



ORGANISATION MONDIALE DU TOURISME
WORLD TOURISM ORGANIZATION
ORGANIZACIÓN MUNDIAL DEL TURISMO
ВСЕМИРНАЯ ТУРИСТСКАЯ ОРГАНИЗАЦИЯ
منظمة السياحة العالمية

WTC/07
Madrid, May 2007

WORLD TOURISM CONFERENCE
- Tourism Success Stories and Shooting Stars-

Shangri-La Hotel, Kuala Lumpur, Malaysia, 4-6 June 2007



KEYNOTE PRESENTATION ON
“A FUTURE VISION FOR AIR TRANSPORTATION”

by

MR. PETER DE JONG
PRESIDENT AND CEO
PACIFIC ASIA TRAVEL ASSOCIATION

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Your excellencies, distinguished guests, ladies and gentlemen...

I am honoured to address such a prestigious audience today in such a ‘Truly Asian’ destination. PATA, The Pacific Asia Travel Association, has a long history in this region dating back to 1951, the year of its creation.

Those were pioneer days when jet aircraft were still the stuff of dreams. Just imagine, in the 1950’s the Sydney-London route took four days of flying, as the aircraft had to refill at seven different places...

In 1960, the inaugural flight of Thai Airways from Bangkok to Tokyo used a propeller-driven DC-3. The aircraft had a maximum load of 60 passengers and had to stop en-route in Hong Kong and Taipei before reaching Japan...

Given the time and cost involved, long-haul travel was, in those days, indeed a luxury. In 1960, you still had to work 27 weeks to be able to afford an economy-class return ticket between Sydney and London.

Tourism and civil aviation were very much in its infancy all across the globe, and especially so in Asia. According to data from the UNWTO, there were only 25 million international visitor arrivals globally in 1950 and only 200,000 of these involved visits to Asia.

Ten years later, the world welcomed more than 69 million international visitors, but still less than a million came to Asia! Over the last decade however, the picture has changed markedly, with the Asia Pacific region experiencing some of the strongest growth in international arrivals in the world.

According to PATA’s data, international arrivals to Asia alone grew by more than 56% between 2000 and 2006, averaging growth of 7.7% each year, reaching a record volume of 252 million in 2006.

All of us have witnessed tremendous changes in our travel industry over the last half century, and more particularly in the last decade. Who would have thought just ten years ago, that China’s air transport system would one day carry more passengers than that of Japan?

Or that the Gulf region would be the hottest spot on earth for air transport development?

Five years ago, who could have predicted that low cost carriers would come of age in the Asia Pacific market and become one of the biggest success stories in the recent history of civil aviation ?

Who could have predicted that India would embrace deregulation of its air transport system, unleashing powerful new forces into its aviation market? And who could have predicted that ASEAN members would reveal a fixed timeframe towards a single market without borders?

I am convinced that we will bear witness to even more extraordinary changes in the aviation industry in the years ahead. Let's look at some recent developments in air transport and what they mean for us, as travel and tourism stakeholders.

Let's first consider the developments in avionics and aircraft design.

While it is obviously difficult to predict exactly what impact the introduction of new-generation aircraft will have on our tourism industry and the way people purchase and experience travel, one thing is certain: it will most definitely have an impact!

Let's think back to 1960 and the introduction of the first long-haul jet, the Boeing 707, and then to 1970 when the 747 jumbo jet – the brainchild of PATA Legend Joe Sutter and the Boeing team – entered commercial service. Both revolutionised air transport.

The 707 sharply reduced travel times, in many cases by as much as 50 percent, while the Boeing 747 transformed the commercial aviation industry from an elitist means of travel into today's mass movement of people - at exactly the same time that average disposable incomes began to mushroom.

By 1971, the average time that air travellers would have to work to afford a flight from Sydney to London, had dropped to 21 weeks, and by 1995 when the Boeing 747-500 aircraft was introduced, it was down to only 4 weeks.

Tourism bloomed along with the aviation sector and many Asia Pacific travel markets were buoyant - despite regional conflicts and occasional economic upheavals.

Between 1971 and 1972 international visitor arrivals to Asia Pacific grew by 22 percent; the following year they jumped by a further 21%, and between 1973 and 1974, they expanded yet again by an additional 13 percent.

Clearly, the Boeing 747 had a markedly positive impact on travel patterns in the region.

More recently, the new Airbus A340-500ER (which stands for 'Extended Range') and the Boeing 777-200LR ('Long Range') have created new route possibilities for airlines, and will cut travel times on existing ones, because it will become commercially viable to fly non-stop routes.

The added bonus to reduced travel times and straighter routes is increased energy efficiency and a commensurate reduction in CO2 emissions, something that all airlines are devoted to.

In June 2004, Singapore Airlines launched an Airbus A340-500 on a Singapore-New York route. The 18-hour flight was the world's longest non-stop commercial flight, covering about 16,600 kilometres.

That was followed in May 2005 by the first non-stop flight using the same aircraft model, but this time operated by Thai Airways International; this route connected New York and Bangkok, a 14,000 kilometre journey, in about 17 hours.

Then, in November 2005, Boeing flew the world's longest flight with a 777-200LR 'World liner', linking Hong Kong to London across the United States, covering a distance of 21,600 kilometres in 22 hours 43 minutes.

With such performances by these extra long-range aircraft, virtually any two cities in the world can now be linked by direct, non-stop flights.

And the developments continue: Over the last few years we have seen the introduction of a number of new non-stop routes: Karachi-Toronto by Pakistan Airlines, Hong Kong-New York by Cathay Pacific, and Johannesburg-New York by South African Airways.

And others can be expected: Emirates will soon fly non-stop between Dubai and Houston, and Dubai and Sao Paulo, both routes being serviced by a Long Range Boeing 777-200. Air New Zealand will soon also launch a non-stop flight between Auckland and Vancouver.

The point I am making here, is that all of these flights would have required – only a few years ago – a number of stop-overs or a change of aircraft; now they are direct and non-stop.

But long-haul air travel is not the only element that has changed.

Regional air travel has also undergone a metamorphosis in recent years, particularly through the so-called 'low cost airline' phenomenon.

In reality all airlines are striving for 'low costs', so the term is a little misleading, However, in general parlance the term has come to mean the newest entries operating on a 'no frills' model.

They are all characterised by the most effective tool for attracting passengers – consistently low fares. Despite some initial misgivings, Asia has emerged as a solid market for such carriers, in part because most of the demographic requisites were already in place.

Consider the following:

More than 200 Asia Pacific cities have a population exceeding 500,000;

More than 130 of our cities have more than one million inhabitants;

More than 300 regional airports in the region can accommodate jet aircraft, such as the Boeing 737 or the Airbus A320;

Mature economies with high purchasing power such as Japan, Hong Kong, Singapore, South Korea and Chinese Taipei today generate significant flows of outgoing travellers;

Rising GDP in developing nations is being rapidly followed by rising living standards and greater discretionary income in countries such as China, India, Indonesia, Malaysia and Thailand;

The mix of both markets gives Asia a unique position of stimulating both leisure and VFR (visiting friends and relatives) and business traffic;

Countries in our region are increasingly deregulating their air transport policies, signing more liberal bilateral agreements or agreeing to completely open skies.

The ASEAN group, for example, (that's the Association of Southeast Asian Nations) is expected to implement a total open sky policy, based on the EU model, by 2010, and India has already opened its skies to foreign carriers and has implemented a domestic open-skies policy.

Asia has a multitude of islands, long distances and often limited infrastructure; this means that aviation is often the most efficient and easiest (or only !) way to reach a destination.

Between 2003 and 2006, LCCs, with rising competition from full service carriers who also joined the low-fare competition, provided large airports in Southeast Asia with strong increases in passenger numbers:

Jakarta Soekarno Hatta airport saw a 57% increase in numbers for example;

Kuala Lumpur realised 41% growth;

Bangkok saw numbers climb by 27%; and

Singapore posted a 21% gain.

This was a remarkable achievement, as aviation and tourism during that period were affected by a number of crises including SARS in 2003, the tsunami in 2004 and various recurrent acts of terrorism.

Equally promising has been – and still is - the potential for secondary cities which have become a primary focus for many of these low cost carriers.

Thanks to the new routes being pioneered by these LCCs, it is now possible, for example, to fly from Bandung to Kuala Lumpur; from Bangkok to Kota Kinabalu; from Singapore to Clark; from Penang to Koh Samui; and from Macau to the Maldives.

Thus, between 2003 and 2006, many secondary airports experienced dramatic increases in their passenger volumes:

Udon Than, in Northeast Thailand, saw an increase of more than 80%;

Padang in Indonesia and Hat Ya in Thailand both saw growth in excess of 70% over the period; and

Bandung in Indonesia and Johor Bahru in Malaysia both reported increases of more than 50% in passenger volumes.

Obviously these increases at secondary airports also translated into growth in visitor arrivals and visitor spend in many of the nearby cities.

Following the opening of new flight frequencies between Chiang Mai and Kuala Lumpur, for example, the Northern Thailand city saw a 160% rise in arrivals from Malaysia.

Similarly in other destinations: Last year Macau recorded some of the highest growth rates in traffic from countries that had recently established air routes operated by LCCs. Malaysian visitors were up by 106%, Filipinos by 88%, Thais by 55% and Singaporeans by 53%.

The spin-off effect of these new origin-destination city pairs has obvious implications for infrastructure improvements, which benefit not only the growing number of visitors but also the local residents. And many new destinations have seized the opportunity to brand themselves as new holiday places.

The Clark zone in the Philippines, for instance, has developed a comprehensive plan to strengthen its tourism product with more resorts, hotels and shopping facilities.

And we can easily envision similar developments for a host of other cities across Asia. Think of Medan in North Sumatra, which is building an airport capable of handling 10 million passengers and which could turn into a significant Southeast Asian tourism destination.

Similar potential exists for other cities in Asia, including:

Dalat and Hue in Vietnam;

Makassar in Indonesia;

Pakse in Laos;

Bagan in Myanmar; and

Lhasa and Urumqi in Northwest China.

Opening cities such as these to international carriers will not only put them on the international map, but will attract investment and create employment: a significant positive benefit for the residents of these cities and the surrounding regions.

More exciting developments are heading our way, with more carriers actively looking at moving into new medium- and long-haul routes, thereby opening our Asian destinations to even more international visitors; and of course other international destinations, to increasing numbers of Asian residents. These rapid developments are being made possible by the fact that the technology is available and in place.

Over the last decade, travellers have also honed their knowledge and travel information search skills. Surfing for information, comparing fares, booking and paying for a flight, is easy for anyone with access to the Internet. In fact, many airlines are now encouraging travellers to check-in online and obtain their boarding passes by simply hitting the print button. The new technology makes travel more accessible than ever before and tends to foster spontaneous travel.

This is a proven fact in Europe, where many thousands of travellers go abroad each weekend with the same ease as going to a local restaurant with friends. And in many cases, a quick weekend flight abroad could cost them less than the meal at that local restaurant!

In the medium-term we can look forward to similar behaviour from Asian travellers, as their travel habits become more sophisticated and the competition ever more ferocious.

But, as with all things in life, the growth in travel volumes is a double-edged sword.

There are negative impacts – both real and perceived - associated with travel and tourism, particularly where it is allowed to mushroom without proper management and control.

At a time when global warming is recognised as one of the biggest threats to our world, there are those who question whether we should continue to foster growth in air travel.

We agree that all travel and tourism stakeholders, and indeed consumers, should shoulder a reasonable degree of environmental responsibility when they travel - that is only right and fitting.

But let me stress this point: it is impossible to conceive of any significant development of tourism –or indeed of our overall economies-- without air transport, especially in Asia.

The aviation sector has continuously worked to improve fuel efficiencies and while they may have a powerful financial imperative to do so, the reality is that they have been very successful in reducing fuel consumption; the benefit of this, of course, is that gas emissions have reduced significantly.

Unfortunately, our industry has been spectacularly unsuccessful in making policy-makers and the general public aware of these successes; there exists today an erroneous notion that long-haul air travel is a primary contributor to global warming, when, in reality, it is only a very minor contributor at 2 %.

Consider these facts:

Airlines have achieved a 70% improvement in fuel efficiency over the last four decades;

The fuel efficiency of modern aircraft is 3.5 litres per 100 passenger kilometres, and the A380 and B787 will take that to below 3 - better than any hybrid car on the market today; and

Moreover, the billions of dollars being invested in new aircraft will drive a further 25% improvement in global fuel efficiency by 2020.

New flight paths are being tested and implemented, in an effort to shorten distances and hence flying times; every minute that we can shorten a single flight saves 62 litres of fuel and 160 kg of carbon emissions.

We are urging the industry to define and refine ways in which travellers will be able to fly in a more sensible and responsible way. And the industry is responding.

In April of this year, Virgin Atlantic and Boeing signed a partnership agreement to develop sustainable fuel sources suitable for commercial jet engines and the wider aviation industry. The first trials with this new fuel are scheduled for 2008, using a Virgin Atlantic Boeing 747-400.

In addition, aircraft manufacturers, airlines and airports are working together to reduce fuel burn and cut aircraft emissions on the ground, by exploring alternatives to traditional aircraft operations at airports.

Ladies and Gentlemen, it has taken me a bit of time to address 'a vision of the future of air transportation' but, as they say: 'if you want to predict the future, you first need to understand the past'...

... and the future in our industry is one where all the sectors of our industry, from airports, airlines, hospitality providers, tour operators, and all other stakeholders, must work hand-in-hand to create and promote a responsible and sustainable model for tourism growth. Because grow, we will!

This will be easy to wish for, but much harder to deliver. However with good, balanced policies and strategies, constant dialogue between the public and private sectors and careful management of our resources, we can and will grow Asia Pacific travel and tourism.

We must, so that future generations can be as amazed by the beauty and wonders of our planet as we are.

Thank you very much for your attention.