My name is Xie Xingquan.

I am IATA's Regional Vice President for North Asia. And for now I am also the ad interim RVP for Asia Pacific while the search is on for a successor to Philip Goh, who retired from IATA at the end of April.

$1.2 profit per passenger

$0.4 in 2023

0.7% profit margin

0.2% in 2023

As we announced yesterday, IATA's updated outlook for 2024 shows as an industry profit of $30.5 billion this year.

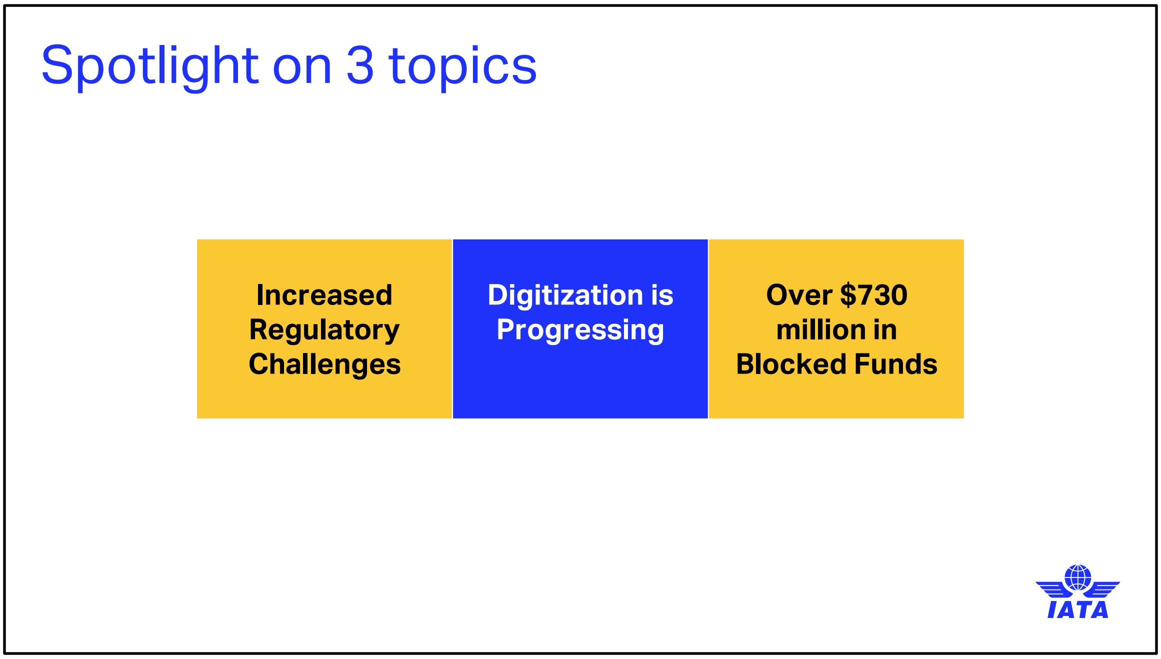
Specific for the Asia Pacific region, we are projecting profits of $2.2 billion, up from $0.6 billion in 2023. The June outlook is also higher than what we had in our December forecast ($1.1 billion).

This works out to be a $1.2 profit per passenger, compared to $6.14 profit per passenger industry wide.

Asia-Pacific is expected to be responsible for half of the world's RPK growth in 2024 driven largely by recovering domestic markets in China, Japan, and Australia. International travel in the region remains subdued, especially in China, where it is still below the pre-COVID levels. This indicates that there is still a lot of pent-up demand for cross-border travel in the region, which will likely boost future growth prospects.

The growth potential for the region is tremendous.

Asia Pacific is the fastest-growing among the regions. 66% of the increase in passenger numbers between 2023 and 2043 will be from Asia-Pacific



Asia is a vast region, with parts of the region in different stages of aviation maturity.

For my briefing, I'll focus on three issues.

Increased Regulatory Challenges

Consumer Protection / Accessibility

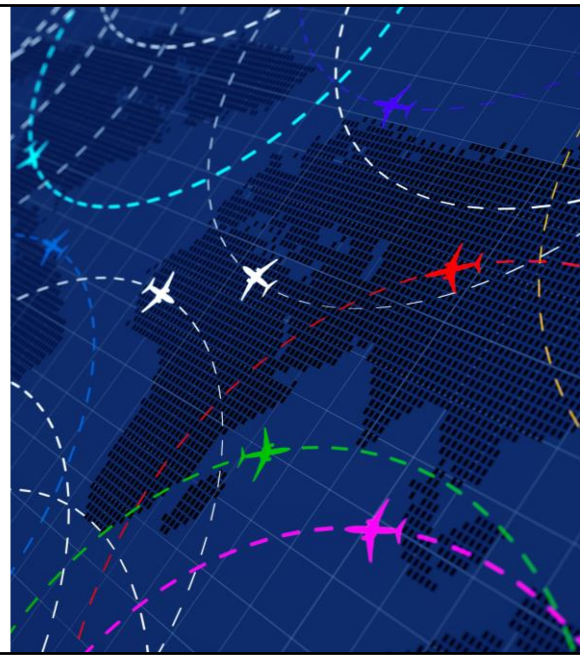
- Australia
- Philippines
- Thailand

Taxes

- Cambodia
- Indonesia
- India
- Nepal
- New Zealand
- Thailand

Data Privacy

- China (mainland)



As was mentioned in the new outlook announced yesterday, one of the risks to the outlook is regulatory risk, with airlines facing rising costs of compliance, with regulatory measures being introduced. The Asia Pacific region is not immune to this.

In fact, we are seeing a proliferation of regulatory challenges emerging across the region. These include consumer protection/accessibility regulations, taxes, as well as data privacy requirements.

I will not go into the details of what happening in each market. The details are in the presentation notes online. But what is critical is that governments need to take into consideration the views of the airline industry and recognize the need for shared accountability.

<u>Consumer protection/Accessibility:</u>

Australia

There is a risk of Australia adopting an EU261-style regulatory framework, which would result in additional costs, administrative, and operational burdens. IATA has given comments as part of the Australia Green Paper consultation.

<u>What we are asking for</u>: The government should take into account the positions and

views of the airlines and recognize the need for shared accountability.

Philippines
The Philippines Civil Aeronautics Board (CAB) has approved changes to Economic Regulation No. 9 on Providing for a Bill of Rights for Passengers and Air Carriers Obligations, or more commonly known as the Air Passenger Bill of Rights (APBR). Extensive changes had been proposed, which will add significant burden on airlines.
<u>What are we asking for</u>: While the Bill has already been passed, the government should continue to work with the airlines, and provide sufficient time for airlines to comply with the new regulations.

Thailand
The government is drafting a revised consumer protection law to address several areas including flight delay, cancellation, denied boarding, overbooking and negligence to disabled passengers. The new law will apply to all Thai and Foreign carriers operating both domestic and international services and includes onerous requirements similar with EU261. IATA has provided our recommendations to CAAT in a formal submission.
<u>What are we asking for</u>: The government should take into account the positions and views of the airlines and recognize the need for shared accountability.

<u>Taxes:</u>
Cambodia

Airlines operating to Cambodia face the following tax issues:

- Income Tax - Deemed profit is overestimated leading to high taxation
- Withholding Tax - This is unusually applied to items like aircraft leasing cost and income remitted back to airlines HQ
- Double Taxation Treaty - Airlines domiciled in countries with DTAs are still subject to local direct tax, while airlines domiciled in countries without DTAs are worried about uncontrollable costs due to taxation
- Specific Tax - An indirect tax applicable for revenues/sales in Cambodia
- Import Tax on Jet Fuel leading to high fuel prices

IATA has engaged the Cambodian government several times on the issues.

<u>What are we asking for</u>: The government should work with the industry to resolve these issues.

Indonesia
The government is looking at setting up a Sustainable Tourism Fund funded by Tourism Tax on passengers, following the Love Bali tourism tax introduced Feb 2024. It is also not possible for airlines to collect the tax through their ticketing as they are not able to verify the nationality and purpose of travel of passengers during ticketing. The Coordinating Ministry of Maritime Affairs and Investment

postponed the industry consultation indefinitely
What are we asking for: The government should not introduce the Tourism Tax which will dampen air traffic recovery in Indonesia.

India
Why is this a concern: The Directorate General of GST Intelligence (DGGI) had investigated foreign airlines regarding an alleged import of service from the Head Office in relation to aircraft services made available to the Branch Office in India, which would per se include aircraft rental cost, crew and pilot costs, maintenance costs etc., in relation to the passengers embarking from India. As a result, such costs would need to be cross charged to India branch, so as to be liable to GST under reverse charge. Airlines' branch offices in India do not play any role in the crucial operations such as contracting for aircraft leases, crew and pilots, fuel and maintenance costs, etc. All the operations to and from India are decided, controlled, and operated by the airlines' head offices and it is not legally accurate to attribute any strategic and/or operational risks and functions to the branch offices in India.
What are we asking for: These costs should not be liable to GST.

Nepal
The Nepal Government has introduced a 13 percent VAT on air tickets for foreign travel. This will have a dampening effect on demand for air travel. There is also a lack of clarity on the apportionment of base fares for tickets where only a segment is VAT-applicable, and also the applicability for ancillary services. IATA has engaged the government on the topic.
What are we asking for: The government should roll back the VAT, and also clarify the applicability of the VAT.

New Zealand
The government is looking at increasing the International Visitor Conservation and Tourism Levy (IVL) which will dampen demand for travel to the country. Passenger numbers in New Zealand are already recovering at a slower pace compared to the global and Asia Pacific recovery.
What are we asking for: The government should delay reviewing the increase in IVL until passenger numbers have recovered.

Thailand
THB300 Tourism Tax is already published but now being postponed due to implementation issues. The government had assured that airlines would not be involved in the collection and verification of the tax.
What are we asking for: Airlines should not be involved in the collection and verification of the tax, as per the direction from the government.

Data Privacy:
China

Compliance in China's cross-border regulation has been a challenge for multinational companies and organization. Not only more clarity is needed in the related laws and regulation, but also in the implementation of security assessment of cross-border data transfer. China issued new cross-border data transfer regulation (*Provisions on Promoting and Regulating Cross-Border Data Flows)* in March, which exempts air ticket booking under the category of personal information to be transferred outside China for the purpose of entering into or performing contracts to which the individual is a contracting party. However, security assessment is still required for important data. Data processors should identify important data according to relevant regulations. For data that has not been notified or publicly released as important data by relevant departments or local government, data processors do not need to apply for security assessment. There still exists compliance risk as the rules of important data in the aviation industry is not available yet.
What we are asking for: The government should have a clear definition and scope of important data for the aviation industry.

Digitization is Progressing

Passenger Processing (One ID)

- Australia
- China (mainland)
- Chinese Taipei
- Hong Kong SAR
- India
- Indonesia
- Japan
- Korea
- Malaysia
- New Zealand
- Singapore
- Thailand
- Vietnam

IATA

As I had mentioned earlier, over the next 20 years, the Asia Pacific is the fastest-growing (CAGR 5.3%) among the regions. There will be 4.15 billion more passengers in 2043, of which 2.75 billion will be contributed by the Asia Pacific region, or 66%.

The industry will need to continue to improve efficiency to deal with traffic growth. But building more and larger airports will be increasingly challenging. The industry needs automation, digitalization and efficient processes to handle this expected growth.

We need the industry to be prepared as digital identity will be widely adopted in the next couple of years. IATA's One ID initiative aims to transform passenger processing using digital identity technologies - (1) Digitalization of Admissibility in advance of travel i.e. digitalization of airlines' document checking processes, and (2) Contactless Travel through biometric-enabled identification at airport touchpoints. Infrastructure and regulatory support to be compatible with the One ID concept.

Developments in digital identity and biometric technologies have allowed contactless travel implementations to take place within Asia. More still needs to be done and I urge the other markets not listed in the slide to look at doing so.

Details of the progress in the various markets are given in the speaking notes. I won't be going through each of them.

Australia/ New Zealand – Various biometrics trials previously conducted in BNE, PER and SYD airports. SmartGates/ eGates deployed at major international airports in Australia and New Zealand to automatically process passengers through passport control using facial recognition technology in a quicker and more secure way. Instead of a paper Arrival Card, passengers can complete a digital declaration (NZTD) which will be automatically checked when the passport is scanned at the eGate. The Trans-Tasman Seamless Travel Group was established to explore initiatives including the use of biometrics to enable contactless processing of Australian and New Zealand citizens, exploring pre-clearance of passengers and their bags and the creation of a digital alternative to the paper incoming passenger card in Australia, with the aim of delivering a more seamless Trans-Tasman border. IATA held a One ID Workshop and the suggestions/ recommendations provided by the stakeholders were intended to facilitate dialogue and best practices for a seamless Trans-Tasman travel experience.

China (Mainland) - Over 30 airports have either trialed or implemented facial recognition at various touch points from check-in , security to boarding gates. As such for passengers to pass through each checking points with "face only". The airports include Guangzhou Baiyun Airport, Xian Xianyang Airport, Yunnan Airport Group, Haikou Meilan Airport and Hangzhou Xiaoshan Airport.

Chinese Taipei – Both TPE and TSA are trailing biometric recognition at several departure touch points.

Hong Kong SAR - Hong Kong airport has seamless immigration clearance via "flight token" program.

India – DigiYatra, launched by the Ministry of Civil Aviation to enable paperless travel for domestic passengers, leading to faster processing times and improving the overall travel experience. DigiYatra 2.0 is expected to be available for international travelers before the end of 2025.

Indonesia – TravelinPass, launched by Angkasa Pura II at CGK airport for passengers travelling on Garuda Indonesia and Citilink flights. Passengers do not need to physically show their travel documents at pre-security as verification is performed via facial recognition technology. Auto gates were recently implemented at DPS airport.

Japan – Passengers using Face Express at NRT and HND airports do not need to show their passports and boarding passes at self-service bag drop, pre-security, and boarding gates for international flights.

South Korea – Smart Pass at ICN airport enables passengers to pass through pre-security and boarding gates (participating airlines) without showing their passports and boarding passes with facial recognition technology.

Malaysia – EZPaz, launched by Malaysia Airports Holdings Bhd enables passengers to enroll/ register from the comfort of their home and seamlessly pass through the pre-security touchpoint at KLIA. The biometric system is available for domestic flights by Malaysia Airlines and AirAsia only.

Singapore – All foreign visitors, regardless of their nationality, can clear immigration using the automated lanes at checkpoints without the need for prior enrolment by end of 2024. This simplified clearance process will be facilitated by the next generation automated border control system to improve the immigration clearance experience for travelers and to strengthen border security. Singapore residents and departing visitors will experience a contactless clearance without the need to present their passports. SIMPLE, Changi Airport Group's biometric passenger processing aims to remove the repeated presentation of travel documents at multiple touchpoints and implementation is expected by end of 2024, in line with ICA's New Clearance Concept.

Thailand – The Airports of Thailand have installed new automatic channels for international travelers departing from BKK airport, speeding up immigration processes and alleviating congestion. Contactless travel trials were also conducted with pilot carrier, Thai Airways on flights to Singapore from check-in to bag drop to boarding.

Vietnam – Vietnam citizens can use their Vietnam e-identification (VNeID) for domestic travel at check-in, security check and boarding gates. Passengers will open their VNeID mobile app for the airport/ airline staff to match name and photo with their ticket or boarding pass.

Digitization is Progressing

One Record
- China (mainland)
- Hong Kong SAR
- Singapore

The move towards digitalization also involves cargo. ONE Record is a standard for data sharing and creates a single record view of the shipment. The vision for ONE Record is an end-to-end digital logistics and transport supply chain where data is easily and transparently exchanged among all air cargo stakeholders.

The implementation of ONE Record pilots helps the local air cargo community to get ready for IATA One Record, to support the IATA Digital Roadmap, and to demonstrate that ONE Record standards can support the multimodal transportation of the logistics chain.

We have seen movements in Mainland China, Hong Kong SAR, and Singapore. Clearly more needs to be done across the region.

Mainland China - One Record pilot in Qingdao Airport(completed in Dec2023): with Shandong Airlines Cargo, Qingdao Airport, InfoSky, and OCS. ONE Record pilot in Shenzhen Airport(completed in Dec2023): with HNA Cargo, ICCS, Sinotrans, eFreight, Loyal, Harves International, and BSI

Hong Kong SAR - One Record pilot for a multimodal shipment in Greater Bay Area(GBA): with HKIA, CX and GLSHK

Singapore - a number of One Record pilots are ongoing in. Major IT cargo platform and messaging exchange providers in the region are upgrading the system to be ONE Record compliant.

Over $730 million in Blocked Funds

Pakistan

$411 million

Bangladesh

$320 million

A slightly different issue, but equally important, is on blocked funds. Airlines need to be able to repatriate their earnings from overseas sales back to their head offices in a timely manner. This is needed for payment of dollar denominated expenses such as lease agreements, spare parts, overflight fees, fuel.

Unfortunately, in Asia Pacific, this is an issue in Pakistan and Bangladesh. The two markets currently rank the highest in the world in terms of the amount of airline fund that are blocked. We urge the governments to resolve this issue urgently.

In Pakistan, what is needed is to simplify the onerous process for repatriation, which currently includes the requirement to provide audit certificates and a tax exemption certificate, both of which cause unnecessary delays.

For Bangladesh, processes are more standardized, but aviation needs a higher priority from the Central Bank to facilitate access to foreign exchange.

Pakistan: Foreign airlines operating in Pakistan face an onerous process when applying for currency repatriation. Airlines are required to provide an auditor's certificate with each remittance showing the amount to be remitted. This can happen as frequently as twice a month, which can be time consuming and adds to the operating cost in Pakistan. Airlines are also required to obtain a Tax Exemption Certificate from the Commissioner of Income Tax. The certificate is redundant since airlines operating to Pakistan are covered by avoidance of double taxation. This further prolongs the fund repatriation process. We urge the government to simplify this process.

Bangladesh: The delays in funds repatriation in Bangladesh are mainly due to a shortage of US dollars. IATA has engaged with the government to prioritize the aviation sector when allocating US dollar funds within the Bangladesh economy. This will enable foreign airlines to remit their respective earnings. We urge the Central Bank and all authorized dealer banks in Bangladesh to prioritize the remittance of the airlines' funds stuck in Bangladesh as soon as possible.

I am happy to take your questions.