Based on ICAO figures, some 2.7 billion people travelled by air last year.

3 Today, aviation is beset by a new wave of challenges. Continued weakness in the U.S. recovery, and the looming threat of recession in Europe dampen demand and yields. Just last month, the IMF cut its global growth forecast for the year, and predicted a 0.5% contraction for the Eurozone. IATA's projections for the air transport sector range from meagre profits in a more optimistic scenario to heavy losses should there be a full-blown European sovereign debt crisis. Geopolitical turbulence thickens the pall of uncertainty, including over fuel prices and continuity of supply.

Newly Emerged Markets Hold Up Half the Sky

4 Amidst these upheavals, one stark shift has taken place – the rise of emerging markets to the forefront of aviation. Today, air traffic outside of the traditional cores of Western Europe, North America, and Japan already accounts for close to 60% of global volumes. According to some estimates, over the next 20 years, they will contribute almost 80% of onward growth [*source: derived from Airbus projections*].

5 The Asia Pacific region, in particular, stands to play a key role. Boeing projects that from now to 2030, half of all air traffic growth will be driven by travel to, from or within the Asia Pacific, with the region accounting for some 11,500 aircraft orders. The propensity to travel is cited as a key reason for the growth, with key markets such as China and India expected to grow three to fourfold. Indeed, newly “emerged market” aviation is helping to keep the sector going in these turbulent times, and spearheading growth into the future.

6 However, these new markets cannot sustain the industry on their own. Recovery and renewed growth in the West is essential to global aviation's health. Markets, air transport players, and technological expertise in the West continue to be key drivers of global aviation development. Aircraft and engine manufacturers like Boeing, Airbus, Pratt and Whitney, and Rolls Royce are market leaders in their fields, producing generations of innovative products with strong records of safety and service. The EU and the US are also at the forefront of developing the next generation of air traffic management systems, whose capacity, efficiency and environmental benefits will cascade to the rest of the world.

7 The challenge then is for both the traditional and rising cores of aviation to work in concert and jointly lead us towards new heights. As a global system confronting global problems, let us forge closer ties of cooperation – bringing together international stakeholders, whole-of-government, whole-of-industry. We need to recognise that the growth and success of each region is to the advantage of all. Hence, the Summit's theme of working jointly to overcome challenges and enacting change resonates. Let us move beyond the all-too-common rhetoric of partnership to embrace it in reality. Allow me to propose a few concrete areas for concerted action to move forward in this tricky new century for aviation.

Aviation, Strong

8 First, let us work together to make all parts of the aviation system strong. Aviation's economics, safety, security, and ecological resiliency must all be boosted. Only then can we keep our heads above water in bad times, and position ourselves to truly thrive in the good times. Across the air transport value chain, we

must work towards leaner, stronger, and more robust operations. The airline sector provides one good example of what progress is possible. It has worked hard at paring costs not only at the budget carrier end of the spectrum but across the board. At the same time, airlines have innovated new business models and revenue streams to both capture and deliver better value to their customers.

9 Other key parts of the aviation system such as airports, air navigation service providers, or ANSPs, and aviation regulators have also made progress, but much more needs to be done. Infrastructure needs to be upgraded, operational efficiency to be enhanced, and ease of doing business improved. Multilateral collaboration is key to this. In this region, for example, the Asia and Pacific Initiative to Reduce Emissions, ASPIRE, has demonstrated the collaborative effort among regional ANSPs to enhance air traffic management procedures on key routes, boosting efficiency and reducing fuel burn.

10 Similarly, states also have an important responsibility in fostering closer collaboration with aviation stakeholders. Important areas include the integrated master-planning of airports and their neighbouring locales, and the updating of regulatory codes in line with ICAO mandates and the latest best business practices. Only by having our ears close to the industry ground can states design the most appropriate policies and regulatory regimes that would enable the industry to flourish, while also still upholding high standards on safety, security and the environment that is core to their roles.

Aviation, Unleashed

11 Second, to be strong, aviation must also be free and liberated. We must work together to unleash this. The present crisis should be turned into an opportunity for a global push to further advance the freedoms of the air, rather than allowing it to become an excuse to protect unsustainable models. Liberalisation of air rights boosts connectivity, creates jobs, and uplifts the economy. At a regional level and amongst progressive states, liberalisation has been advanced collaboratively to good effect. For example, the member states of the Association of South East Asian Nations, ASEAN, have inked multilateral agreements to fully free up air freight and passenger services among all ASEAN points, to realise intra-ASEAN open skies by 2013. Like-minded ASEAN Member States such as Singapore and Malaysia, who have opened up bilaterally ahead of intra-ASEAN liberalization, have already reaped the benefits of significant traffic growth¹ and provided wider choices for the travelling public.

12 Beyond air rights, issues concerning cross-border airline and airport ownership must be tackled effectively and efficiently, to allow a well-regulated flow of capital and expertise where it is most needed. Already, the established aviation regions have led the way. The EU for example, has championed the lifting of state restrictions on cross-border airline ownership and investment. The benefits of greater flexibility are evident within the EU, where such liberalisation has strengthened the financial and competitive position of the airlines and boosted Europe's air transport sector.² But even Europe must think bigger and liberalise with other like-minded

¹ From a 28% decline in traffic between 1999 and 2007, passenger movements between Singapore and Kuala Lumpur grew by 66% from 2008 to 2011 following the liberalization of the sector.

² Some examples would include KLM-Air France and Lufthansa-Swiss.

regions, including the Asia Pacific. Doing so would allow their aviation players to participate in the growth story of the current century and not just that of the past.

People-Centered Aviation

13 Finally, and perhaps most crucially, a strong and free aviation sector hinges on its people. At its core, ours is an enterprise where people move people. And a whole lot of new people are needed in aviation! Based on Boeing estimates, over the next two decades, Europe will need 90,000 pilots, Africa 15,000, Latin America more than 40,000, and the Asia Pacific an astounding 180,000. And this is only one key vocation in a sector that requires engineers, technicians, regulators, and a host of other skill-sets to keep it going. Technology and automation will play their part, yet our principal challenge will be to attract, induct, retain, reward and continuously develop the manpower needed to sustain and grow the aviation industry. Needless to say, this will have to be a global effort. ICAO, IATA and others have sounded a call to action, through the push to train the Next Generation of Aviation Professionals. Let us make sure this call is answered expeditiously, and resoundingly.

14 While we push ahead to grow the industry, we must also pay closer attention to our customers, the global flying public. The aviation industry needs to build a new compact with the people we move around the world. A renewed global romance with aviation will build support for our enterprise, and help draw in the talent that it needs. We need to ask ourselves: What is aviation's "brand" today and how is it doing? Where it has been tarnished, how do we restore aviation's lustre? Beyond the fundamentals of safe, secure and reliable carriage, beyond good service, how do

we win the hearts and minds of our stakeholders in the air and on the ground? As an international civil aviation community, our actions and leadership must be brought to bear on the answers. In my view, one possible ingredient that we may need to work on is to position aviation as a champion of climate-friendly, inclusive international growth and development.

Conclusion

15 And this is why we are all here in this room. Our purpose is to debate how to bring aviation forward. To strengthen and liberalise it, to win hearts and minds, to overcome challenges together. As state and industry leaders of global aviation, we are one community. Together, we are called to lead aviation's next surge forward. Together, we can surmount the challenges that confront us, and unleash aviation's promise to the benefit of the world. To this end, I wish everyone here a very fruitful summit. Let us leave here at the end of the day with a sense of common purpose, and with firm ideas on how to act to advance aviation.

16 Thank you.

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