The aviation industry plays a crucial role in helping to facilitate tourism – just over half of all tourists travel by air. In total, aviation-related tourism supports 35 million jobs worldwide, contributing more than US$800 billion to global GDP. Regionally, the impact of tourism can be even more profound with new air services increasing the propensity to travel. This is clear for all to see across the Asia Pacific region.

It is a widely held belief that the axis of the global aviation industry is moving east with the Asia Pacific region expected to surpass both North America and Europe in terms of passenger numbers by the end of the next decade. Forecasts from the International Air Transport Association (IATA) suggest that, by 2034, 7.3 billion airline passengers will be travelling globally. That’s more than double the 3.5 billion passengers that travelled by air in 2015. A significant number of these additional passengers flying to, from and within the Asia Pacific region.

Aviation has changed beyond recognition over the past 20 years during which time the Routes events brand has helped to facilitate air service development across the world. The company grew out of a need, in a more open landscape, for airports to market themselves to airlines. Over time, tourist boards joined the party as the benefits of aviation connectivity became much clearer.

Air Service Development is the process of introducing new flights and, for many communities around the world, air access and capacity are identified as key constraints to tourism and economic development in their regions. Significant benefits can be realised by destinations when their economic, tourism and marketing stakeholders implement customised solutions in an integrated manner.

Establishing new routes opens up new markets for both passengers and cargo traffic and also generates additional non-aeronautical revenues on the ground. The Routes business, a division of UBM EMEA, has become...
an important facilitator for networking between airlines, airports and, to an increasing degree, tourism authorities.

Airports and tourist boards have, of course, become extremely sophisticated in their marketing over the past 20 years but the need to connect them with airlines is still as true today as it was when the first World Routes took place in Cannes in September 1995.

The World event has grown in scale, highlighting the value placed on air service development, and has subsequently given birth to a series of regional events including Routes Asia, which takes place this year in Manila, Philippines between March 6-8 - having previously been hosted by cities in Australia, China, India, Malaysia and Korea (ROK).

The hosting of the event can leave a lasting legacy for the destination, country and wider region as it is showcased to airline decision makers with many new air services being negotiated and formalised across the many thousands of meetings that can take place at the regional forums and at World Routes.

As well as the obvious benefits of trade, every new air service will have a profound economic impact on cities. The Las Vegas Convention and Visitors Authority (LVCA), which co-hosted World Routes 2013 with McCarran International Airport, says a new British Airways flight from London that was secured as a result of attending previous events is estimated, in non-gambling revenue, to be worth US$90 million a year in economic impact.

ASM is now working closely with tourism authorities to attract new flights and maximise the benefits of the Routes events in the region this year. It has developed a training programme with the Pacific Asia Travel Association (PATA) to show tourism authorities how to work with airlines to gain new flights for their destinations. This is taking place in Bangkok (2nd to 3rd February 2016) and is the first such course to focus upon air service development for tourism authorities.

In the changing industry landscape, airlines are now looking beyond airports for support and are regularly seeking to engage with tourism authorities when considering a new service. The course will show tourism authorities, economic development agencies, government departments and industry associations how to take the initiative with airlines and help them to understand different airline models and types of traffic as well as the economic benefits of new services and, importantly, how to build a compelling business case for new air routes.

The industry’s growth holds big economic promise for the Asia Pacific region with an additional 2.5 billion more passengers estimated to be flying annually to, from and within the region by the mid-2030s, according to IATA. It is also estimated that, by 2034, one in every five global air travellers will be travelling to, from or within China.

In a special opinion piece entitled ‘Asia’s Aviation Infrastructure Challenge’ that ran in the Nikkei Asian Review in Japan last September, IATA’s Director General and CEO, Tony Tyler highlighted that the aviation industry already supports over 24 million jobs across the Asia Pacific region with a total economic impact exceeding US$500 billion and every new traveller brings an opportunity for further economic gain.
There may be a diverse cultural geography across the vast Asia Pacific region which is home to more than four billion people, around 55 percent of the world’s population, he said, but aviation and in particular new city pair links ensures regional connectivity and links the region to the rest of the world.

The Asia Pacific region is already home to seven of the world’s top ten busiest routes according to travel and tourism technology provider, Amadeus, as its airlines play an increasingly influential role in the development of global aviation.

Aviation is at the heart of global economic development and is widely recognised as a key contributor to economic and social development. Governments now understand the importance of air connectivity built on global standards and why it needs to be included as a priority in their economic strategies. This is happening in some parts of the Asia Pacific region but this is not currently universal.

The new Association of Southeast Asian Nations’ (ASEAN) single aviation market policy is a good example and every market that has adopted a more liberal standing has seen an economic boost as people’s needs for connectivity were fulfilled.

A study of schedule data shows the move from restrictive bilateral to multilateral air service agreements between China and ASEAN from 2010 has seen the number of airport city pairs between the two areas more than double.

Latest figures from IATA show that, despite a recent weakness in trade activity in emerging Asian markets as well as slower than expected growth in China, there has been no adverse impact to date on the international activities for Asia Pacific carriers. International air travel growth was up 7.9 percent in the region in November 2015 versus the same period last year, according to its monthly analysis.

The significant China domestic market continues to rise with revenue passenger kilometres up 8.4 percent year-on-year in November 2015, reports the industry association, suggesting that the weakness in the economy seems to have impacted demand in early 2015 with a stable performance since then.

Airline profits for the Asia Pacific region are expected to grow from US$5.8 billion in 2015 to US$6.6 billion in 2016, according to IATA, as the region’s carriers benefit more fully from the impact of lower fuel prices in 2016 as hedging contracts unwind. Passenger capacity growth is expected to accelerate from six percent in 2015 to 8.4 percent in 2016, according to latest IATA data as new aircraft are delivered - largely to accommodate growth in the major emerging markets of India, Indonesia and China.

The low-cost carrier (LCC) business model has proved successful throughout the world but particularly so in Asia Pacific. Typical LCC strategies include operating at secondary airports, flying a single airplane type and increasing airplane utilisation to keep costs as low as possible so they can stimulate markets with low fares.

Routes analysis shows that over the past ten years the region’s LCCs have grown at an average annual rate of 24.5 percent – this compares with 13.4 percent in the more mature European market and 2.2 percent in North America, where the model was first born.

The countries in Southeast Asia were some of the first in the region to employ the LCC business model and these operators are now flying around 20,000 weekly flights, according to our own data reports. There has been a shift into other parts of the region, most recently Northeast Asia, while the geography of the region has meant that it has also become home to successful long-haul/low-cost airlines, a model that has struggled to evolve in other parts of the world.
The expected fast rate of growth will not come without some hurdles. Building the infrastructure to meet this growing demand for people and businesses to connect by air is significant. Historically, the Asia Pacific region has shown leadership on infrastructure and it remains home to several of the world’s best and biggest airports but strategic investment and regional cooperation will be required to maintain these levels.

Analysis of extracted five-year schedule data from data provider OAG shows that air capacity within and from Asia Pacific destinations has grown by an average annual rate of 8.9 percent between 2010 and 2015 to more than 1.6 billion annual seats, a daily total of over 4.5 million.

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<th>Departure Capacity</th>
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<td>Central Asia</td>
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<tr>
<td>Southwest Pacific</td>
<td>8.3%</td>
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The Northeast Asian region has the largest share of capacity at 55.8 percent last year thanks to dominance of the Chinese market which itself held one third (34.3%) of departure seats across the region. The fast growth in Southeast Asia means it has a 24.7 percent share, up from 21.3 percent in 2010, followed by South Asia (10.4%), the Southwest Pacific (8.1%) and Central Asia (1%).

In Southeast Asia, departure capacity has been growing at an average annual rate of 13.4 percent since the start of the decade with the fastest rates of growth being recorded by Myanmar (25.6%), Vietnam (17.9%), Thailand (17.8%) and Indonesia (17.5%). These markets have all benefitted for the introduction of new city pair route links, thanks to more liberal legislation and low-cost entrants.

In South Asia, departure capacity has been growing at an average annual rate of 17.7 percent since the start of the decade with the fastest rates of growth being recorded by the Maldives (16.5%), Sri Lanka (12.4%) and Bangladesh (11.1%), the latter also recording the largest growth over the past year with departure capacity up 24.8 percent in 2015 versus the previous year.
In Central Asia, departure capacity has been growing at an average annual rate of 14.7 percent since the start of the decade with the fastest rates of growth being recorded by Turkmenistan (43.7%) and Kyrgyzstan (40.2%). Air capacity from Turkmenistan actually more than trebled over the past year alone.

In the Southwest Pacific, departure capacity has been growing at an average annual rate of 8.3 percent since the start of the decade with the fastest rates of growth being recorded by the small nations of Nauru (37.1%), Norfolk Island (19.5%) and Niue (19.2%) with the dominating Australian and New Zealand markets seeing more modest growth of 3.7 percent and 2.7 percent respectively.

It is clear that travel dynamics across the Asia Pacific region are evolving and air service development has been a major force in this development against a changing regulatory environment. With the region’s airlines seeking to find routes to accommodate their vast order books of new aircraft there are massive opportunities for destinations to boost their regional and intercontinental connectivity. And with the significant economic benefits that a new air service brings to a community, 2016 events such as Routes Asia in Manila and World Routes in Chengdu will only help to facilitate the further evolution of a modern, well connected Asia Pacific region.

About the Author

Richard Maslen is Content Manager at UBM EMEA Routes and leads the Routes online community delivering content on the site every day as well as weekly through The HUB network development e-newsletter and also at events with The HUB Daily publications. With over 15 years in the industry working for a number of aviation publications and data providers he has a wealth of experience and industry insight.