

**THE 51ST INTERNATIONAL AIR TRANSPORT (IATA) AGM**

DEWAN TUN DR. ISMAIL, PUTRA WORLD TRADE CENTRE, KUALA LUMPUR,  
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It is indeed a pleasure to welcome you to Malaysia for the 51st IATA AGM. As you gather in Kuala Lumpur to discuss the issues affecting the aviation industry, let me congratulate members of IATA for the US\$1.8 billion nett profits generated and the turn around in its fortune for 1994 after the record losses for the period 1990 to 1993.

2. Malaysia takes a keen interest in the aviation industry. Air transport plays a major role in the world's economic activities with an estimated 1.2 billion passengers and 20 million tonnes of freight being transported last year. It is also an important economic catalyst with a turnover of almost US\$250 billion. Undoubtedly, consumers have benefitted from the easing of government regulations of the air transport industry which has resulted in increased competition, improved services, wider choices and lower fares.

3. As for Malaysia, the civil aviation system is a vital national resource and has played a pivotal role in its trade, tourism and economic progress. Last year the national carrier's revenue which is about RM4.9 billion, and the receipts from the tourism sector of RM8.3 billion, together contributed almost 12.5 percent share of the country's GDP.

4. Malaysia's rapid GDP growth exceeding 8.4 percent per annum since 1988 has now made it an attractive inbound and outbound market for both passenger and cargo traffic. Being the 19th highest ranking trading nation in the world, and with a merchandise trade account worth approximately U.S. 120 billion dollars, Malaysia offers tremendous opportunity for interested operators. In fact the total value of imports and exports by Malaysia has tripled between 1988 and 1994. As our economy expands, the national carrier's role has broadened from promoting trade and tourism to linking the world to Malaysia as well as to bringing about a higher degree of economic integration and raising the level of Malaysia's competitiveness.

5. With the Malaysian economy anticipated to continue growing at well over seven percent per annum until the year 2020, the country's macro-economic policy for the Seventh Malaysia plan covering the 1996-2000 period will focus on higher value added, more capital, information and technology intensive industries. The skill of the workforce will be upgraded and more funds will be allocated for Research and Development.

6. In this regard, the Malaysian Government has identified aerospace/aviation as one of the critical sectors which offers opportunities for the transfer of advanced technologies in engineering, electronics, composite materials as well as manufacturing and system integration with other industries in the economy.

7. For this reason, the private sector and government co-operation under the Malaysian Industry Government Group For High Technology (MIGHT) has been established to promote Malaysia's entry into the aerospace and aviation industry. Although aerospace is a high risk and capital-intensive industry, Malaysia wants a share of the world's aerospace business which has a sales turnover of more than US\$218 billion in 1994.

8. In addition, the huge demand for aircraft by Asia Pacific countries estimated at one quarter of the 15,000 aircraft or US\$400 billion in value by 2014 creates vast opportunities for off-set work, flight training, repair and maintenance of aircraft engines as well as the manufacture and assembly of airframe parts and components.

9. As Malaysia is strategically located within the Asia Pacific region, with a stable political and investment climate as well as a highly skilled and competitive workforce, the aerospace industry can be further developed through joint ventures and strategic alliances with one or more of the world's leading aerospace companies. Incidentally, if you are looking for partners and investment in the aerospace industry in Malaysia, you are most welcome to attend the 3rd LIMA or Langkawi International Maritime and Aerospace exhibition, which will be held in Pulau Langkawi from 5th-10th December 1995.

10. In line with its aspiration to achieve a developed nation status by the year 2020, Malaysia has embarked on a programme of development of major infrastructures.

11. The construction of a new world class Kuala Lumpur International Airport (KLIA) at Sepang to replace Subang International Airport, which has almost reached its designed capacity of 5,454 passenger movements per hour, is part of the Government's commitment towards the planned development of the nation. The KLIA will also propel the country's aviation, aerospace and tourism industry into the next century.

12. Over the last five years, the Subang International Airport has experienced robust growth of 14 percent and 15 percent per annum for passenger and cargo respectively. For 1994,

passenger movements totalled 11.3 million while cargo handled at Subang International Airport amounted to 262,000 tonnes.

13. The new KLIA is designed with a terminal capacity for 100 million passengers, six to eight million tonnes of air cargo per year and five runways when fully completed. The first phase of the KLIA is estimated to cost RM9 billion and is expected to be completed by end 1997 and operational by 1st January 1998. It will have initially, a capacity of 25 million passengers and one million tonnes of cargo plus two runways and a main terminal and one satellite building with a space of five million sq.ft or equivalent to the total area of Heathrow's four terminals. KLIA will incorporate state-of-the-art total airport management system which is a computerised system that interfaces and integrates with the various electronics system within the airport environment.

14. With 10,500 hectares of land available, KLIA will be ideal for development as a major passenger, cargo, maintenance and aerospace hub in this region. In short, KLIA is designed to be an efficient, competitive and a world class hub airport for the Asia Pacific region.

15. To meet the challenges posed by the 4-fold expansion in Asia Pacific's international scheduled passengers to 375 million by 2010 and a share exceeding 59 percent of the world's total, many countries within the region including Malaysia have been either upgrading or building new airports. In the case of cargo, its long term growth rate is expected to be even faster than passenger at over nine percent per annum.

16. Global economic development depends largely on the reduction of barriers to trade, travel and investments. The freer movements of goods, services and people across frontiers have been envisaged by the World Trade Organisation (WTO). Malaysia supports WTO and has in fact an open trading economy.

17. In accordance with its free trade practice, Malaysia has always propagated a liberal aviation policy based on the principle of reciprocity. To date we have signed a total of 73 Air Services Agreement of which 44 have been activated.

18. Whilst many Asia Pacific countries have adopted liberal aviation policies following the deregulation of air transport in the United States in 1978, it is ironic that there are still developed nations that have yet to dismantle barriers to entry and competition.

19. The world certainly needs an efficient transportation system and the rapid air traffic growth forecast worldwide in

general, and Asia Pacific in particular, must be accompanied by greater freedom for market access.

20. It is now time that developed countries practise what they preached on global free trade and apply them to air transportation. It is pointless for the United States to single-mindedly pursue "Open Skies" and "Equivalency of Benefits" policy and insists on getting more and more Fifth Freedom Traffic Rights whilst keeping its domestic market closed to foreign competitors. This policy is unlikely to succeed in the Asia Pacific region if the gains are one-sided and accrue only to American carriers.

21. Despite the deregulation of the air transport industry and the introduction of a single European Aviation market in 1992, the European Union's (EU) bilaterals with many Asia Pacific carriers can hardly be described as "liberal". Malaysia has encountered great difficulties in securing additional traffic rights into many of the EU nations. "Fortress Europe" is definitely an apt term to describe many of the prevailing bilateral Air Services Agreements. What is needed is fairer Air Services Agreements which provide for more balanced opportunities into Europe and the United States.

22. For Asia Pacific nations, it could perhaps be proposed that the governments establish very liberal exchange of rights or even an 'Open 3rd/4th Freedom' access for carriers within this region so as to cater for the rapidly escalating Intra-Asia Pacific traffic in line with the regional trade liberalisation and tariff reduction policies ascribed under AFTA and APEC.

23. To counter the threat of "Bloc Negotiations" and the pursuit of "Open Skies" as well as to redress existing unbalanced Air Service Agreements, Asia Pacific nations must be prepared to act in concert and adopt a co-ordinated stance in negotiating with the EU and the United States. The consequence of not doing so will likely be the domination of the aviation industry by the mega carriers from the United States and Europe.

24. Hence, for industry to prosper, governments, and airlines world-wide have to embrace liberal aviation policies that reflect the spirit of liberalism, give and take and open handedness in negotiating with one another.

25. The aviation industry has progressed by leaps and bounds since the first flight by the Wright Brothers.

26. Economic, political and social changes coupled with decreasing fares have resulted in exploding growth in air

travel. Technology advances on the other hand, have brought the air transport industry to the edge of a new era of the Very Large Transport 800 seater aircraft and the twice the speed of sound High Speed Commercial Transport into virtual reality.

27. As air transport is both vital and necessary to global economic development and wealth creation, we must work together to revamp the regulatory system and policies that impede the growth of the industry. Together let us make it a truly thriving global business by the next century.

28. Thank you and I wish you all a successful AGM.