

Air Connectivity and Its Impact on Tourism in Asia and the Pacific

A Joint Program between the UNWTO, PATA
and the TPO

Why this Report?

- There is a rapidly growing demand for travel
- Aviation is a significant component of that travel
- The two are not always however, well synchronized

As stated in the report

“Separate sectorial policies on air transport and tourism result in a fundamental, and too often even conflicting disconnect which constitutes a severe constraint on the development of travel and tourism.”

Objectives

- Produce a comprehensive review of how air transport has contributed to tourism development in the Asia Pacific region and vice versa.
- Highlight best practice cases in terms of harmonized policies, strategies and marketing programs between the tourism and aviation sectors at national, regional and city levels.
- Formulate practical guidelines for policymakers and other stakeholders to foster sustainable development in both the tourism and air transport sectors.

Partners

This study was jointly conducted by:

- *The World Tourism Organization (UNWTO)*
- *The Pacific Asia Travel Association (PATA)*

in collaboration with:

- *The Tourism Promotion Organization for Asia Pacific Cities (TPO)*

and with the sponsorship of:

- *The Republic of Korea*

Methodology

- Largely secondary data used:
 - Data
 - Published reports
- Some primary support:
 - Specific surveys
 - Personal interviews

Section 1:

Overview of Aviation in Asia/Pacific

- 1.1 An Asia Perspective
- 1.2 Collapse of Traditional Order
- 1.3 Travel as Part of Asia's Social Status
- 1.4 Air Transport Growth & Asian Wealth correlation
- 1.5 Bilateral Air Agreements
- 1.6 The Gulf Carriers
- 1.7 Multiple-Brand Strategy for Legacy Carriers
- 1.8 Budget Carriers
- 1.9 Challenges for Airport Development

Section 2: Opportunities & Challenges

2.1 Visa Facilitation & Immigration/Border Procedures

2.2 Taxes & other Levies

2.3 Economic Regulation & Air Connectivity

2.4 Reduction of Greenhouse Gas Emissions

2.5 Convergent Rules on the Protection of Travellers &
Tourism Service Providers

Sections 3, 4

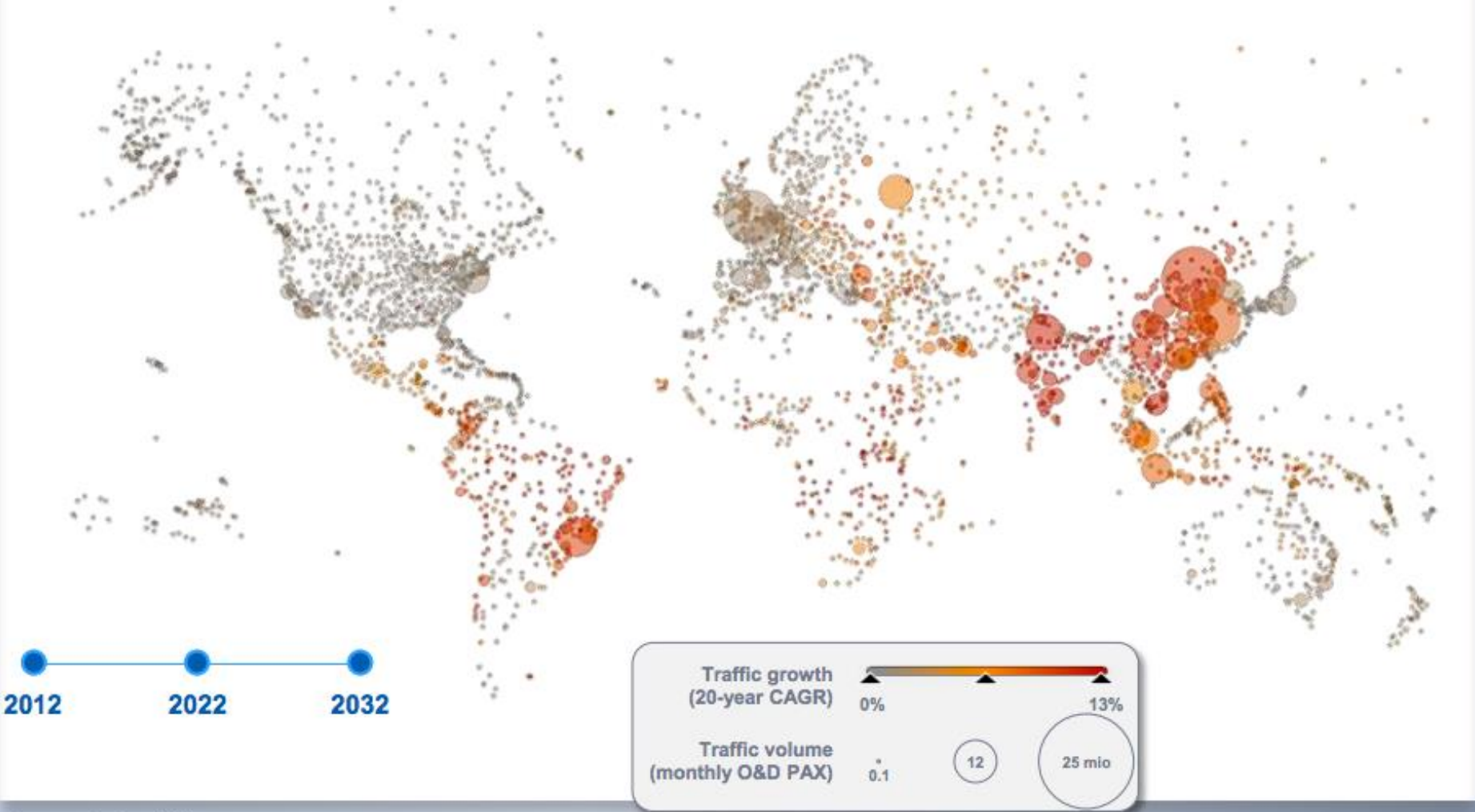
- Section 3: Case Studies
 - Australia
 - China: Chengdu; Dalian
 - Indonesia: Yogyakarta
 - Japan: Kagoshima, Osaka
 - Korea, Republic of: Busan; Jeju Island
 - Malaysia: Kota Bharu; Kuala Lumpur
 - Thailand: Phuket
 - Viet Nam: Hai Phong City
- Section 4: Conclusion & Recommendations



Why Aviation?

Aviation shapes the world

Origin-destination passenger traffic per city, 2013 – 2032 growth and 2032 volume



Source: Sabre, Airbus



The Importance of Aviation (I)

A significant contributor to international travel:

- *In 2013, almost 1.1 billion tourists crossed international borders, and over half of these tourists arrived at their respective destinations by air.*

The Importance of Aviation (II)

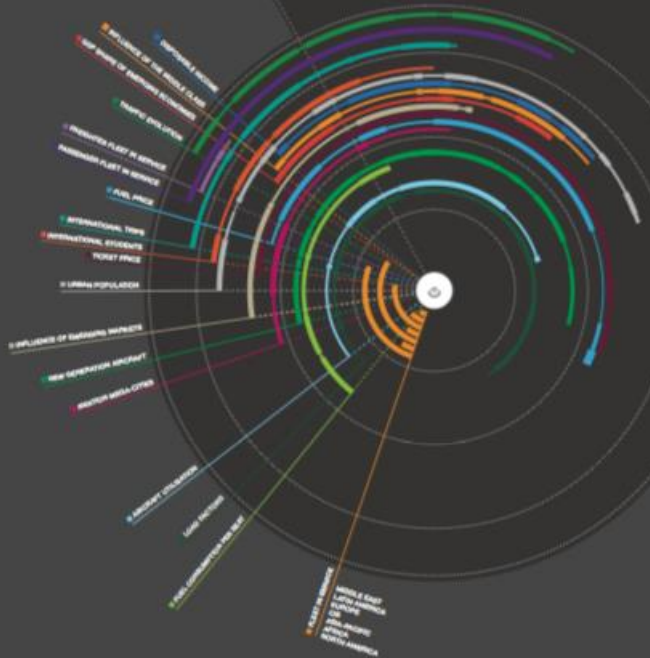
Furthermore UNWTO expects:

- *The number of international tourist arrivals worldwide to increase by an average of 3.3% a year over the period 2030.*
- *With arrivals to Asia/Pacific predicted to increase even faster at 4.9% per year.*

Global Market Forecast

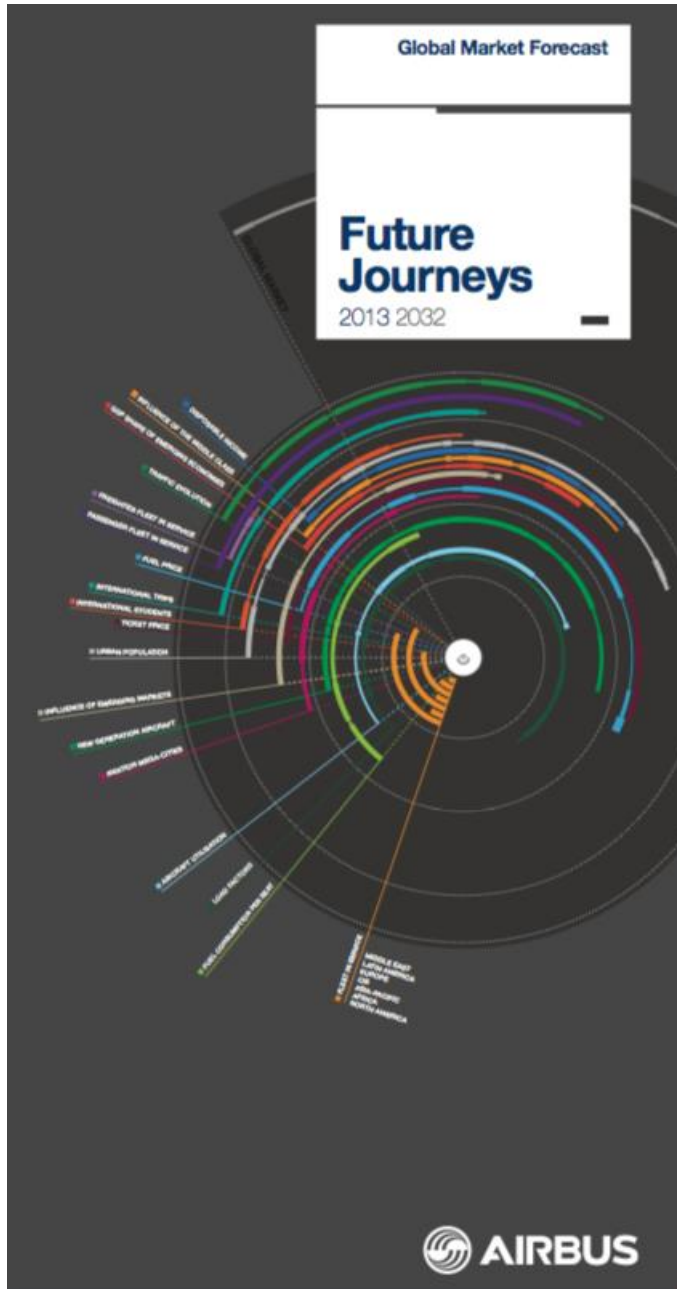
Future Journeys

2013 2032



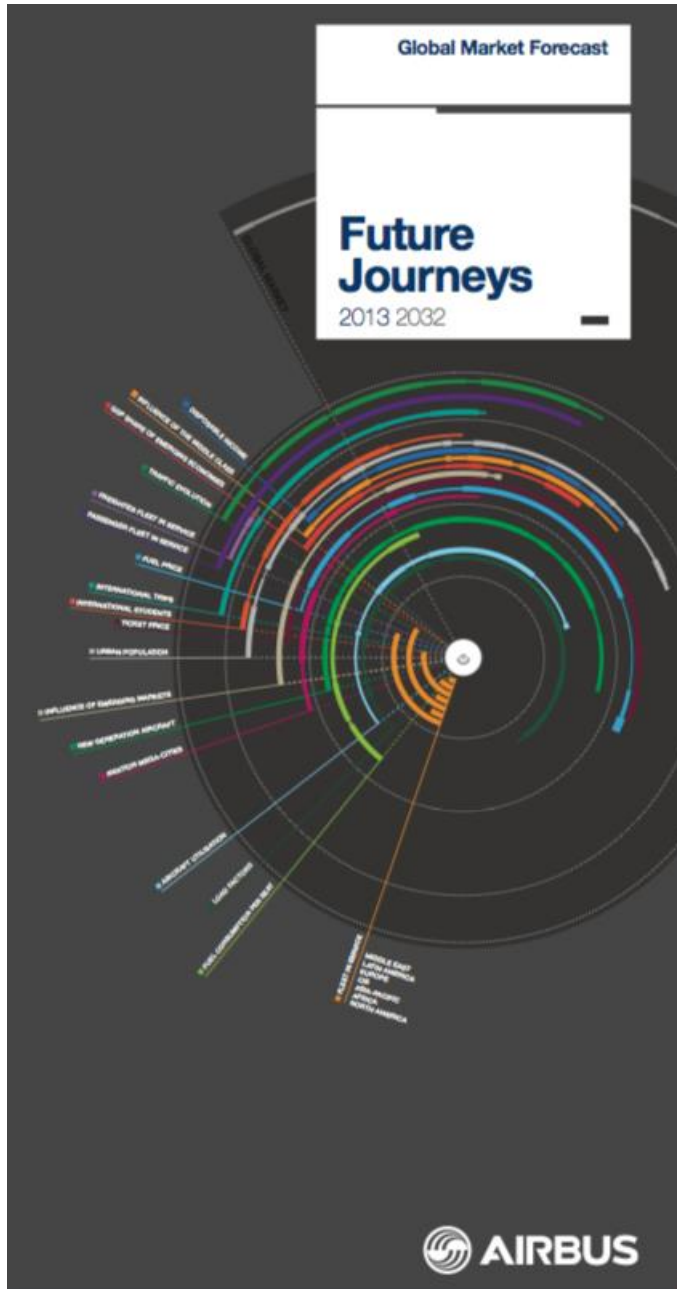
 AIRBUS

Development of Mega-Cities

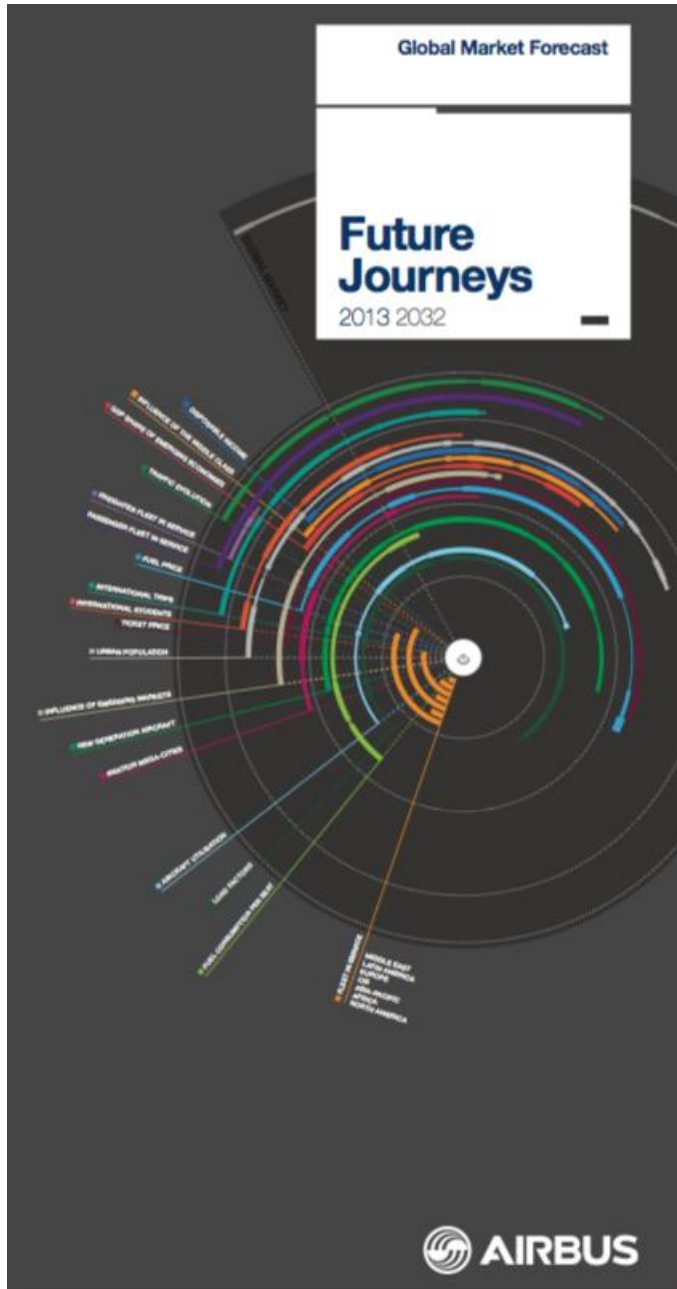


- The Airbus Global Market Forecast report 'Future Journeys' covering the period 2013-2032, identified 42 mega-cities in 2012.
- Defined as those serving more than 10,000 long-haul passengers each day.

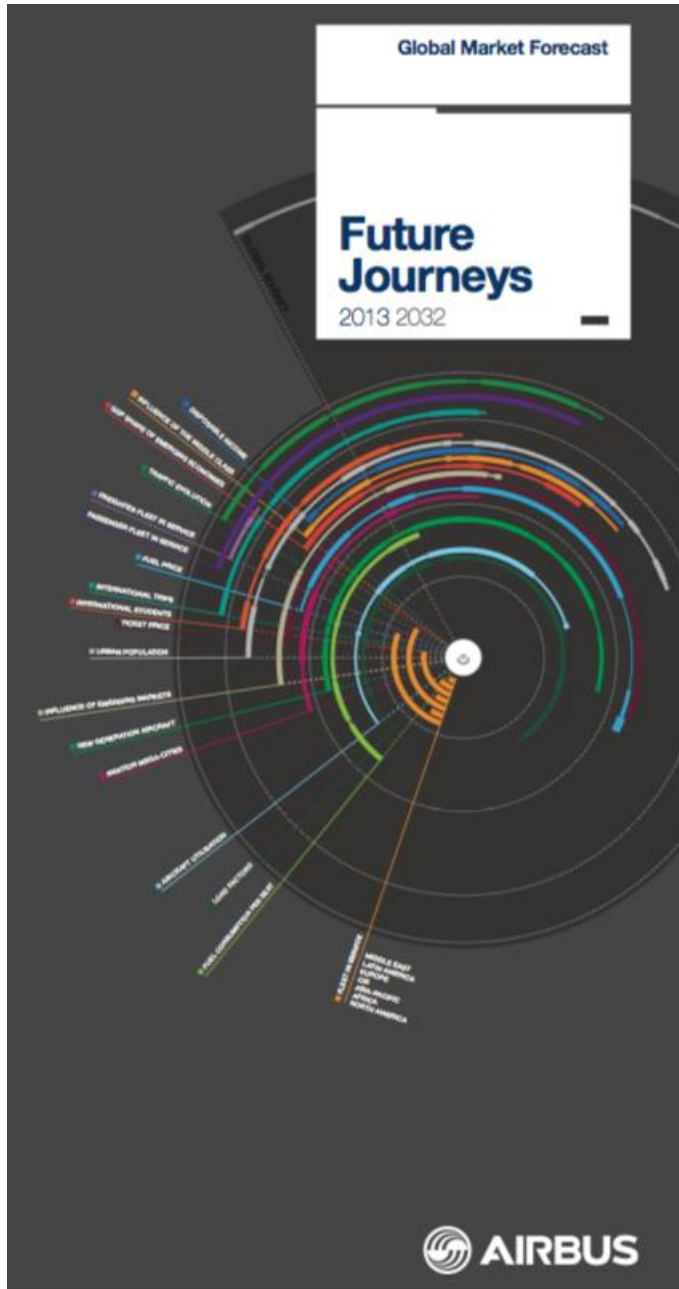
Note: Long-haul traffic = international flights of further than 2,000 nautical miles.



- More than 75% of global long-haul traffic is expected to fly between such cities by 2032 (51% in 2012), making airports in those cities key locations for reaching high-spending, intercontinental travellers.
- Routes to, from and through the mega-cities (including flights from airports in other smaller cities) will account for 99% of all long-haul traffic, the report predicts.

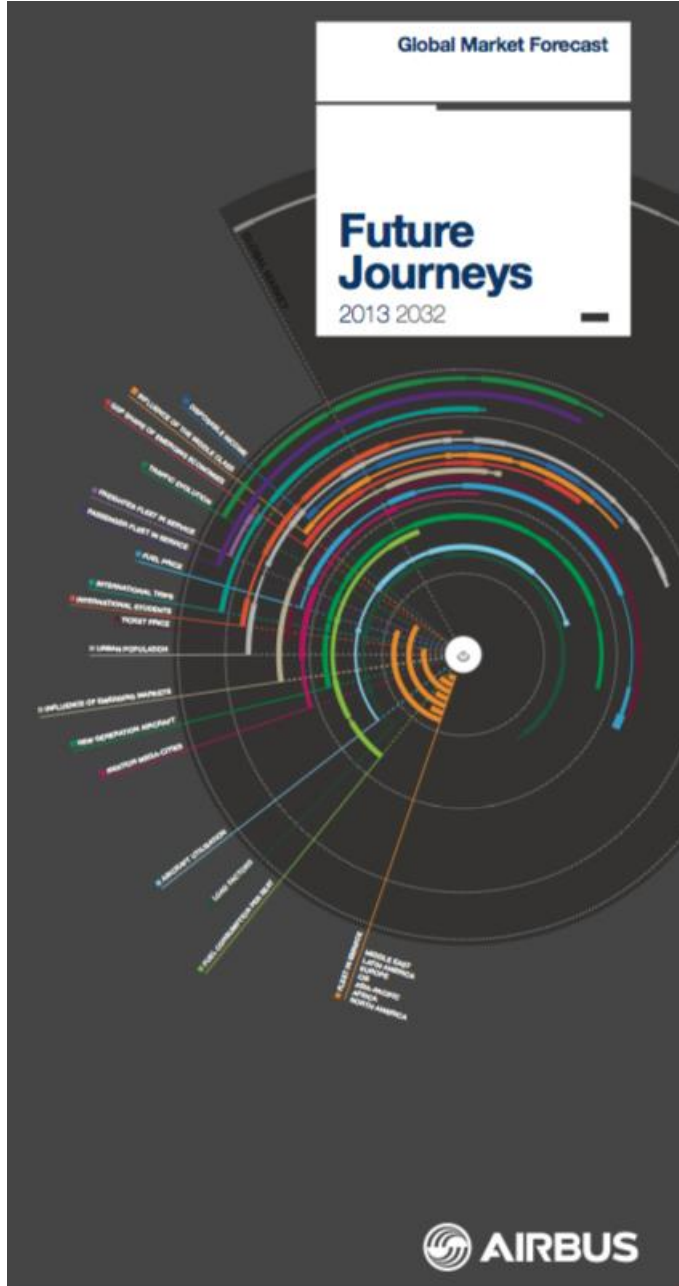


- By 2017, the 42 cities serving 10,000 or more daily long-haul passengers will have been joined by 11 more cities: Brussels, [Guangzhou](#), Houston, [Jakarta](#), Lagos, Lima, Lisbon, [Manila](#), Rio de Janeiro, Seattle and [Taipei](#).
- A further 16 cities will grow the list to 69 in 2022: Addis Ababa, [Auckland](#), Barcelona, [Brisbane](#), Dallas Fort Worth, [Denpasar](#), Detroit, Jeddah, Mexico City, Milan, Nairobi, Panama City, [Perth](#), Philadelphia, Riyadh and Santiago.



A further 16 cities will grow the list to 69 in 2022:

- ✈ Addis Ababa
- ✈ Auckland
- ✈ Barcelona
- ✈ Brisbane
- ✈ Dallas Fort Worth
- ✈ Denpasar
- ✈ Detroit
- ✈ Jeddah
- ✈ Mexico City
- ✈ Milan
- ✈ Nairobi
- ✈ Panama City
- ✈ Perth
- ✈ Philadelphia
- ✈ Riyadh
- ✈ Santiago.



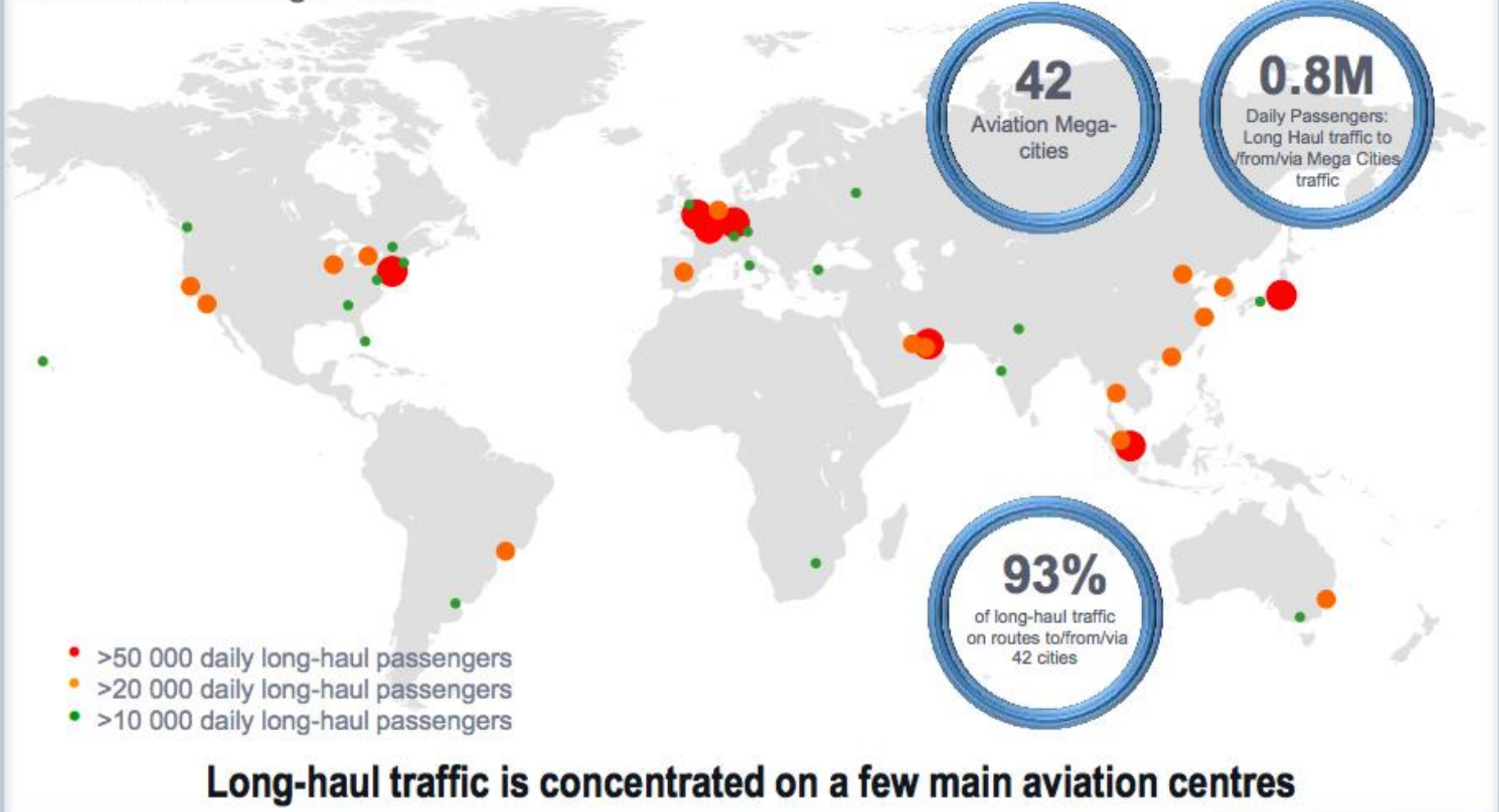
At that stage 26 cities will serve more than 50,000 long-haul passengers a day, and nine will process more than 100,000:

- ✈ London (241,000)
- ✈ New York (184,000)
- ✈ Dubai (182,000)
- ✈ Paris (145,000)
- ✈ Singapore (129,000)
- ✈ Frankfurt (127,000)
- ✈ Beijing (113,000)
- ✈ Shanghai (103,000)
- ✈ Tokyo (103,000).

- NOTE: *Long-haul traffic refers to international flights of further than 2,000 nautical miles.

42 cities in the world handle more than 10,000 long haul passengers per day ...

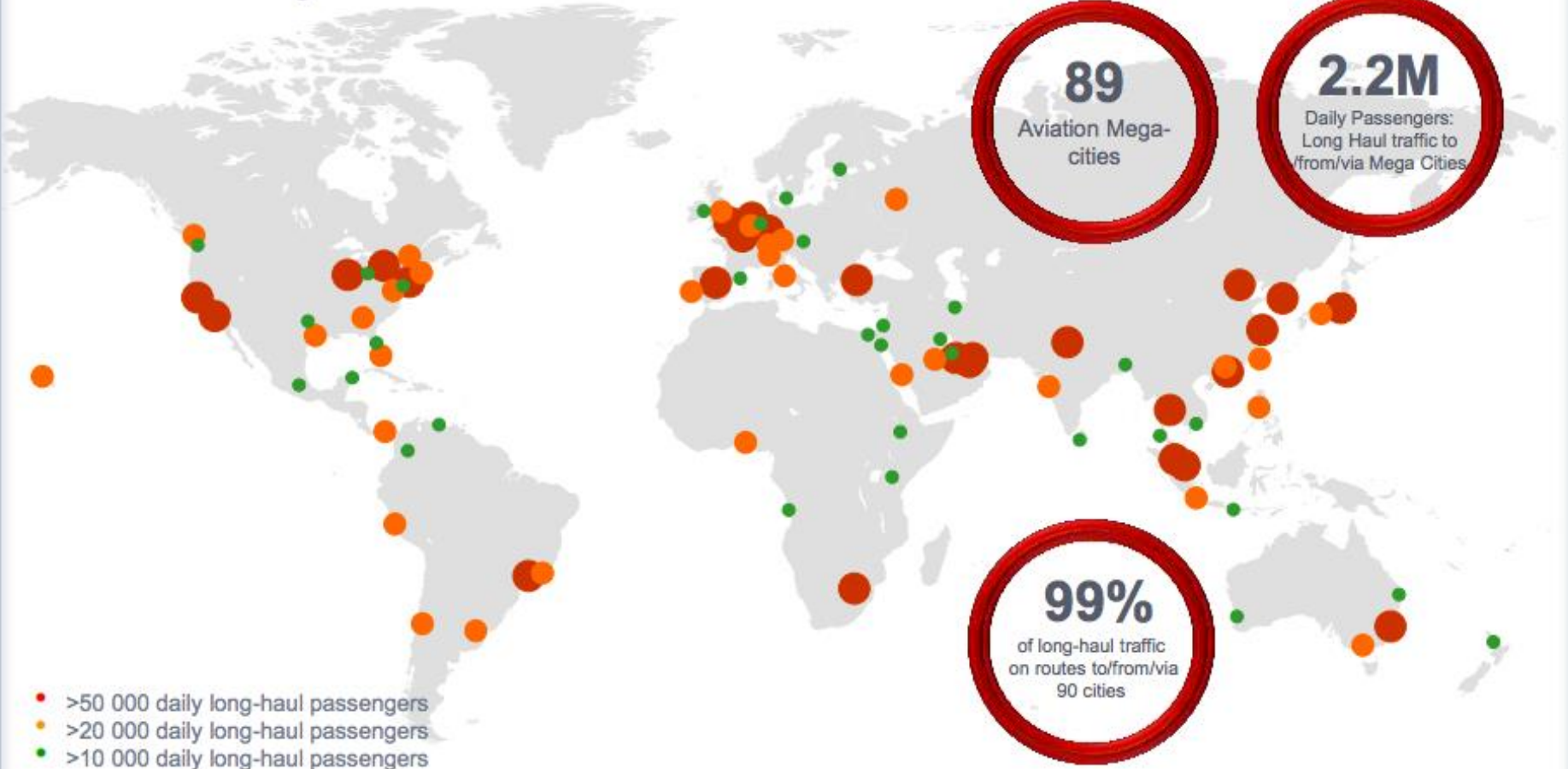
2012 Aviation Mega-Cities



Source: GMF 2013; Cities with more than 10,000 daily passengers
Long haul traffic: flight distance >2,000nm, excl. domestic traffic;

... and by 2032 there will be 90 Mega-cities

2032 Aviation Mega-Cities

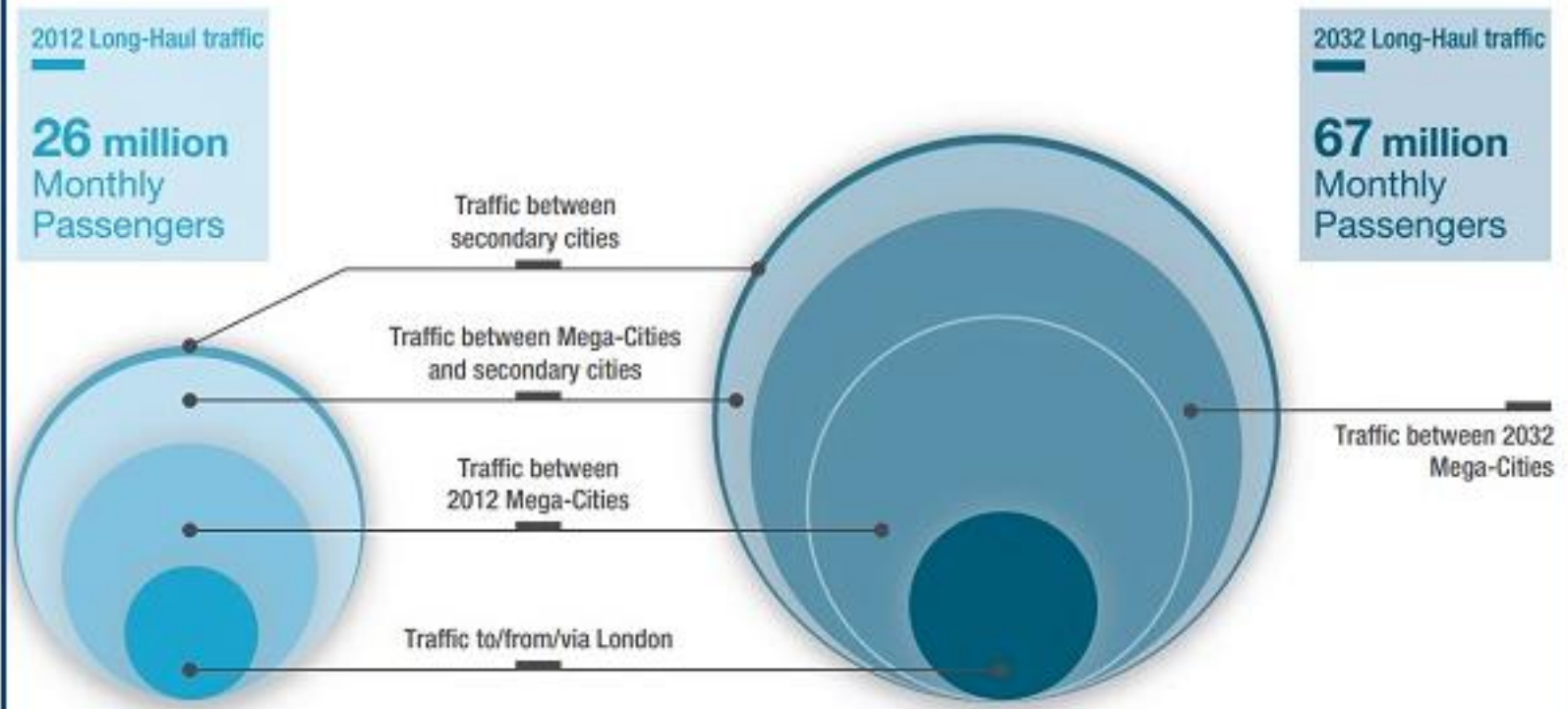


Long-haul traffic is more and more concentrated on main aviation centres

Source: GMF 2013; Cities with more than 10,000 daily passengers
Long haul traffic: flight distance >2,000nm, excl. domestic traffic;



> TRAFFIC BETWEEN MEGA-CITIES IN 2032 WILL BE HIGHER THAN TOTAL LONG-HAUL TRAFFIC TODAY



Note: Surface is proportional to traffic on this chart - Long-haul traffic: flight distance >2,000nm, excl. domestic traffic.

ERIK BRAUN

City Marketing

Towards an integrated approach



IBM Global Business Services

IBM Institute for Business Value

A vision of smarter cities

How cities can lead the way into a prosperous and sustainable future



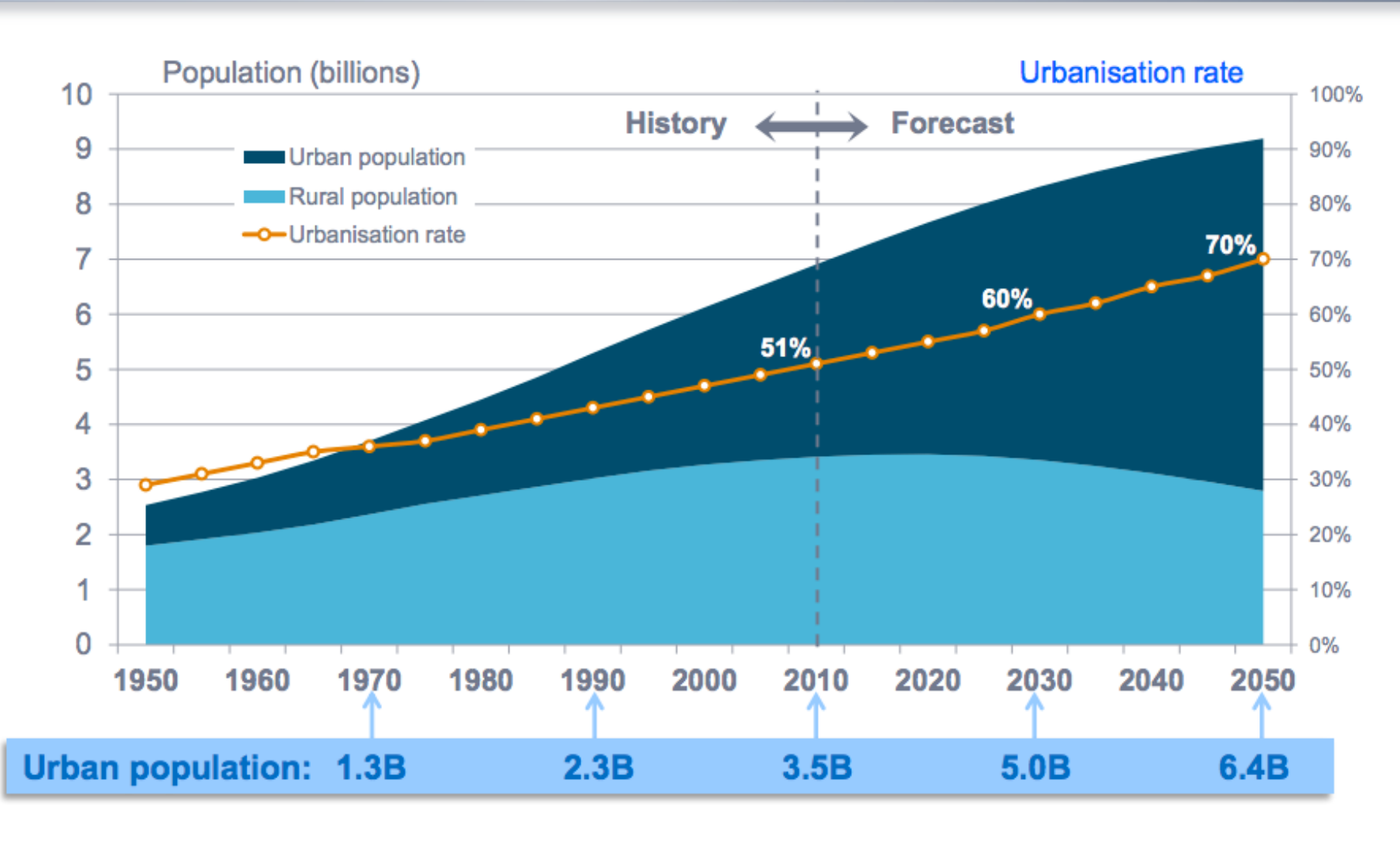
The Drivers

Of Air Transport Growth

Driver 1: Economic growth

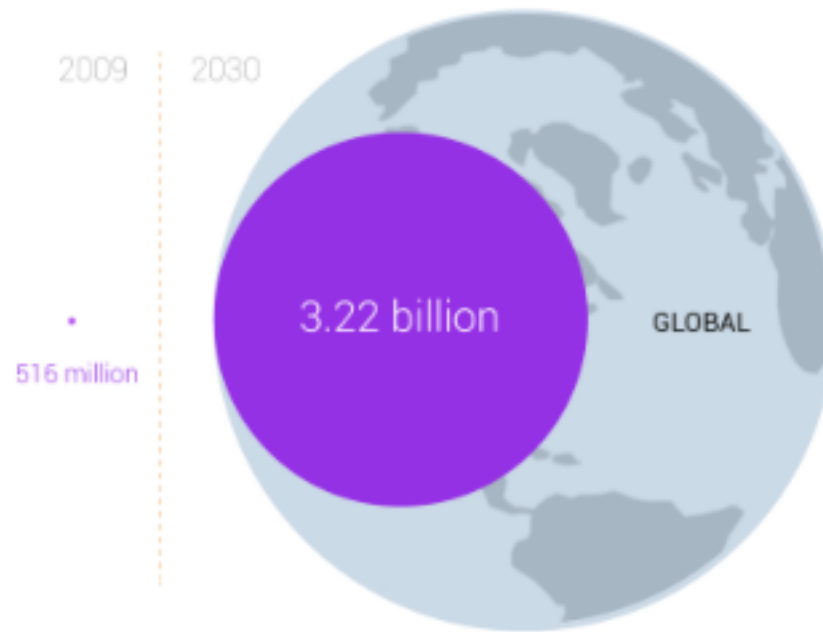
- *Economic growth rates in emerging regions/countries will outstrip those of the developed countries*
- *Increasing urbanisation will also drive economic growth and increase the propensity to fly.*

World urban population to reach 5 billion by 2030

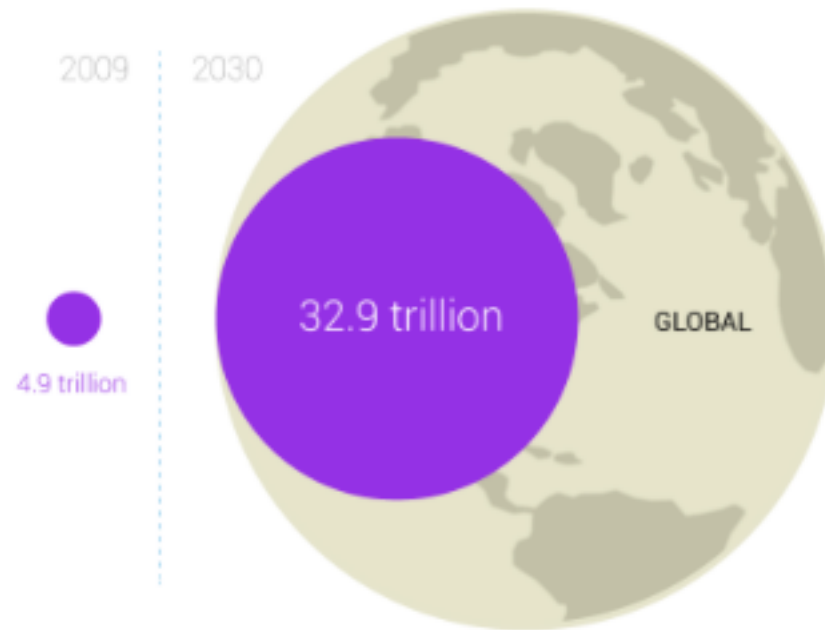


Source: UN Population Division, Airbus



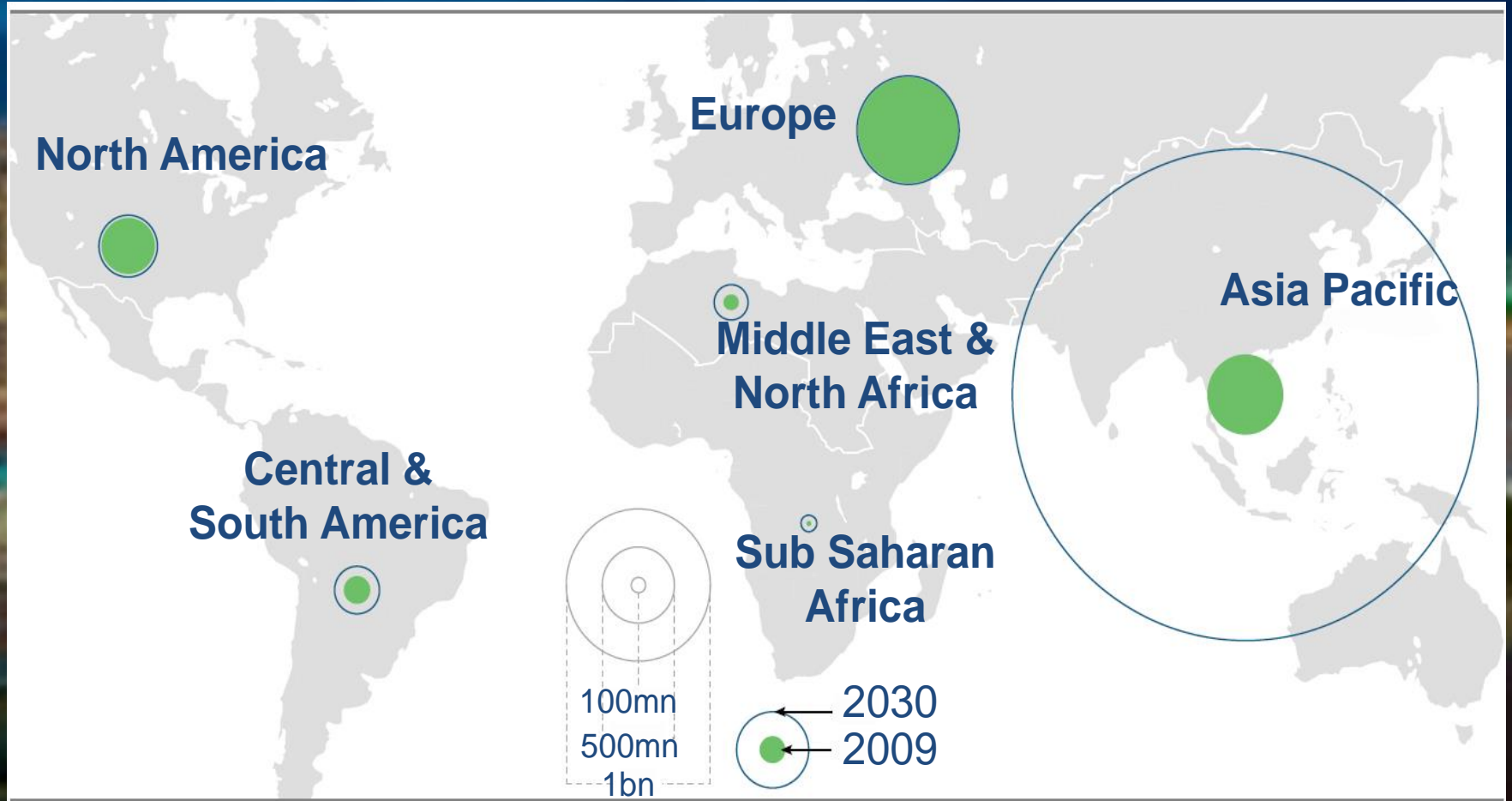


The APAC middle-class population is estimated to grow from 516 million people in 2009 to 3.22 billion in 2030, when it will comprise 66% of the global middle-class population.

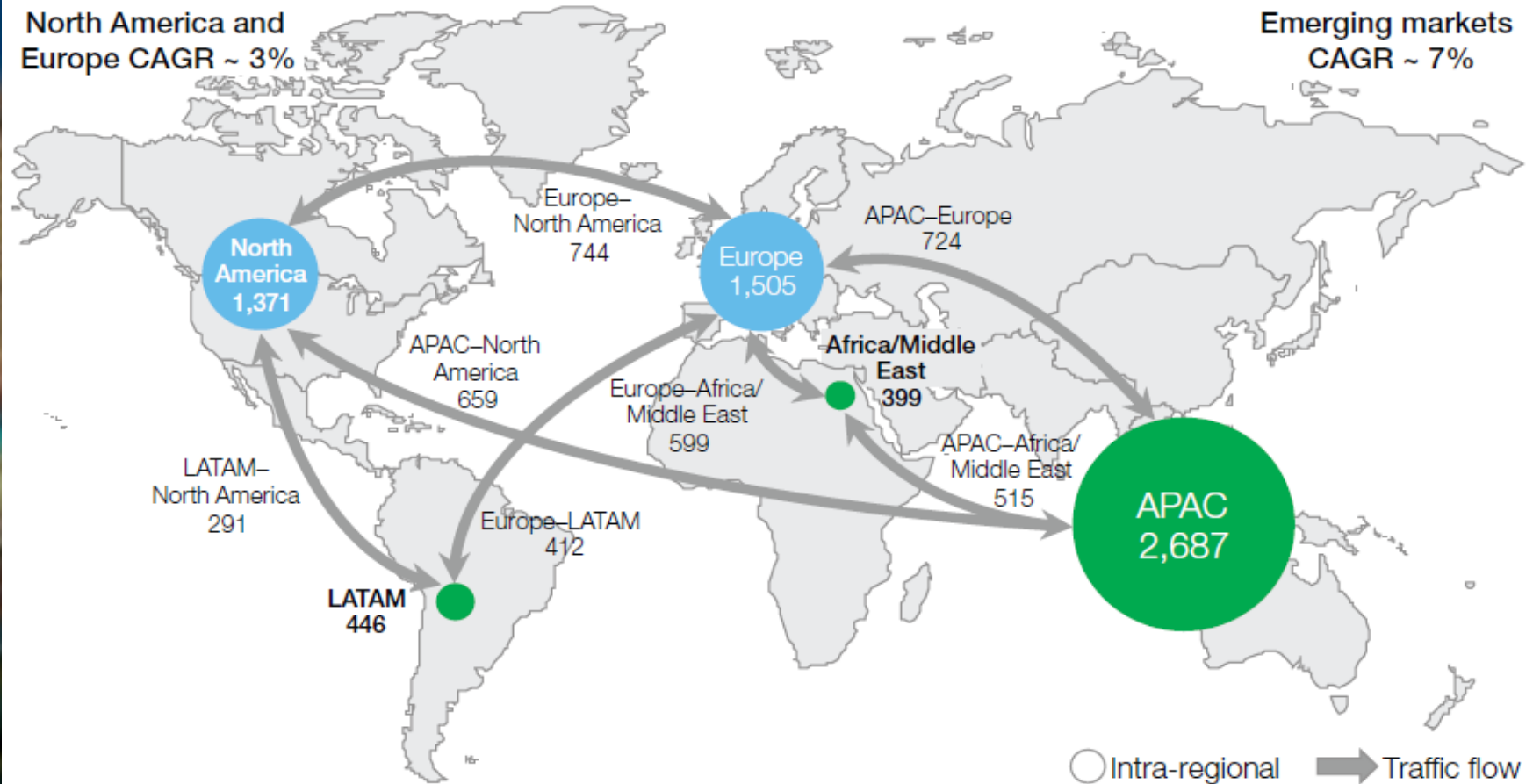


The total middle-class spending in APAC is estimated to grow from USD 4.9 trillion in 2009 to USD 32.9 trillion in 2030, when it is projected to comprise 59% of global middle-class spending.

Size of Global Middle Income Class in 2009 & Prediction for 2030



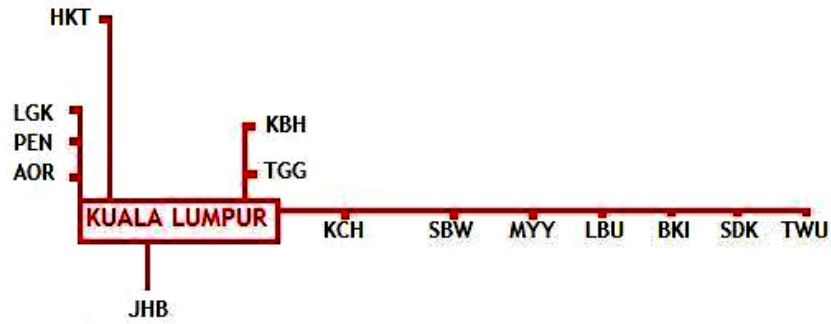
Passenger Air Traffic Forecast 2025



How is aviation developing to manage this expected growth?

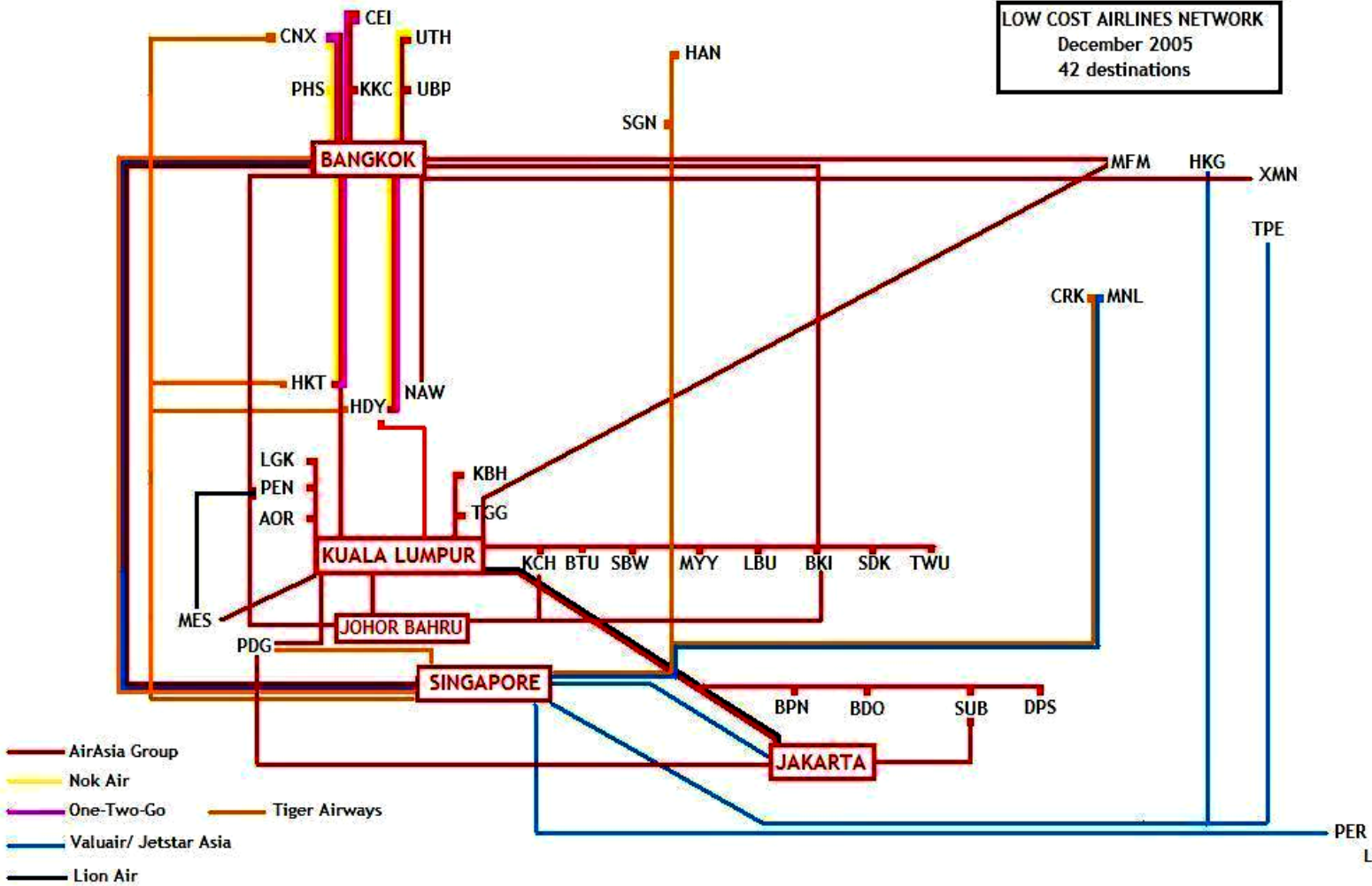


LOW COST AIRLINES NETWORK
DECEMBER 2003
17 destinations

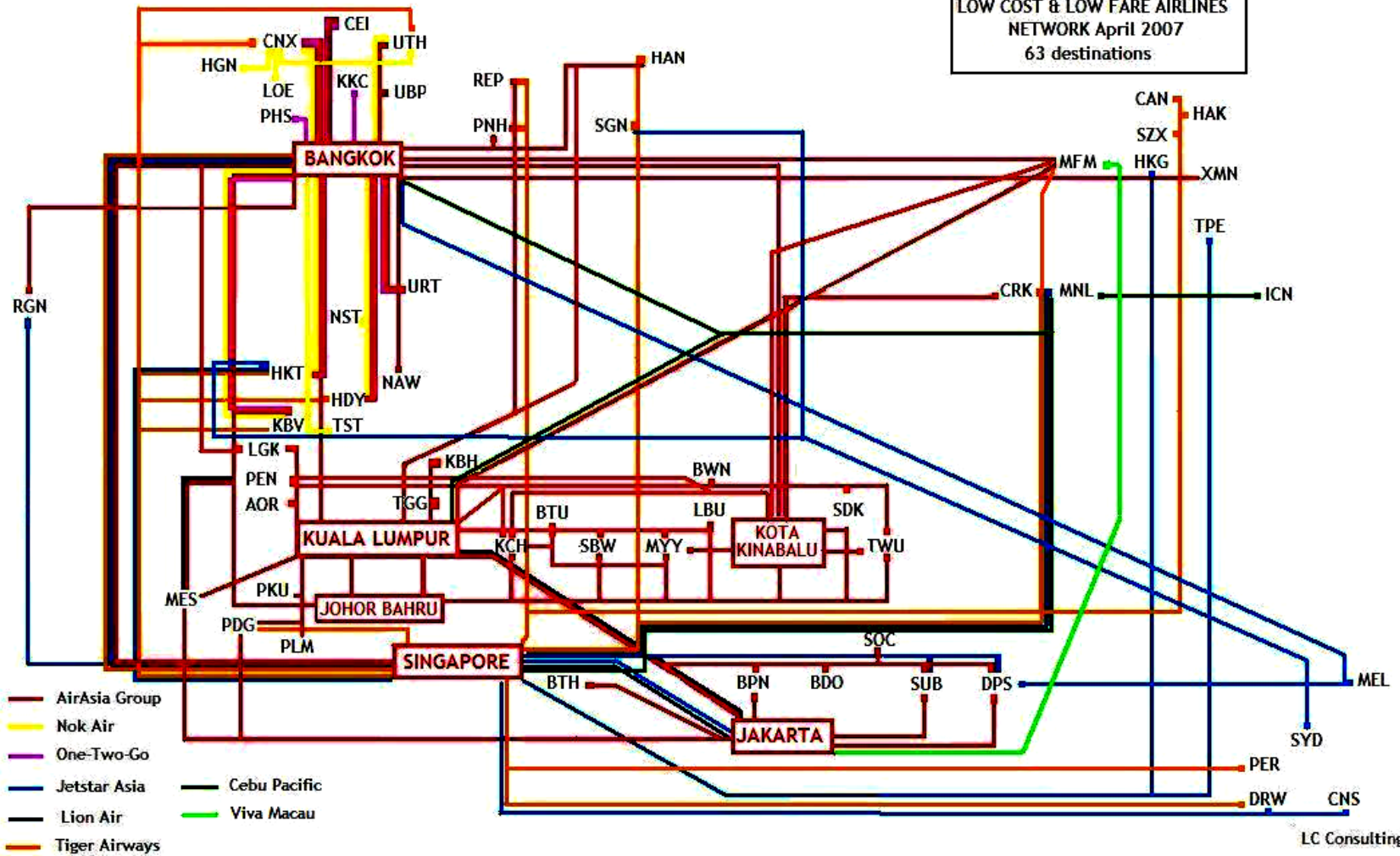


- AirAsia Group
- Nok Air
- One-Two-Go
- Valuair

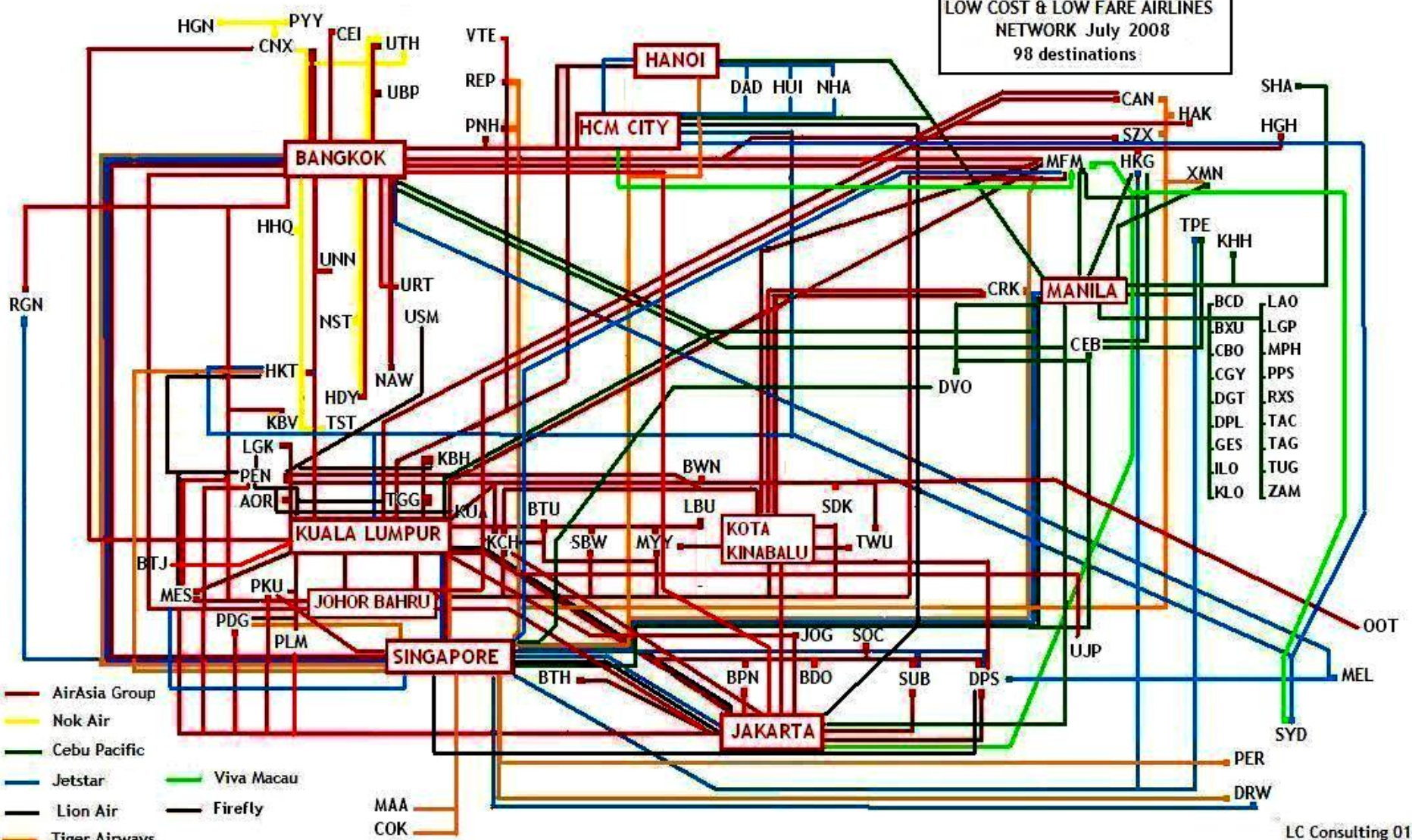
LOW COST AIRLINES NETWORK
 December 2005
 42 destinations



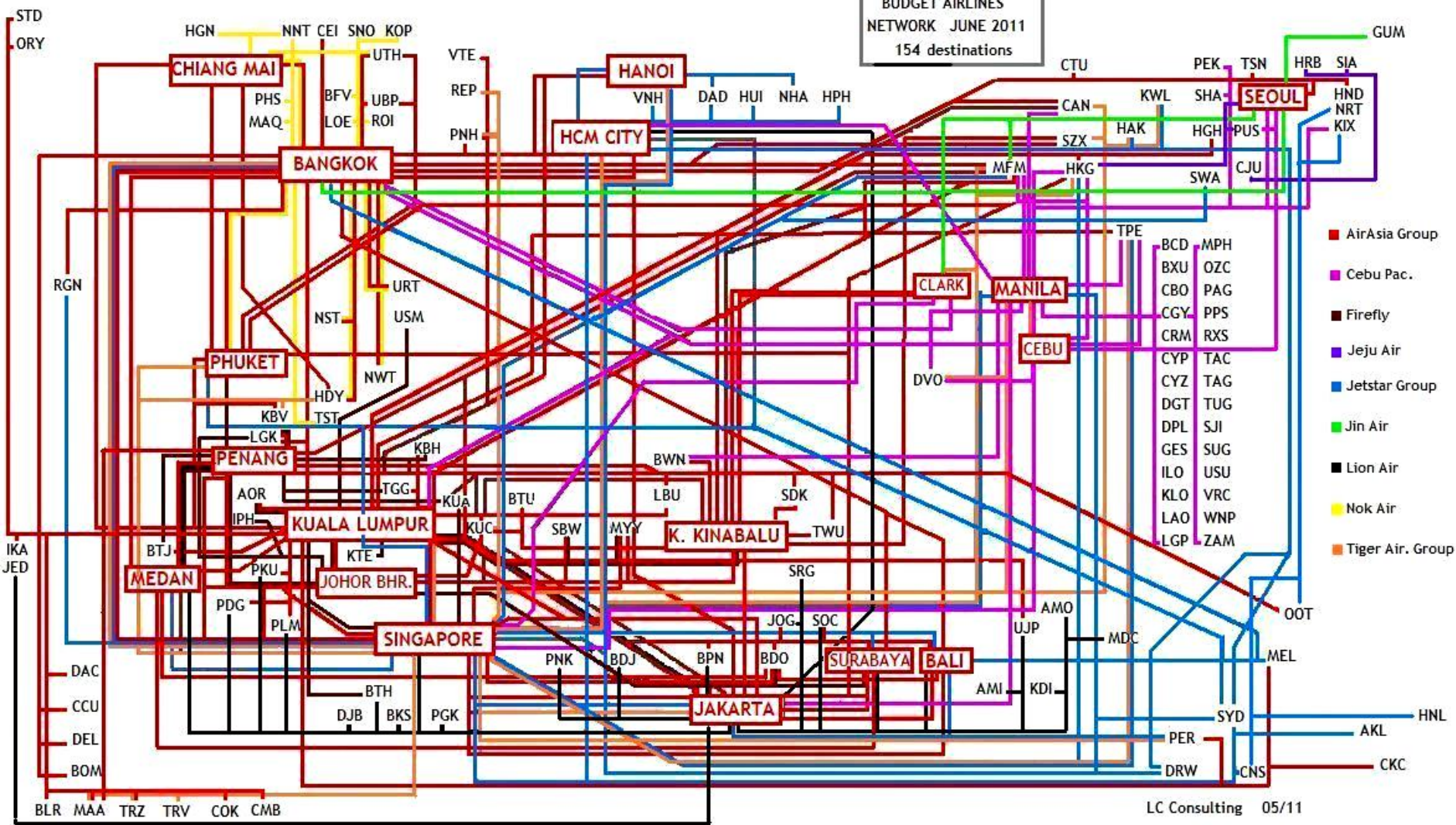
LOW COST & LOW FARE AIRLINES
 NETWORK April 2007
 63 destinations



**LOW COST & LOW FARE AIRLINES
NETWORK July 2008
98 destinations:**

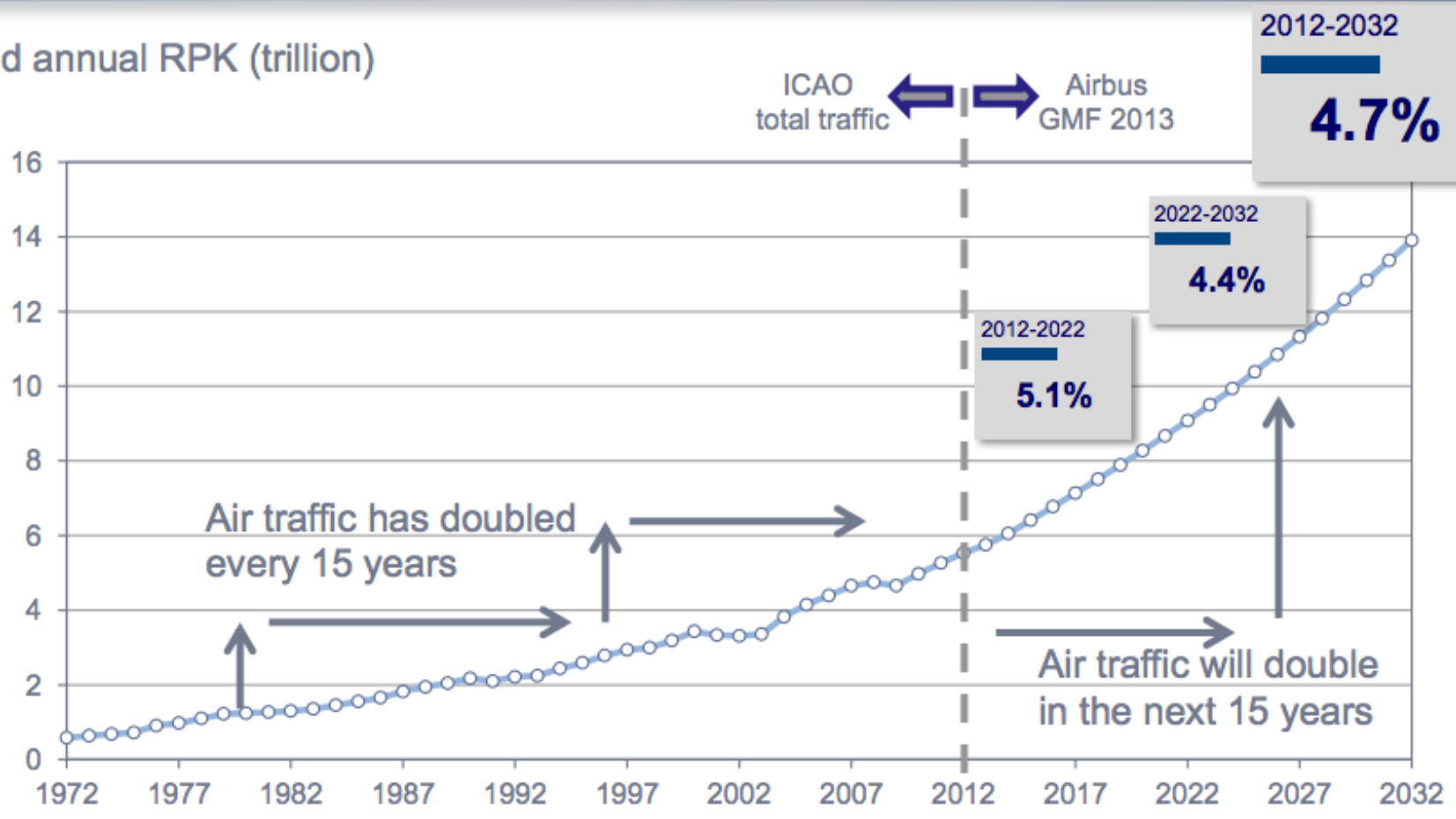


BUDGET AIRLINES NETWORK
 JUNE 2011
 154 destinations



Traffic will double in the next 15 years

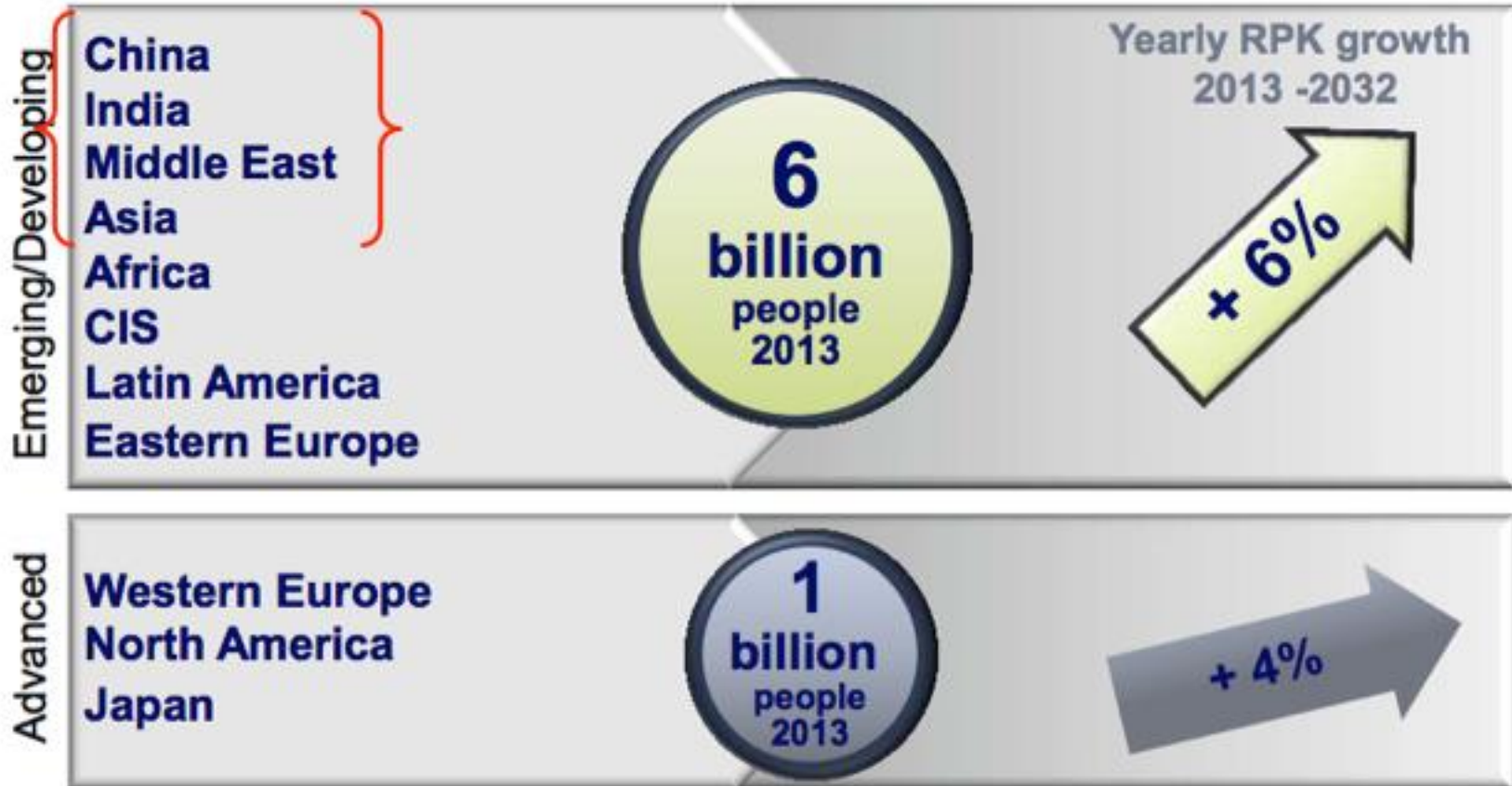
World annual RPK (trillion)



Source: ICAO, Airbus



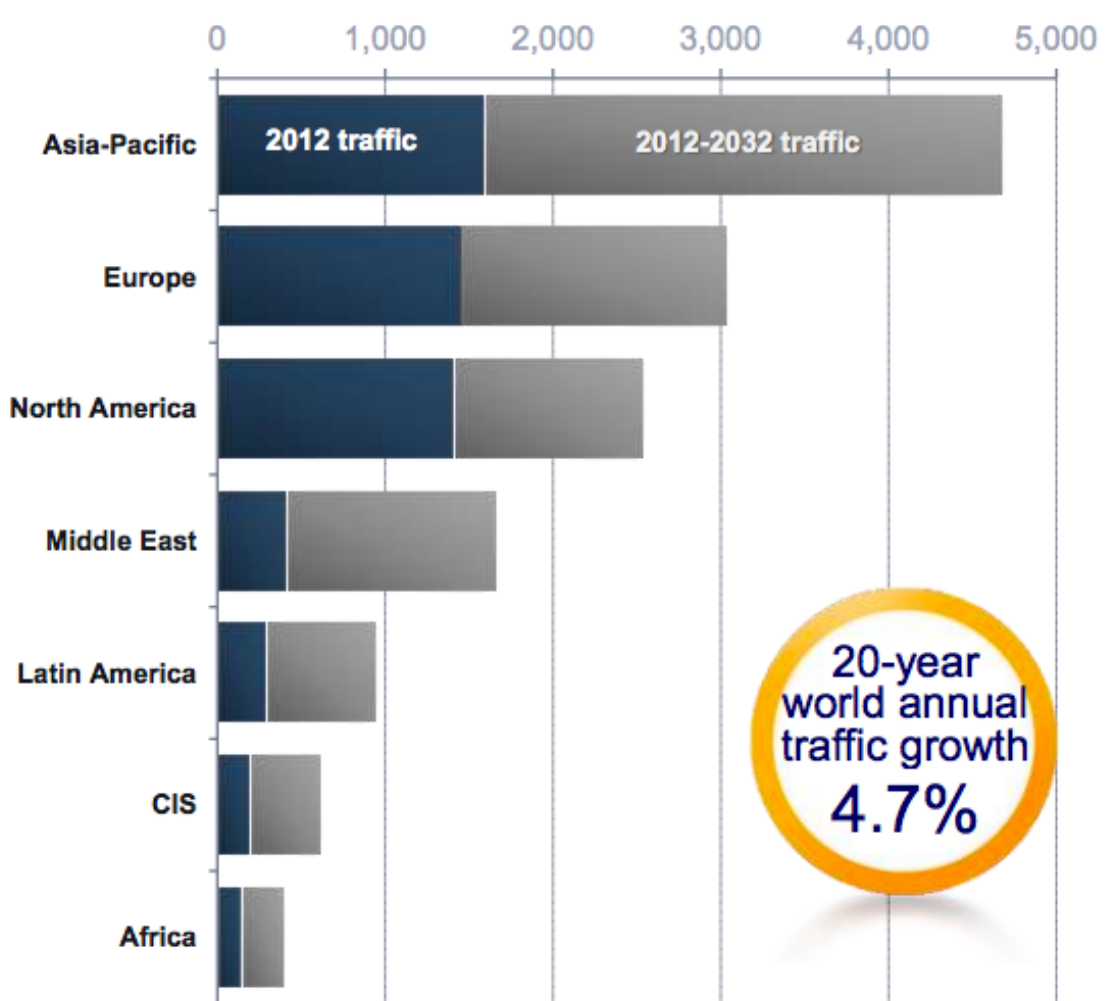
Air transport growth is highest in expanding regions



Billions of people will increasingly want to travel by air

Asia-Pacific to lead in world traffic by 2032

RPK traffic by airline domicile (billions)



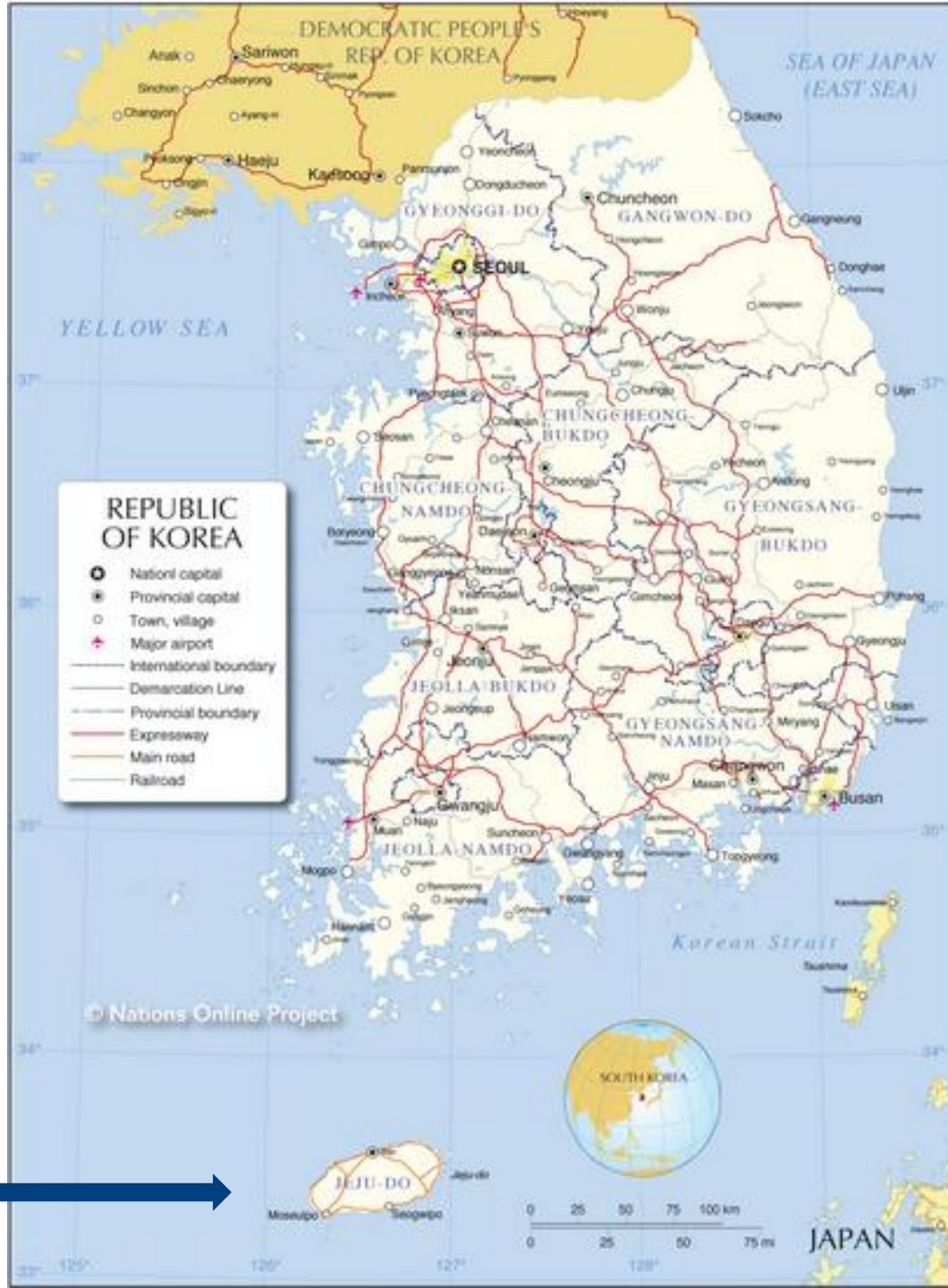
20-year world annual traffic growth
4.7%

% of 2012 world RPK	20-year growth	% of 2032 world RPK
29%	5.5%	34%
26%	3.8%	22%
25%	3.0%	18%
8%	7.1%	12%
5%	6.0%	7%
4%	5.8%	4%
3%	5.1%	3%



What did we learn from the study?
An example!

Source:
www.Nationsonline.
org



Background

- Until 2005, two legacy airlines alone, Korean Air and Asiana Airlines, operated flight routes connecting the island and mainland.
- The total number of tourists to Jeju in 2005 was around 5 million, and the average occupancy rate stood at approximately 61%.
- At that time, the island was not highly competitive as a domestic or international destination partly because the cost of reaching the island was relatively high.

Background

- Tourism, along with agriculture, is the main industry of the island.
- The total number of tourists to the island stood at 8.74 million in 2011, and 9.69 million in 2012.
- Revenues from tourism reached US\$ 5,529.3 mn in 2011, accounting for 49% of its gross regional domestic product.
- Since up to 90% of local tourists visit Jeju by air, it was anticipated that improving the air connectivity between the island and the mainland would attract more tourists.

Background

- The airfares of the two legacy airlines jumped in 2005 when they introduced fuel surcharges.
- A single LCC operated between the island and Cheongju in the centre of the nation, however it was failing to give satisfactory service to passengers.
- Aware of this problem adversely affecting the island's tourism, the local government finally launched a regional airline, Jeju Air, in 2006 in cooperation with the Aekyung Group.

Launch of a LCC

The local government, one of the major shareholders of Jeju Air, made some agreements with the other shareholders to boost the island's tourism when the airline was launched:

- Aggressively promotion of the island as a tourist destination;
- Consumption of Jeju products (e.g. airline food);
- Employed for many of the island's residents. Currently, more than 90% of Jeju Air employees working on the island are Jeju citizens.



2005: Established the airline

2007: Exceeded 1 million passengers

2008: Exceeded 2 million passengers

2010: Exceeded 5 million passengers

2011: Achieved 6 million passengers (sales of 200 billion won)

2012: Achieved 10 million pax; Reached 90,000 flights

2013: Achieved 15 million pax

Jeju Air Impacts

- Stemmed the rising airfares between the island and the capital city (Seoul). Offered air services at far lower prices than the legacy airlines - local residents received a 10% discount.
- The success of Jeju Air encouraged other companies to enter the LCC business. Korean Air launched LCC Jin Air, and Asiana founded LCC Air Busan in cooperation with Busan Metropolitan City.

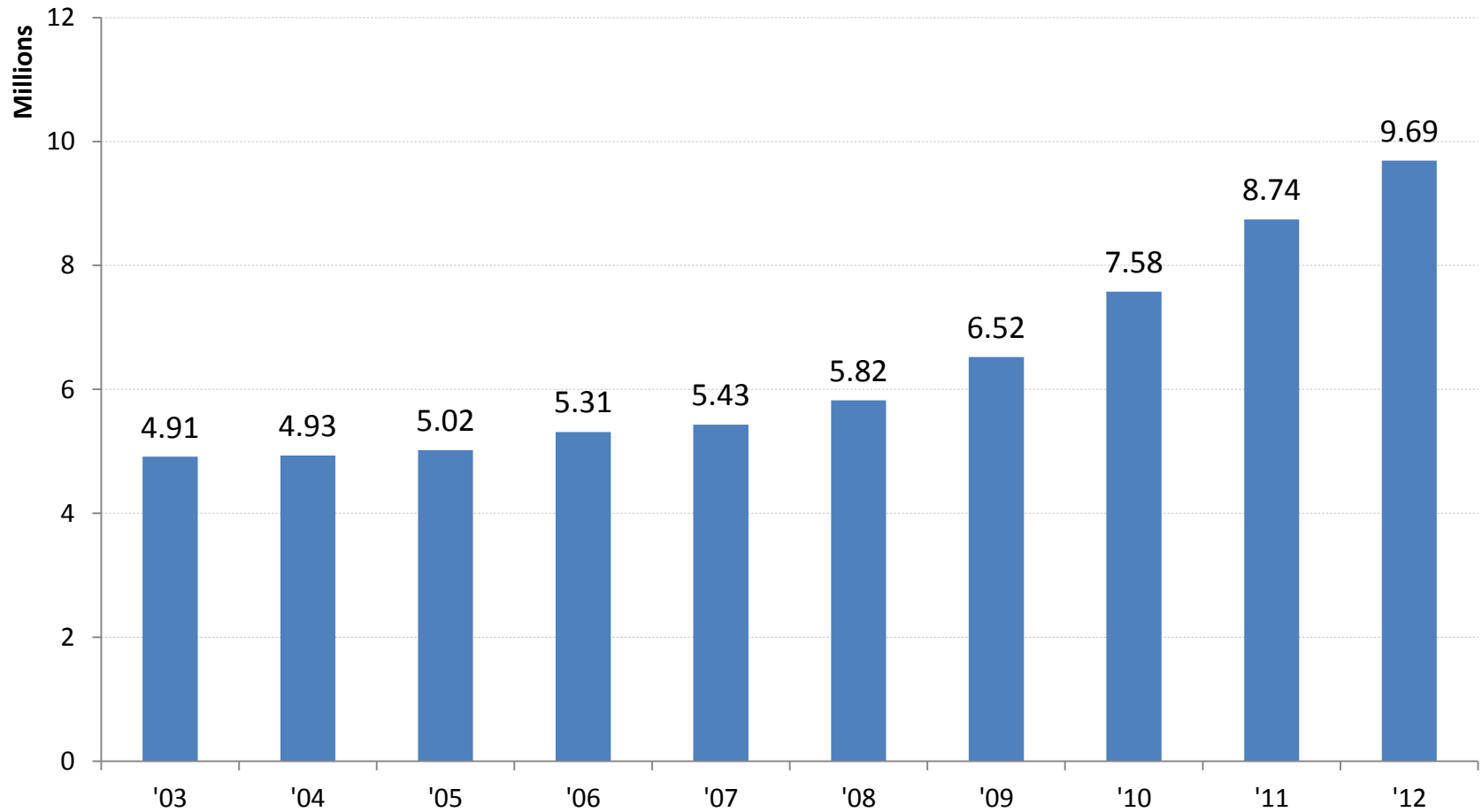
Jeju Air Impacts

- Easter Jet and T'way Airlines began operating in 2007 and 2010 respectively.
- The number of arrival flights at Jeju Airport increased from 39,269 in 2006 to 60,361 in 2012.
- The number of tourists also rose sharply between 2007 and 2012.

Total Tourists to Jeju Island

2003 to 2012, in millions

Source: Jeju Special Self-Governing Province



Launch of a LCC

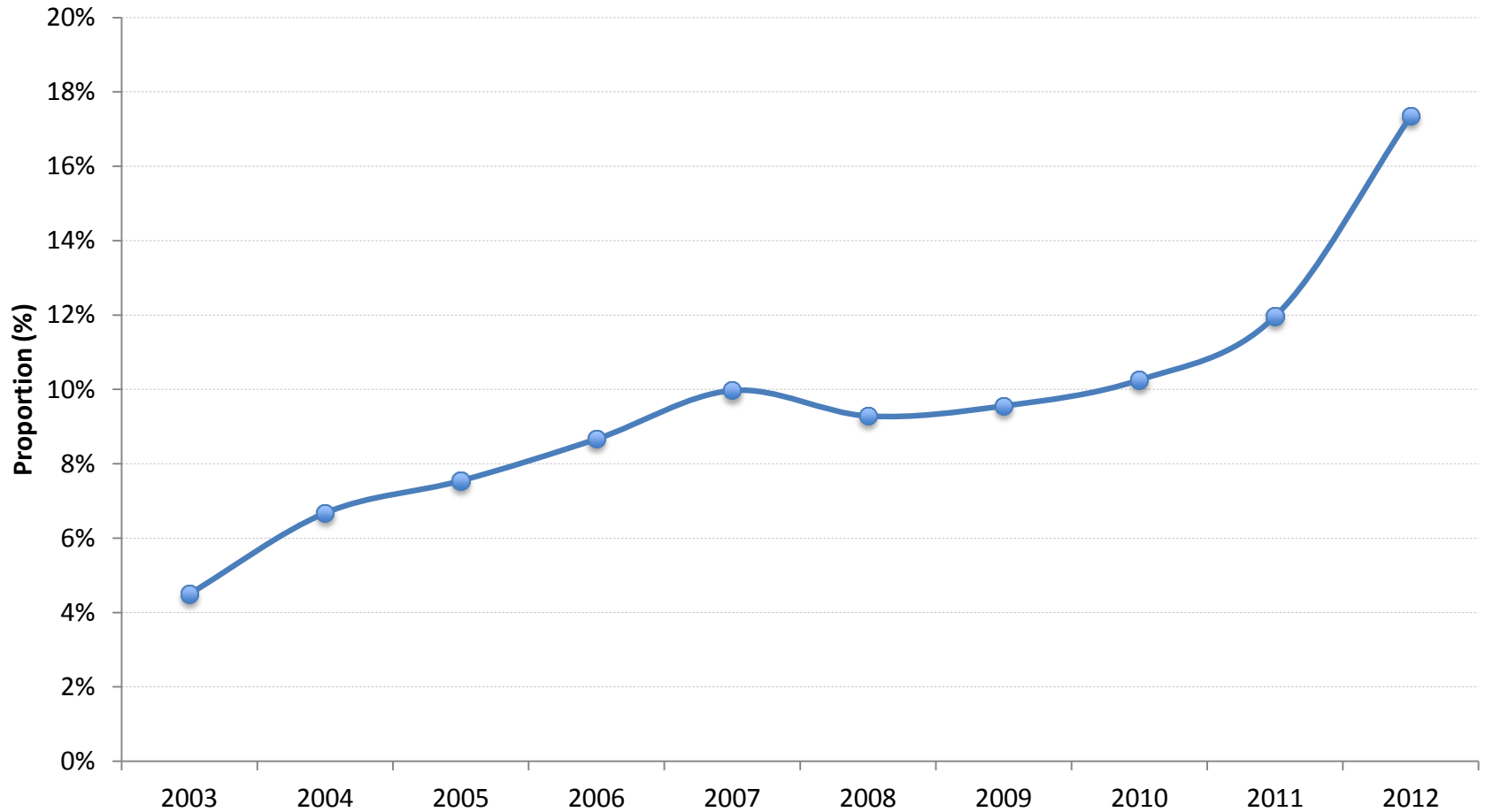
- The airline has grown steadily and began flight services for international routes in 2009.
- Currently it provides flight services to several local cities and ten cities in other Asian nations.

Route Map Jeju Air

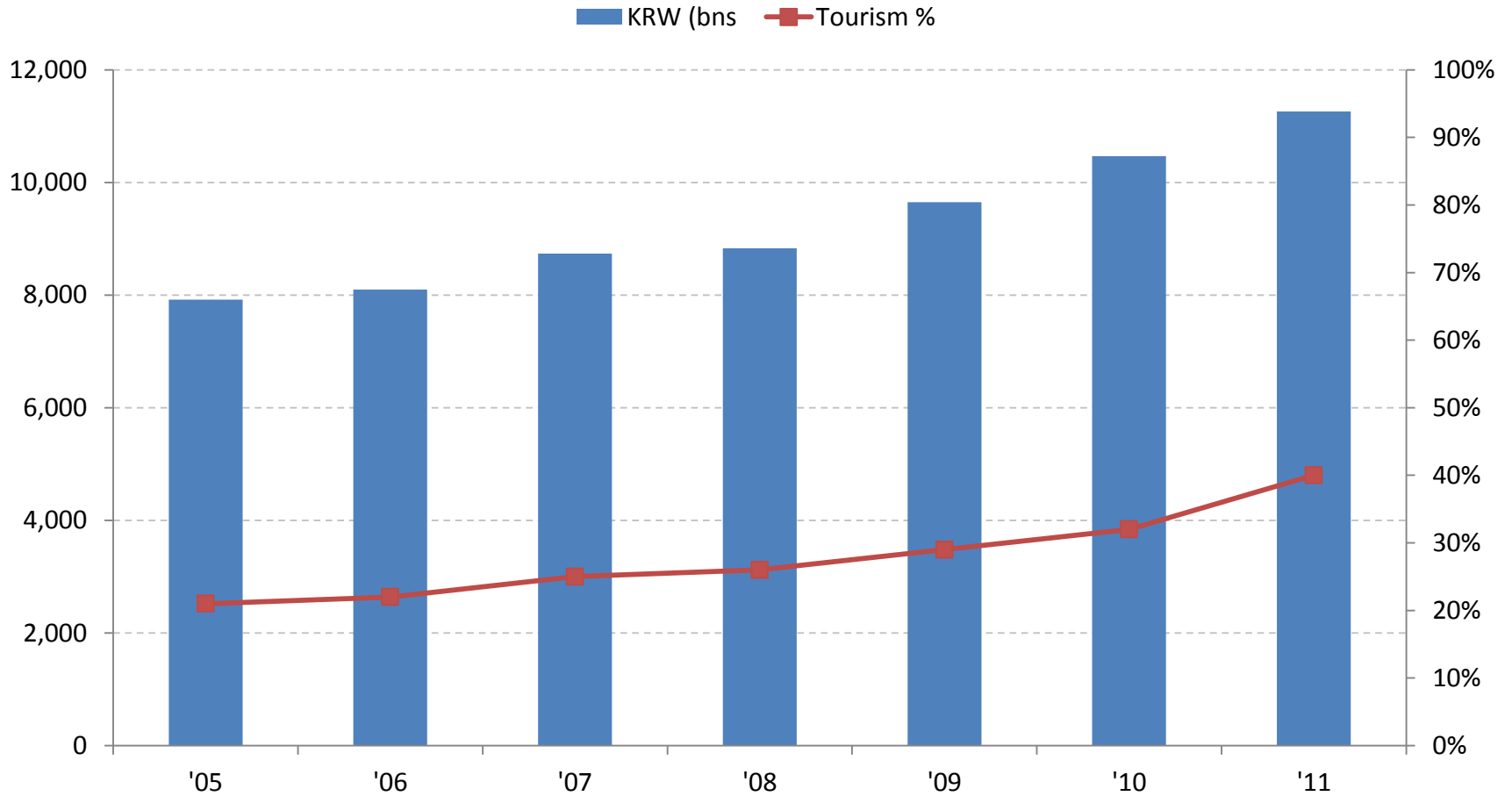
Source: Jeju Air



International Arrivals as % of Total



The Payoff: GRDP & Tourism as % of



Additional Benefits

- LCCs have significantly changed the landscape of Jeju tourism - receiving a great many more visitors regardless of the season.
- Repeat visitation on the rise.
- Expansion of accommodation styles from inexpensive to luxury.

In Summary

A local government's active involvement in the establishment of a regional airline can lead management to run airlines in ways that:

- *Boost the local economy, stimulate destination marketing and employ local people;*
- *Develop tour products for those arriving by LCCs; and*
- *A general improvement of tourism facilities.*

However, appropriate marketing activities for international tourists should be carried out together along with expanding the flight routes.

The Takeaway

Connectivity extends Behind as well as
Beyond!

Thank You
谢谢

