



ISSUE 3

\$100 MILLION BOOST FOR AVIATION SECTOR

The recently launched Aviation Development Fund (ADF) will inject a much-needed boost to drive innovation and enhance productivity in Singapore's aviation sector.

In a bid to strengthen and promote the development of the aviation sector, the Civil Aviation Authority of Singapore (CAAS) recently introduced the Aviation Development Fund (ADF). The Fund will provide incentives for industry players to develop core strengths and programmes while ensuring the growth of the sector as a whole.

Announced during the inaugural Aviation Committee Reception held early this year, the CAAS-initiated Fund has a budget of S\$100 million for use over a five-year period starting April 2010.

“We have no natural advantages when it comes to aviation. This means that our success can only come from long-term planning and deliberate efforts,” said Raymond Lim, Minister for Transport and Second Minister for Foreign Affairs during the reception. ADF-supported initiatives will augur growth for Singapore's aviation sector, arguably one of Asia's — if not the world's — most dynamic industries.

THE INDUSTRY SO FAR

That the aviation industry plays a major role in powering Singapore's economy cannot be overly emphasised. The aviation industry is made up of three main sectors: air transport (airport and airlines), aerospace industries (incorporating Maintenance, Repair and Overhaul (MRO) and manufacturing services), and the air cargo & logistics sector.

In 2009, the air transport sector alone contributed close to S\$4 billion to Singapore's gross domestic product. In the same year the MRO sector captured over 20 per cent of the Asia-Pacific MRO market, adding a total of S\$2.7 billion to the country's coffers.

Regardless, challenges abound for the burgeoning aviation industry. The recent economic slump has seen the aerospace sector facing declining demand and muted business prospects with airlines downsizing their fleets; the global aviation industry hit an all-time low as the International Air Transport Association (IATA) predicted total losses of more than US\$11 billion

in 2009. As the world moves towards more fuel-efficient, new-generation aircraft, constant investments in both equipment and manpower also need to be made in order to provide industry-relevant services that will not only stimulate demand, but also stem the outflow of local talent.

Regional competition is increasing as many other countries also have aspirations of becoming an aviation hub. Lower cost competitors are emerging. Traditional growth sectors such as the air cargo, logistics and MRO are not spared. Having grown steadily over the past decade, it has had to deal with not just the fall in global trade, but also contend with rising competition from regional hubs on cost, efficiency and service. And while the local MRO sector remains buoyant, it needs to constantly improve itself in order to keep up with the strong competition.

DRIVING INNOVATION AND PRODUCTIVITY

Given the challenges within the aviation industry, there is a need to drive greater innovation and productivity in the sector — something the ADF aims to do. The main thrust of the ADF is to accelerate the development of the aviation industry and create more value-add, thereby maintaining its relevance and competitiveness globally.

Two initiatives under the ADF worth S\$25 million each are now open for applications. These are the Aviation Partnership Programme (APP), which aims to raise productivity and capabilities by supporting industry-level initiatives and the Aviation Innovation Programme (AIP), which aims to grow niches of excellence through innovation as well as capability development through company-specific projects.

The APP will be a joint initiative between CAAS and industry partners. Both parties will create industry-level standards and processes together to enhance overall productivity, effectiveness and competitiveness. They will also jointly identify initiatives that come under this programme and extend funding to individual companies to promote participation in these projects.

For its part, the AIP will assist companies in developing new capabilities in the industry by encouraging innovation and research & development, building aviation knowledge and research in Singapore, and supporting the introduction of new products into the sector. Like the APP, funding support will also be provided to firms looking to develop new capabilities and grow niches of excellence.

The industry has welcomed the announcement of the ADF. Companies with limited resources are encouraged to explore more innovative solutions for their businesses, particularly where high investment costs might have prevented them before. Small and medium enterprises stand to benefit most with expected higher levels of funding available.

STRENGTHENING SINGAPORE'S COMPETITIVE EDGE IN AVIATION

Singapore has amassed a significant amount of success in the aviation industry. The country is a leading air hub and enjoys the status of having one of the busiest airports in the world. It is also a respected aviation training centre as well as an MRO one-stop shop capturing over 20 per cent of the Asia Pacific market. Yet, the country should not rest on its laurels. "We should remain cognisant of the challenges facing the Singapore aviation industry," said Lim in his speech.

Thus, the creation of the ADF comes at a particularly opportune time as CAAS steps up its role as an industry enabler. By promoting projects that build new capabilities and raise our productivity and competitiveness, CAAS hopes to strengthen Singapore's competitive edge in aviation.

"Aviation is a key contributor to Singapore's success," said Lim. "By enabling opportunities through aviation, CAAS endeavours to help companies, organisations and individuals to realise their aspirations and goals in Singapore's dynamic aviation sector."

For more information and to apply for the Aviation Development Fund, write into us at caas_ai@caas.gov.sg