



TIME TO RESET

Adapting to the new world

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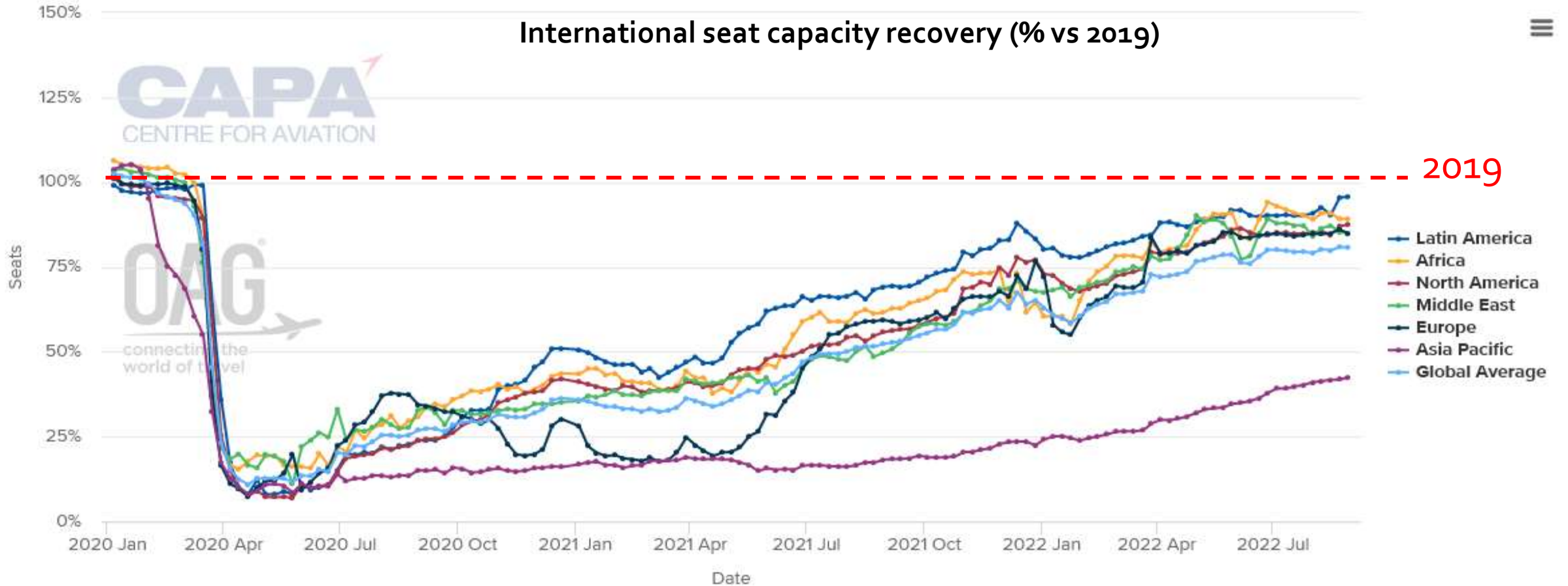
ASPA, Brisbane 2022

Key points

1. A time for fundamental strategic rethink
– *must* include partnerships
2. The future travel and tourism market is
short-medium haul, non-stop

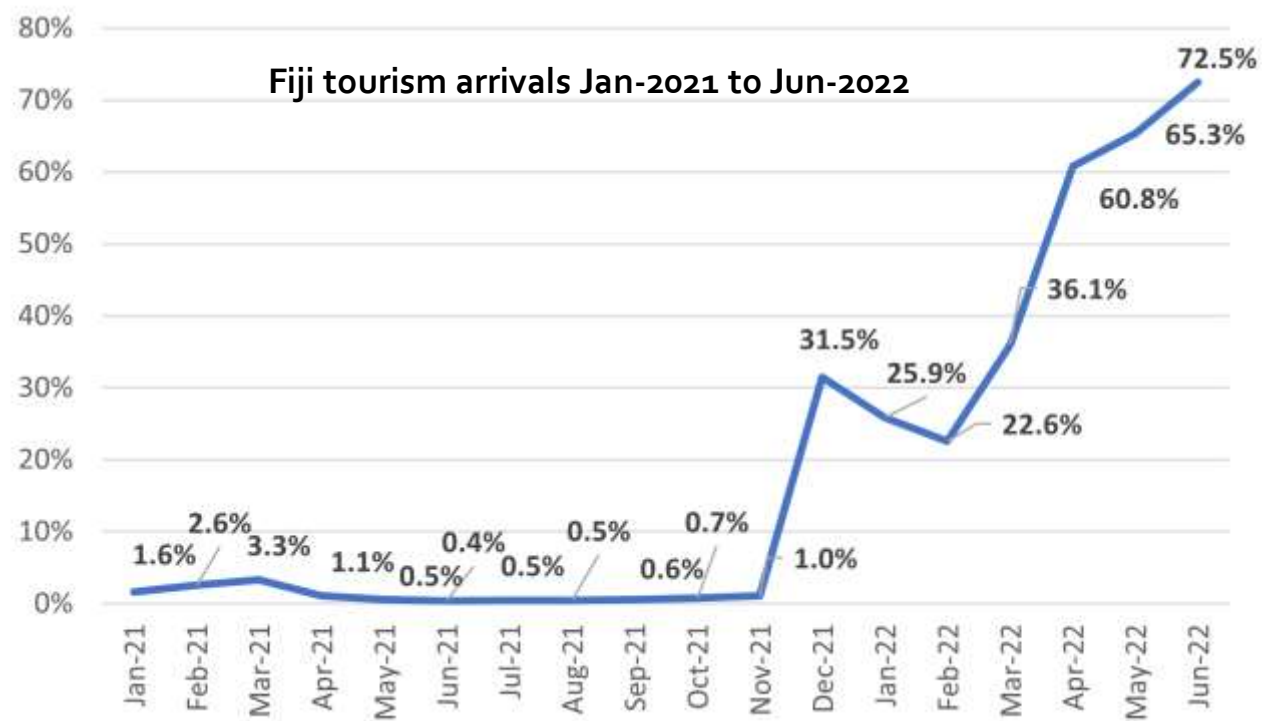
International capacity returns

- but Asia is lagging for now



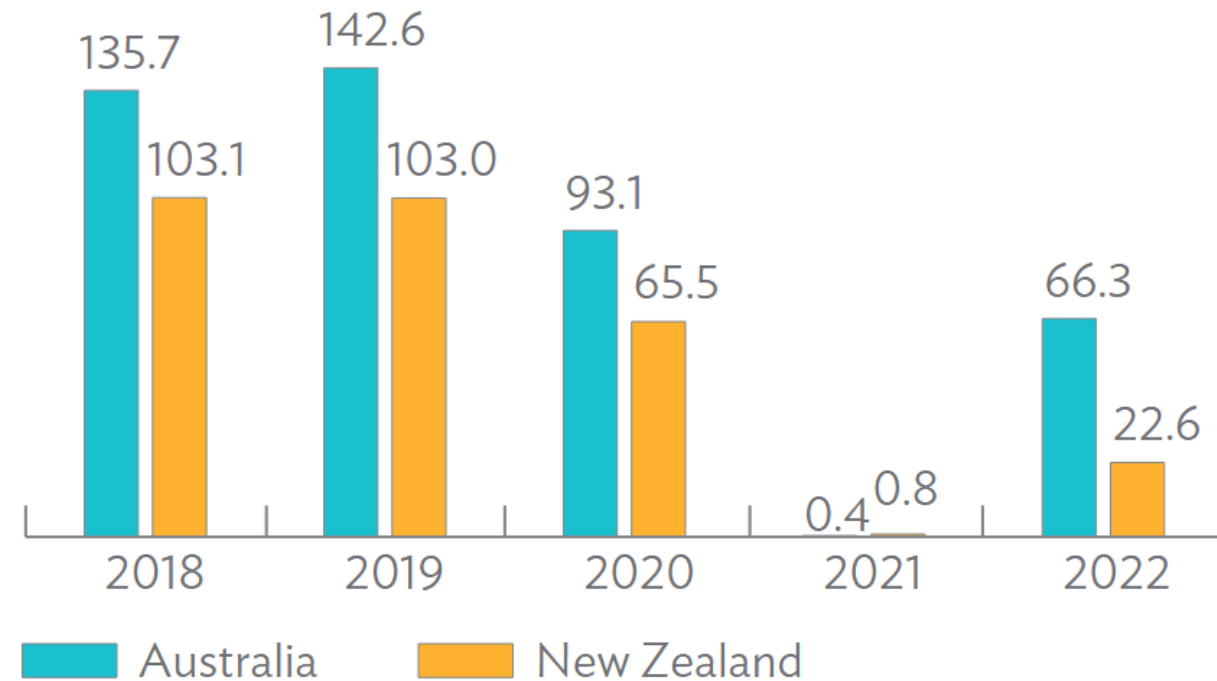
Island tourism

-boosted by lifting border restrictions



Source: CAPA – Centre for Aviation

Tourist departures for Pacific destinations
('000s, Jan-Apr total)



Source: Asian Development Bank, Australian Bureau of Statistics and Statistics New Zealand

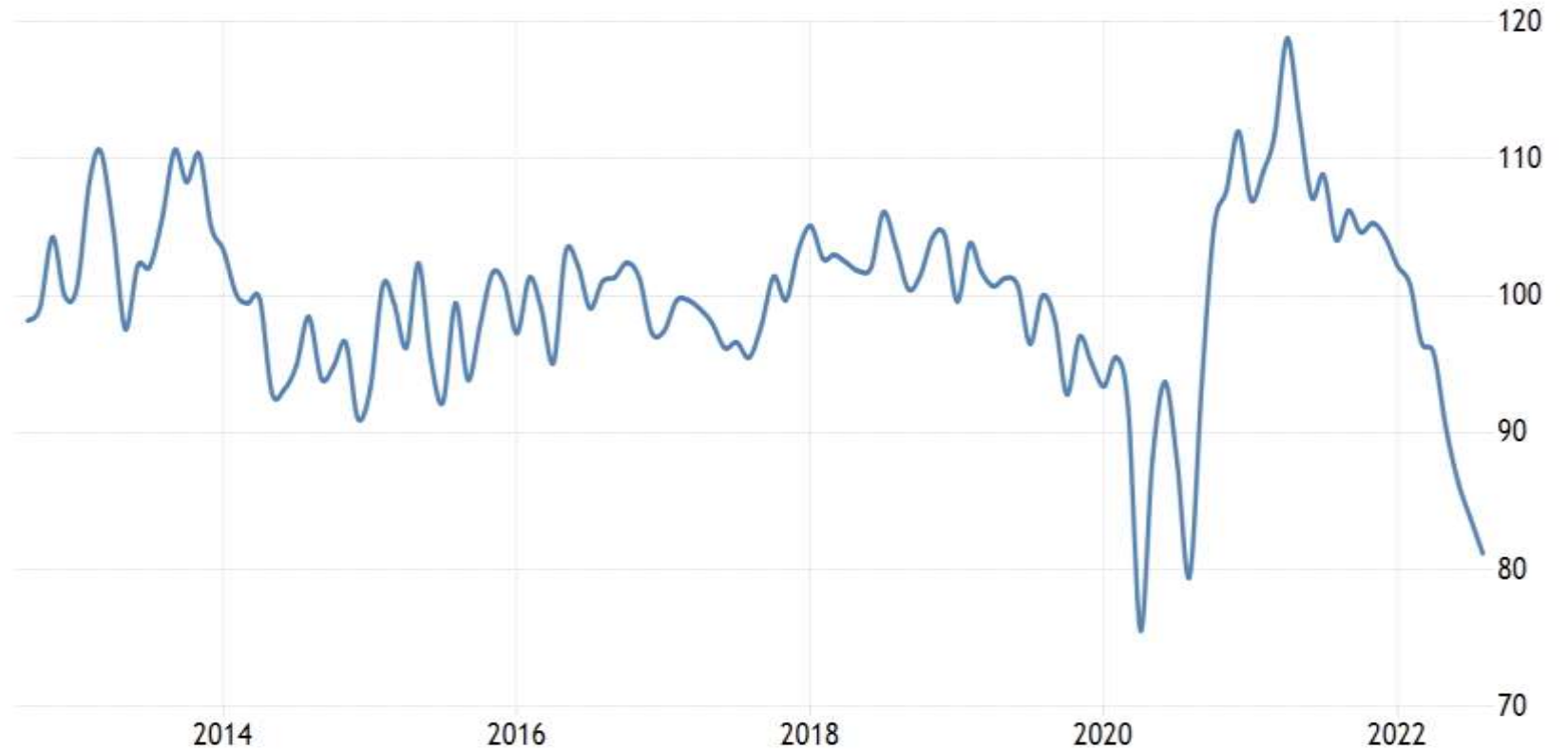
OECD
Consumer
confidence
lowest in
25 years

OECD consumer and business confidence (to Jul-2022)



Australia
Consumer
confidence
impacted
by interest
rates and
inflation

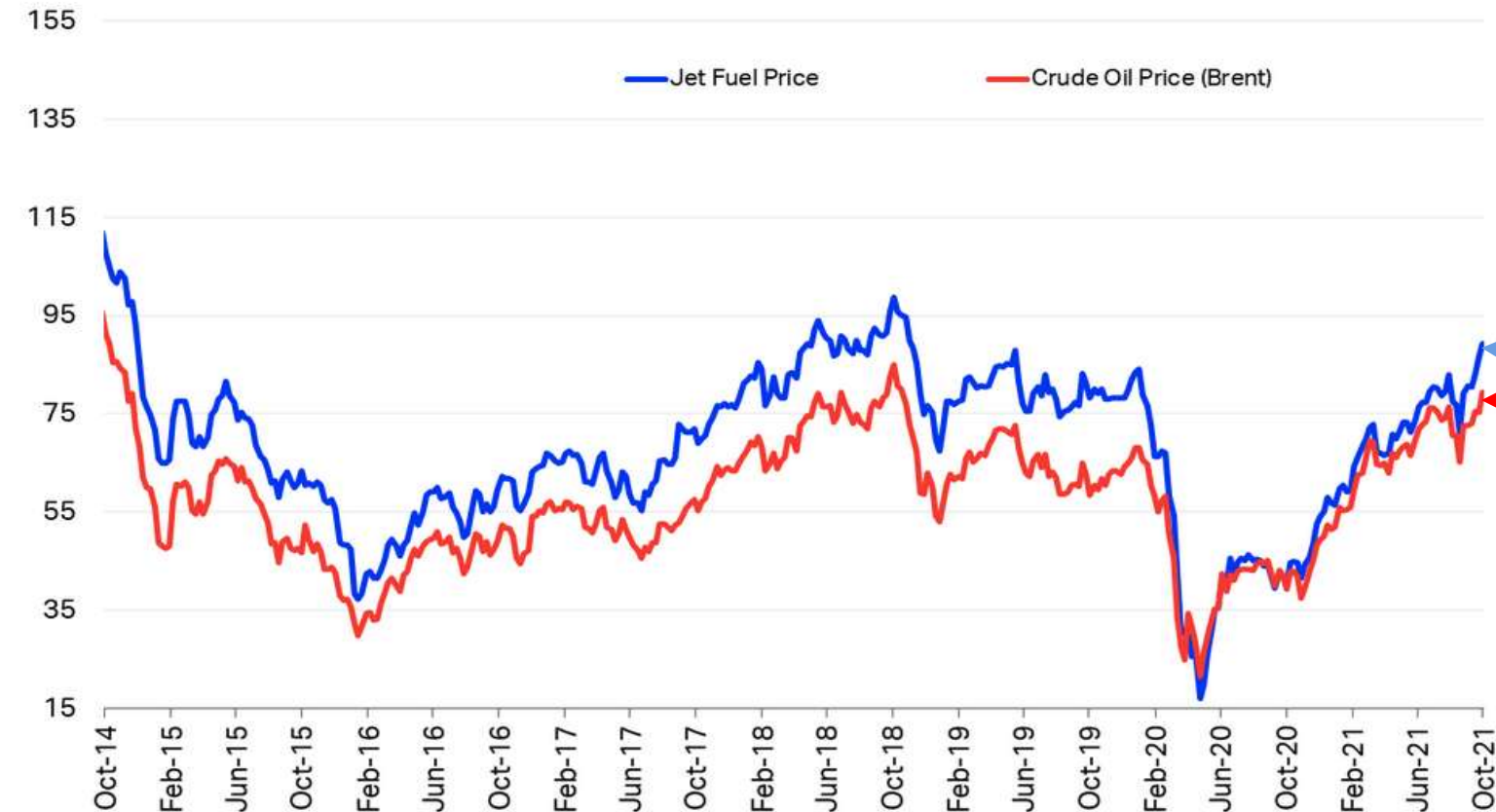
Australia consumer confidence (10 years to Aug-2022)



A worrying sign (2021)

Jet fuel price developments - longer term perspective

Jet Fuel & Crude Oil Price (\$/barrel)



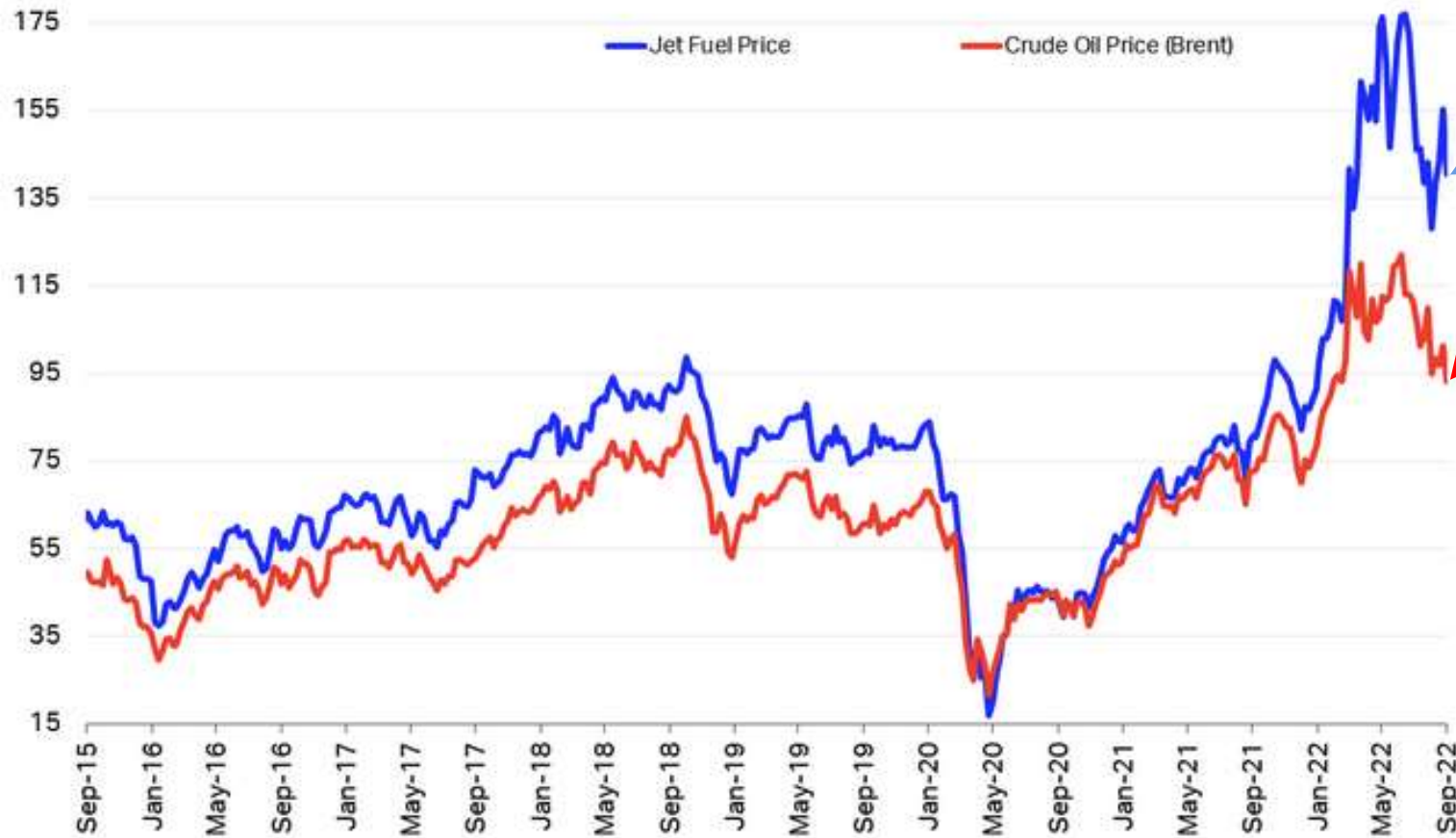
Jet fuel prices
are getting
out of sync
with crude

A worrying sign (2022)

Jet fuel prices are *greatly* out of sync with crude

Oil prices are predicted to fall (a bit) if economies cool. But maybe not jet fuel

Jet Fuel & Crude Oil Price (\$/barrel)



Industry uncertainty is greatest in decades

- Jackson Hole meeting of Central Bankers: conflict between US (+interest) and Asian (-interest) goals
- Time to be reassessing strategy
- Recognise there are many and unpredictable/uncontrollable changes:
 - Energy crisis, food crisis, supply chain crisis, inflation, the Russian invasion of Ukraine, China-Taiwan tension, China regional moves
 - And for aviation: human resources shortages, debt burdens, fuel prices, passenger demand changes
- Adopt new more conservative - *long term* - strategies



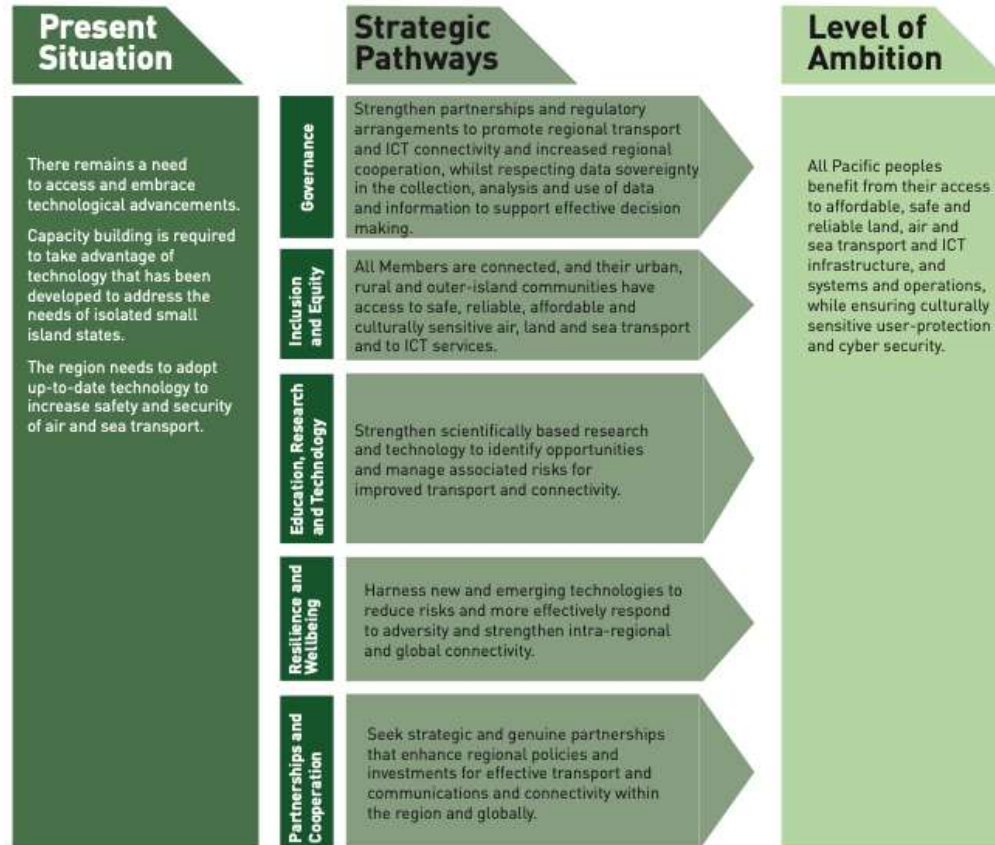
2050 Strategy for the Blue Pacific Continent



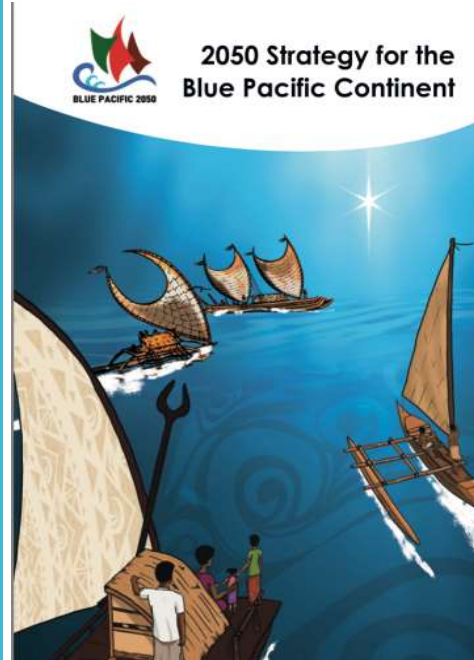
Thematic Area - Technology And Connectivity

This thematic area highlights the need for a well-connected region that ensures inclusive, affordable and accessible air, sea and land transport and ICT technology infrastructure and services. Technology and infrastructure is often unaffordable, inaccessible, and difficult to maintain. The adoption of new and emerging sustainable digital technologies requires effective partnerships and appropriate regional regulatory arrangements that respect the region's shared values.

The thematic area also draws attention to the importance of disaggregated data and data sovereignty and more detailed information for improved decision-making while ensuring safeguard measures are in place.



“Thematic Area: - Technology and Connectivity”



“Strengthen **partnerships and regulatory arrangements** to promote regional transport and ICT connectivity and increased regional cooperation, whilst respecting data sovereignty, in the collection, analysis and use of data and information to support effective decision making.”

“**All Members are connected**, and their urban, rural and outer-island communities have access to safe, reliable, affordable and culturally sensitive air, land and sea transport and to ICT services.”

Partnerships
have been
tried before,
but....

- This isn't just another blip. It's time to re-evaluate the entire aviation and tourism strategy for the region
- Alternative:
 - Independent island airlines continue to dig their debt hole deeper and deeper
 - Tourism becomes more unpredictable
 - ANZ airlines dictate operations
- If ever there was a time for collaboration, it's now....

The Tourism Dilemma for SPac airlines

- **Climate change** vs tourism
- Flights >5,000 km are biggest polluters
- 40% of airline emissions are from long haul flights, so they are the most vulnerable
- Governments and activists – and travellers - will exert pressure
- Airlines will need to demonstrate no conflict with national environmental goals

Australian aircraft orders are predominantly narrowbody

A350s only start to arrive in three years (just replacing A380s?)

Australia projected delivery dates for **aircraft** **on order** as at 22-Aug-2022



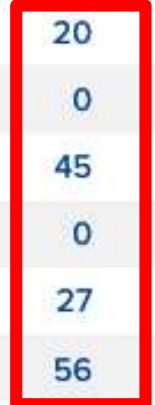
Source: [CAPA Fleet Database](#)
[More information](#) on how cargo payload values are calculated.
 Details on terms used within this graph can be found in the [glossary](#).

Qantas Group focus is on long haul narrowbodies range 7-10 hours

The A220 (as Air Vanuatu knows) is ideal for island services

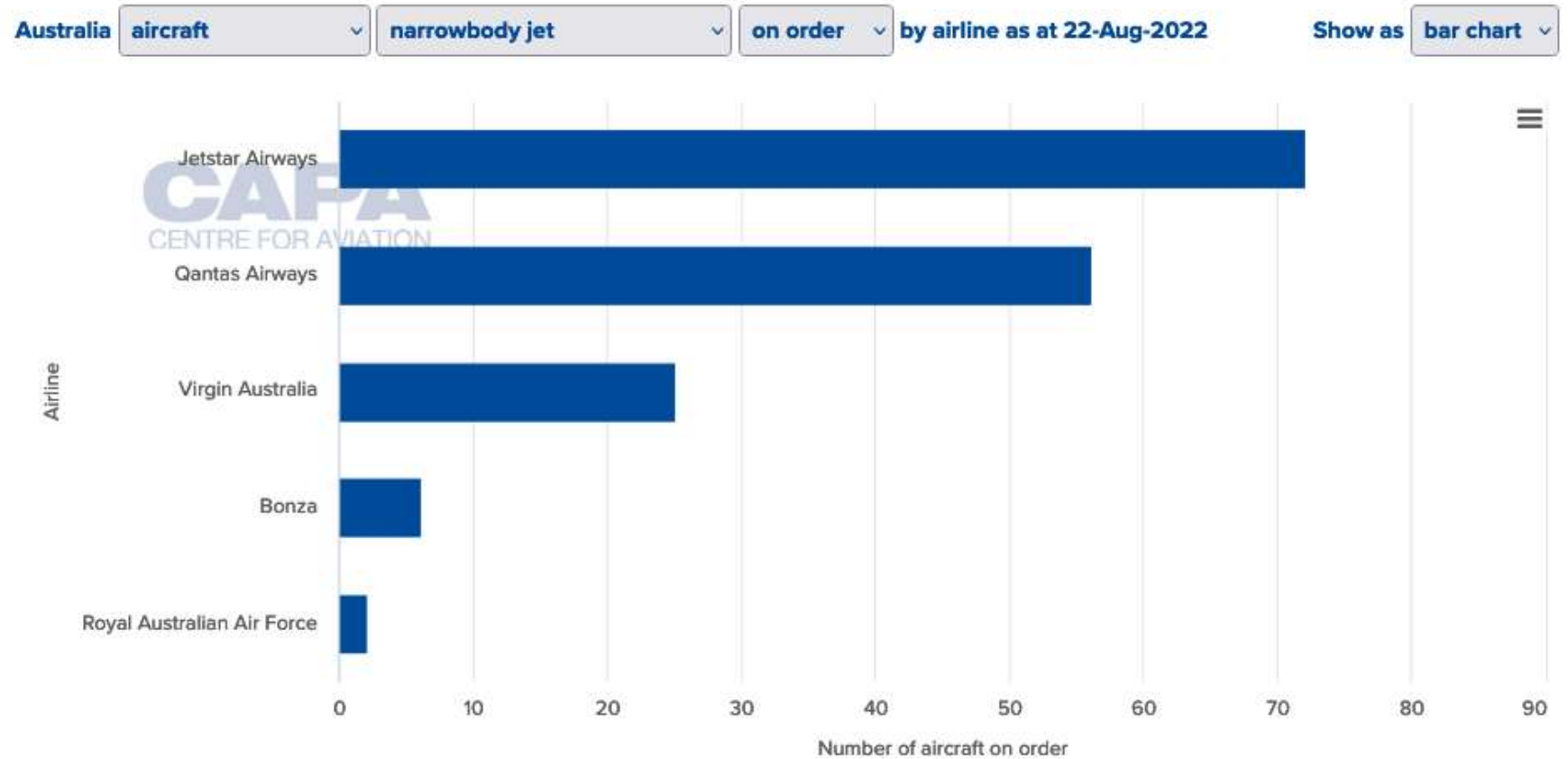
Aircraft	In service	Inactive	On order (confirmed)
Airbus A220-300	0	0	20
Airbus A320-200	66	3	0
Airbus A320neo	0	0	45
Airbus A321-200	6	0	0
Airbus A321neoLR	1	0	27
Airbus A321neoXLR	0	0	56
Airbus A321P2F	3	0	0
Airbus A330-200	16	2	0
Airbus A330-300	9	1	0
Airbus A350-1000XWB	0	0	12
Airbus A380-800	3	9	0
Boeing 737-300(F)	4	0	0
Boeing 737-400(F)	1	0	0
Boeing 737-800	75	0	0
Boeing 767-300F	1	0	0
Boeing 787-8	11	0	0
Boeing 787-9	11	0	3

148 narrowbodies



Australian aircraft orders are predominantly narrowbody

Qantas - A320 family
Virgin - MAX 10s
Bonza - MAX 8s



Source: [CAPA Fleet Database](#)
[More information](#) on how cargo payload values are calculated.
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The S word

- **Environmental Sustainability**, the new BIG kid on the aviation block
- Fundamental change coming
- Environmental pressures will become powerful by 2025
- ESG* pressures will influence companies and tourists
- There's no prospect of SAFs by 2030
- Offsets won't cut the mustard in future

* ESG – Environment, Social and Governance

The future travel and tourism market

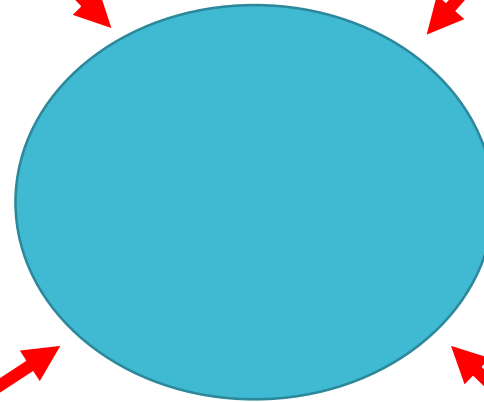
Business travel won't underwrite long haul

Environmental pressures will punish long haul

Travellers now more relaxed point to point, intra-region

Lessors dominate purchases. Narrowbodies are most attractive

Long range narrowbodies are most fuel efficient





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Thankyou!