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A STRATEGY FOR ASEAN

22<sup>nd</sup> to 23<sup>rd</sup> August, 2013  
Shangri La Hotel  
Singapore

Organiser



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## *Barriers to Lift*

- **Infrastructure and Human Capital Constraints**
- **A Single ASEAN Regulator?**
- **Market Access**
- **Ownership and Control**
- **External Relations and a Common ASEAN Stand**



# Changing Dynamics of ASEAN Aviation

- LCC operations now exceed half of seat capacity in Philippines (61%), Indonesia (53%)
- Next come Malaysia (48%), Singapore (30%), Thailand (29%), Vietnam (21%). Myanmar?
- Resilient LCC passenger growth here to stay!
- Stunning new aircraft orders by Lion Air and AirAsia groups - >1,000!

**Top 10 international LCC routes based on weekly return capacity (seats)  
 – week of 18 - 24 February 2013 (with intra-ASEAN routes highlighted)**

Rank	Origin Airport	Destination Airport	Total Seats
1.	Singapore Changi	Kuala Lumpur International	63,844
2.	Singapore Changi	Jakarta Soekarno-Hatta	45,612
3.	<a href="#">Kuala Lumpur</a>	<a href="#">Jakarta Soekarno-Hatta</a>	31,626
4.	Dubai International	Kuwait International	27,432
5.	<a href="#">Singapore Changi</a>	<a href="#">Bangkok Suvarnabhumi</a>	26,076
6.	Manila Ninoy Aquino	Singapore Changi	24,298
7.	Dubai International	Doha International	23,814
8.	<a href="#">Kuala Lumpur</a>	<a href="#">Bangkok Don Mueang</a>	22,680
9.	Dublin	London Stansted	17,388
10.	Geneva	London Gatwick	17,304

# Infrastructure Constraints

- Governments investing enough? – e.g. dedicated LCC terminals, reduced airport charges and passenger taxes
- Increasingly congested terminals and runways
- Re-opening of Bangkok Don Mueang; KLIA 2; Jakarta Halim Perdanakusuma?
- Solution: Governments should prioritize airport capacity investments, with LCC ‘boom’ in mind

# Human Capital Constraints

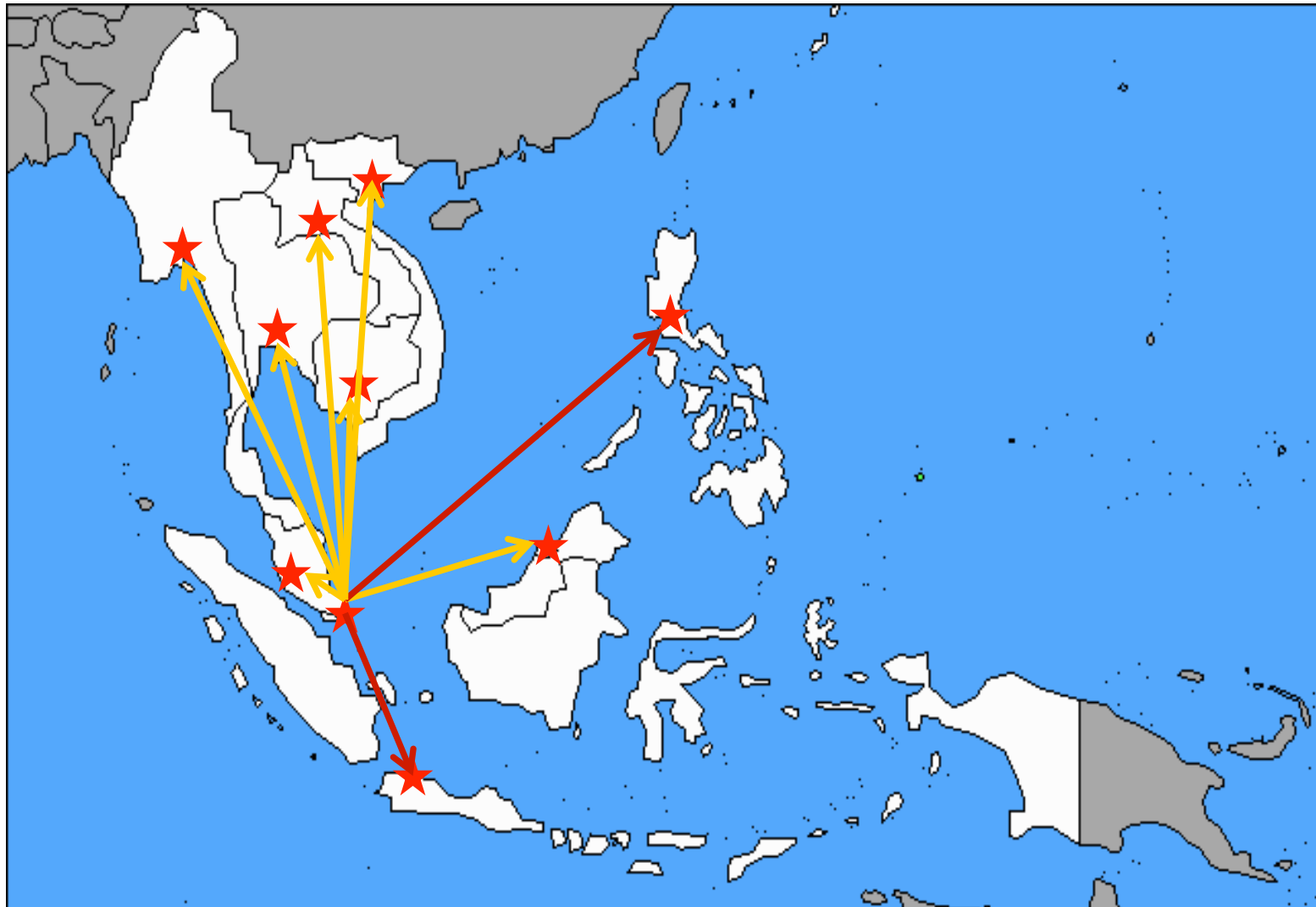
- Looming shortage in pilots , maintenance personnel
- Solution: Harmonized pilot training and licensing in ASEAN?
- Demand met on regional, not national, basis.  
Manpower can be deployed anywhere in region as demand dictates
- Mutual recognition of standards and enforcement.  
Avoids duplication, lowers costs

# A Single ASEAN Regulator?

- Overseeing harmonized technical standards on ATM, safety, security, CIQ, etc (in line with ICAO standards)
- Not necessarily uniform, but sufficiently harmonized
- Allows for cross-border recognition and enforcement  
E.g. inspections conducted by one authority accepted region-wide as adequate
- Advantages: increase reliability of monitoring and compliance, reduce duplication and costs, enhance system's overall efficiency and effectiveness



	MAAS Parent Agreement	MAAS Protocol 5 – 3 <sup>rd</sup> /4 <sup>th</sup> freedom, capitals	MAAS Protocol 6 – 5 <sup>th</sup> freedom, capitals	MAFLPAS Parent Agreement	MAFLPAS Protocol 1 – 3 <sup>rd</sup> /4 <sup>th</sup> freedom, all cities	MAFLPAS Protocol 2 – 5 <sup>th</sup> freedom, all cities
<b>Brunei</b>	✓	✓	✓	✓	✓	✓
<b>Cambodia</b>	✓	✓	✓			
<b>Indonesia</b>	✓					
<b>Lao PDR</b>	✓	✓	✓			
<b>Malaysia</b>	✓	✓	✓	✓	✓	✓
<b>Myanmar</b>	✓	✓	✓	✓	✓	✓
<b>Philippines</b>	✓			✓	✓	✓
<b>Singapore</b>	✓	✓	✓	✓	✓	✓
<b>Thailand</b>	✓	✓	✓	✓	✓	✓
<b>Vietnam</b>	✓	✓	✓	✓	✓	✓

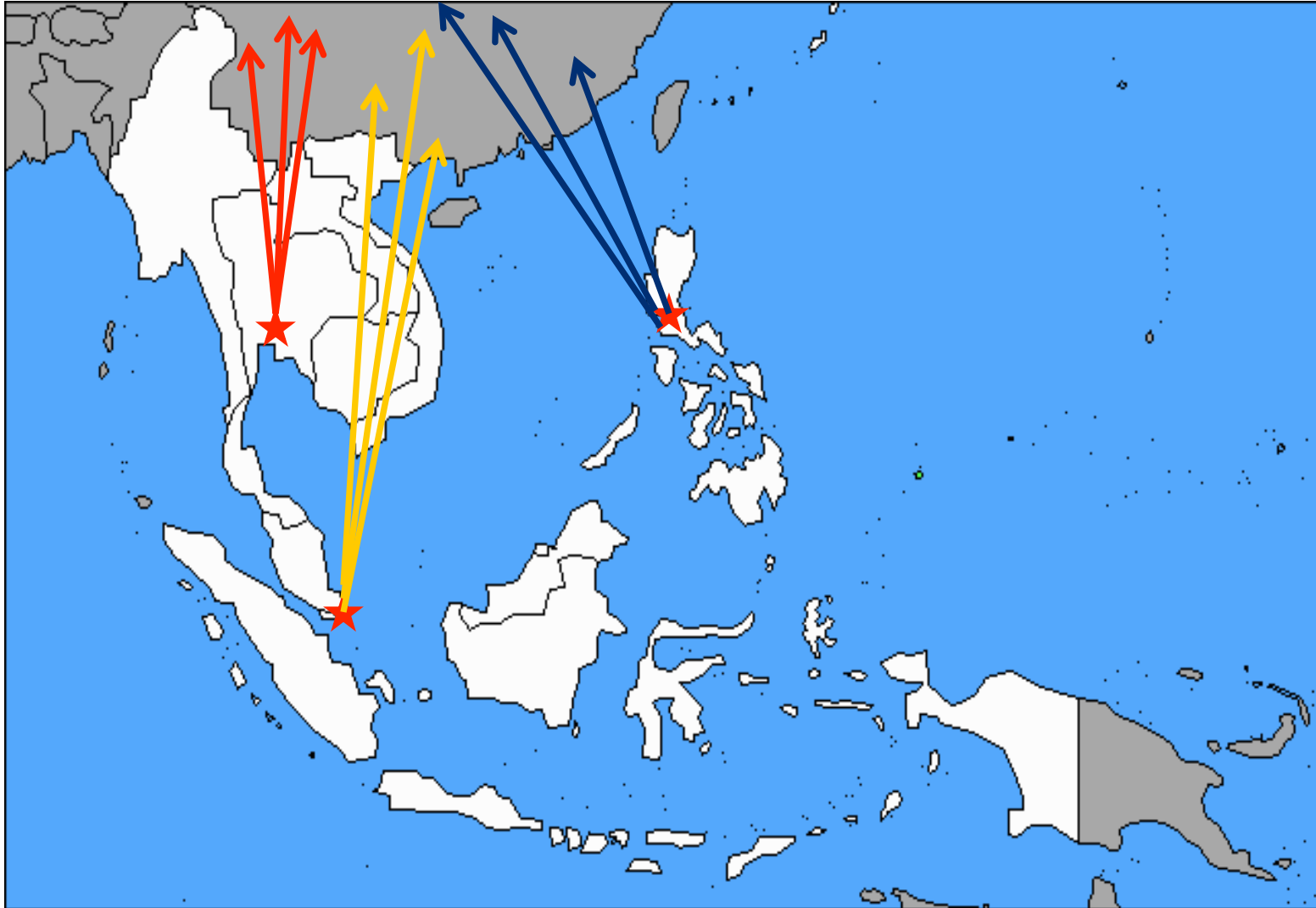


# Market Access Barriers

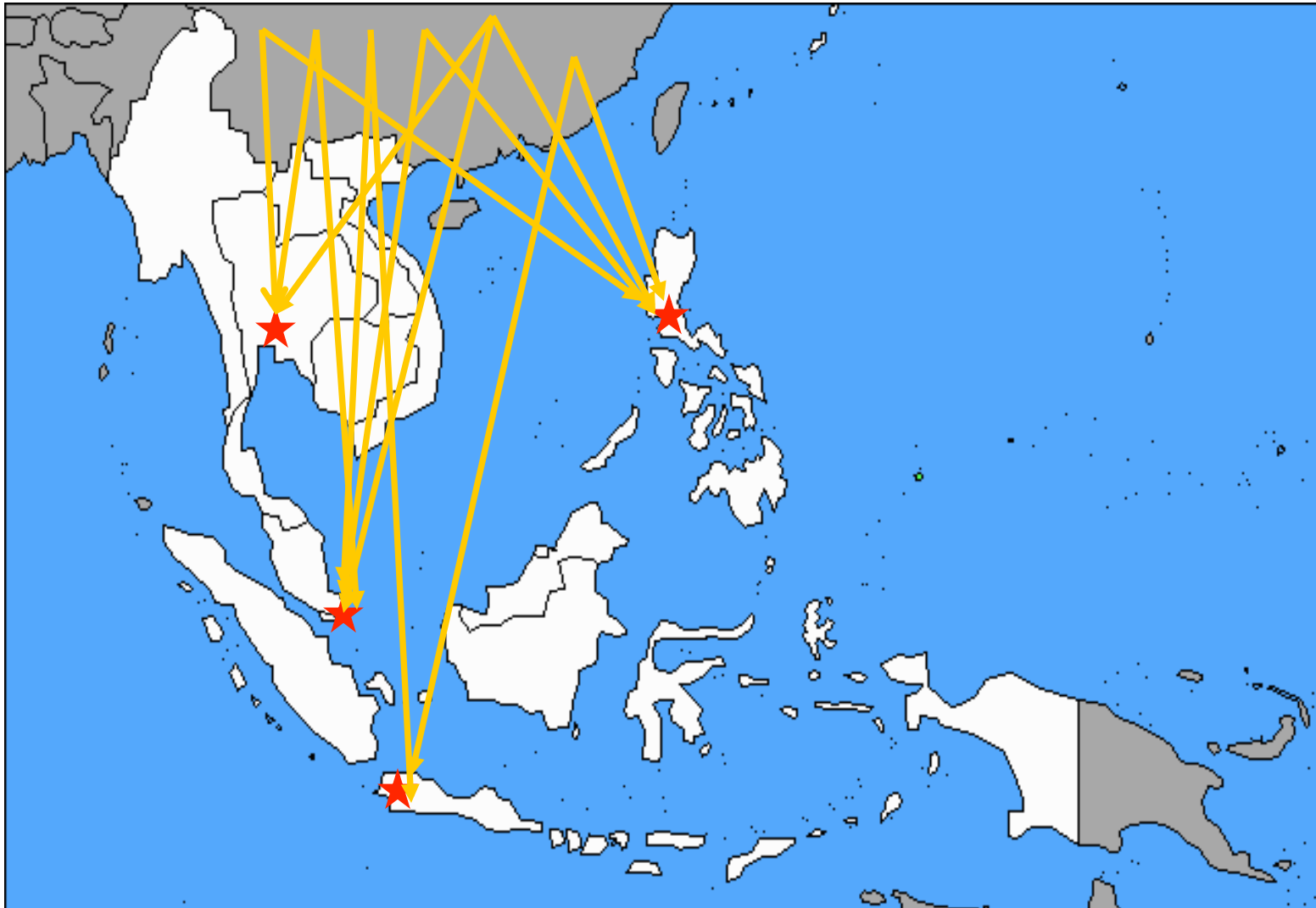
- Indonesia is notably staying out of ASEAN multilateral agreements
- Government lobbied by its carriers to stay out ...
- ... despite clear evidence of tangible economic benefits to other sectors of economy: tourism, investment, regional development etc.

- Larger issue: ASEAN agreements stop at third, fourth and fifth freedoms. Seventh freedom? Domestic transport??
- Why is seventh freedom essential? See ASEAN-China Agreement!

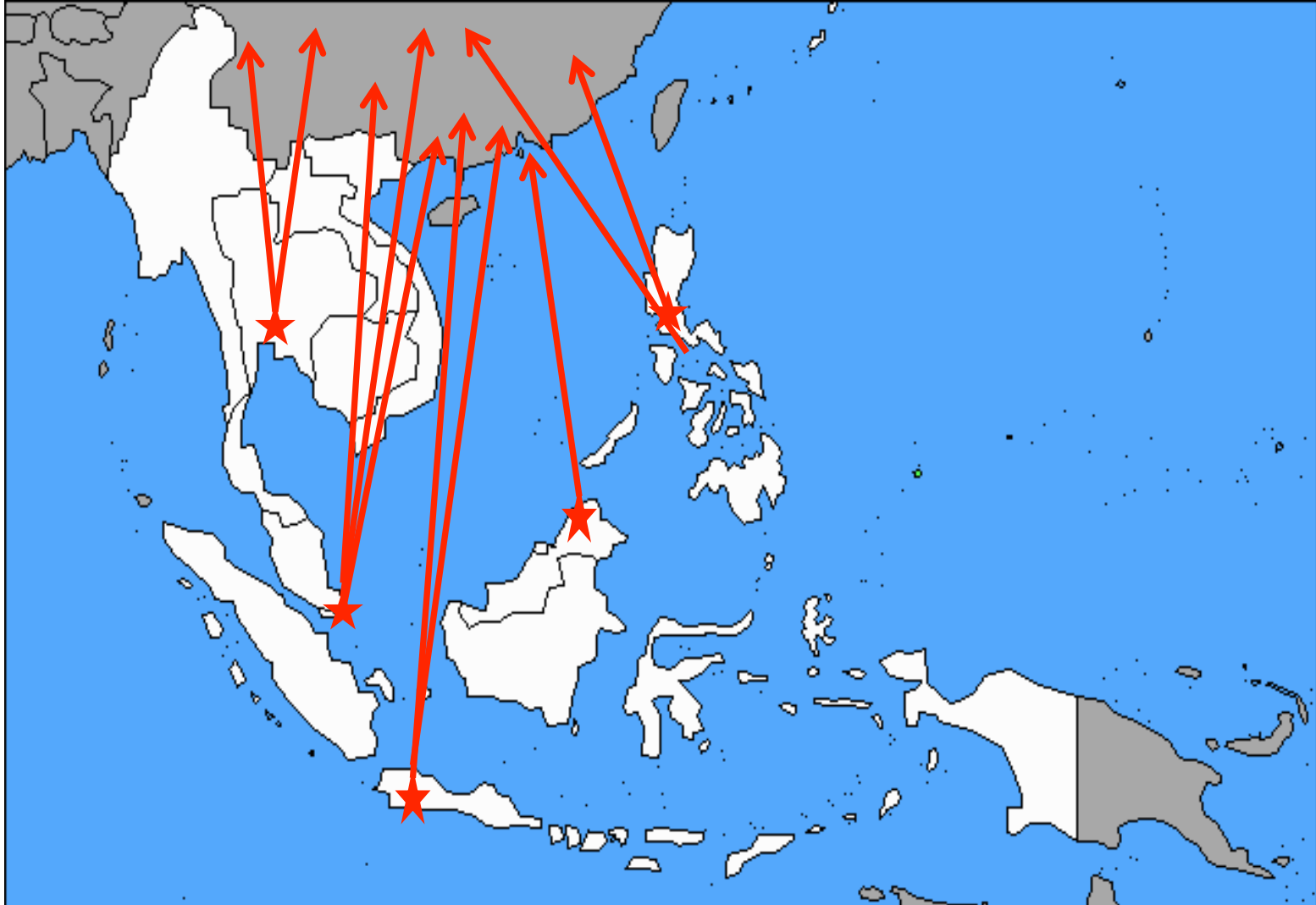
# ASEAN Airlines' Network



# Chinese Airlines' Network



# ASEAN Airlines' IDEAL Network



# But ... enter the LCCs ...





# Ownership/Control Barriers

- “Substantial ownership and effective control” rule still dominant
- AirAsia and its joint venture subsidiaries
- Not good enough! Region must move to “ASEAN Community Carrier” concept
- ASEAN Agreements do provide for this concept, but subject to veto of each member state!

# Ownership/Control Barriers

- Solution: Member states need not impose concept on own airlines
- But to allow access for *other* member states' airlines that are structured as community carriers
- Ownership/control relaxations must go hand-in-hand with market access relaxations

# Lifting Barriers

Reduce costs and increase efficiencies for all airline operations, FSC and LCC

Solve infrastructural and human capacity constraints

Further liberalize market access and ownership/control rules (for true single market!)

An ASEAN regulator for harmonized standards?

Common ASEAN negotiating stand?

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THANK YOU

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