

# UNDERSTANDING THE RELATIONSHIP BETWEEN AIR TRANSPORTATION AND TOURISM

## *Part 2 – Case Studies and Policy Recommendations*

Prepared for:

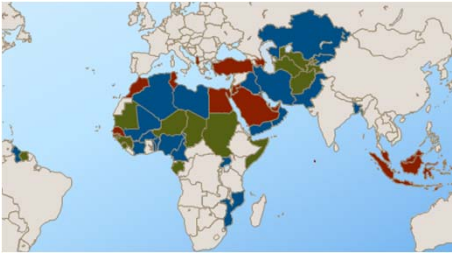


**Standing Committee for  
Economic and Commercial  
Cooperation of the Organization  
of Islamic Cooperation**

**11 September 2014, Ankara**

## Contents

<b>4. Current incentives and barriers in member states .....</b>	<b>2</b>
<b>5. Conclusions and policy recommendations .....</b>	<b>19</b>
<b>6. Annex – Case studies .....</b>	<b>30</b>



## SECTION 4

# CURRENT INCENTIVES AND BARRIERS IN MEMBER STATES

## Barriers to developing aviation can take many forms and be the responsibility of many different stakeholders

### *Main barriers to developing aviation and tourism*

- Safety and security levels
- Airline operation and ownership
- Aviation infrastructure
- Visa costs and procedures
- Fares
- Taxation
- Airport rates and charges
- Bilateral Air Service Agreements

## Case Study: Saudi Arabia – Religious Tourism and Market Liberalization

- From 2003-2013, passengers at Saudi airports grew by 7.9% while real GDP grew 6.0%
- In 2012, there were around 14m inbound trips to the Kingdom of Saudi Arabia driven by religious purposes which accounted for 78.5% of the inbound trips
- The Kingdom of Saudi Arabia aims to capitalize on religious tourism to develop its tourism industry and further strengthen the economy
- It has particularly encouraged religious tourists to extend their stay in order to pursue more leisure activities around the country
- Saudi Arabia is currently following the move towards more air market liberalization by opening its airspace, upgrading its domestic regulations and promoting private sector participation



Note: Saudi Arabia is in the Established group

## Case Study: Saudi Arabia (cont.)

**Incentives:** *Bilateral agreements, decreased regulation, private sector involvement, investment in infrastructure*

- **Privatisation of Saudi Arabian Airline:** the national carrier began selling-off a number of business units, starting with its catering division in late 2007; followed by its cargo and ground handling businesses. An additional four business units are expected to be sold in 2014.
- **Airport Privatisation:** GACA awarded Germany-based Fraport and Singapore's Changi Airports International (CAI) US\$ 155m in 6-year management contracts for its three busiest airports in 2008 (Jeddah, Riyadh, and Damman). Then in 2012, Madinah Airport was completely privatized to a consortium led by TAV Airports Holding.
- **Infrastructure Investment:** Saudi Arabia has built dedicated aviation infrastructure to cater to temporary increased passenger flows. The nature of the Hajj pilgrimage is such that all Hajj tourists arrive in Saudi Arabia before the first passengers depart.



## Case Study: Saudi Arabia (cont.)

### *Barriers: visa restrictions, protection of flag carrier*

- **Restrictive visa policy:** Visa numbers are tightly controlled by the Ministry of Hajj, primarily as the capacity of the Holy sites is limited.
  - Hajj visa issuance has the particularity to be capped: we understand that it was agreed at the Muslim Conference in 1984 to apply an annual quota of one Hajj visa per thousand Muslim habitants in each country.



## Case Study: Morocco – LCCs and RAM hub

*Incentives: High tourism prioritization,  
Open Skies with EU, RAM hub strategy*

- The rise of LCCs has brought a new era of air service to Morocco and helped increase the volume of flights and visitors
- Their entry also encourage the home carrier, Royal Air Maroc (RAM), to look for a new strategy, which further grew the network of markets served
- The Moroccan government owns RAM and is also the stakeholder responsible for growing tourism
- These dual roles have often conflicted
- In 2006 Morocco implemented an ‘open skies’ policy with the European Union countries and the stage was set for an increase in air service



Note: Morocco is in the Established group

## Case Study: Morocco (cont.)

- **RAM developed a strategy of concentrating on its hub at Casablanca that has enabled it to survive the wave of LCC competition**
- **The hub serves several purposes**
  - Connects Casablanca to cities in Europe, Morocco, North Africa/Middle East, Sub-Saharan Africa and North America
  - Serves as a major conduit for travel from Europe to French-speaking Central and West Africa
- **RAM leaves many Morocco-Europe routes to the LCCs and instead concentrates on serving business and connecting passengers**

### *Change in RAM Service from Casablanca, 2014 vs. 2004*

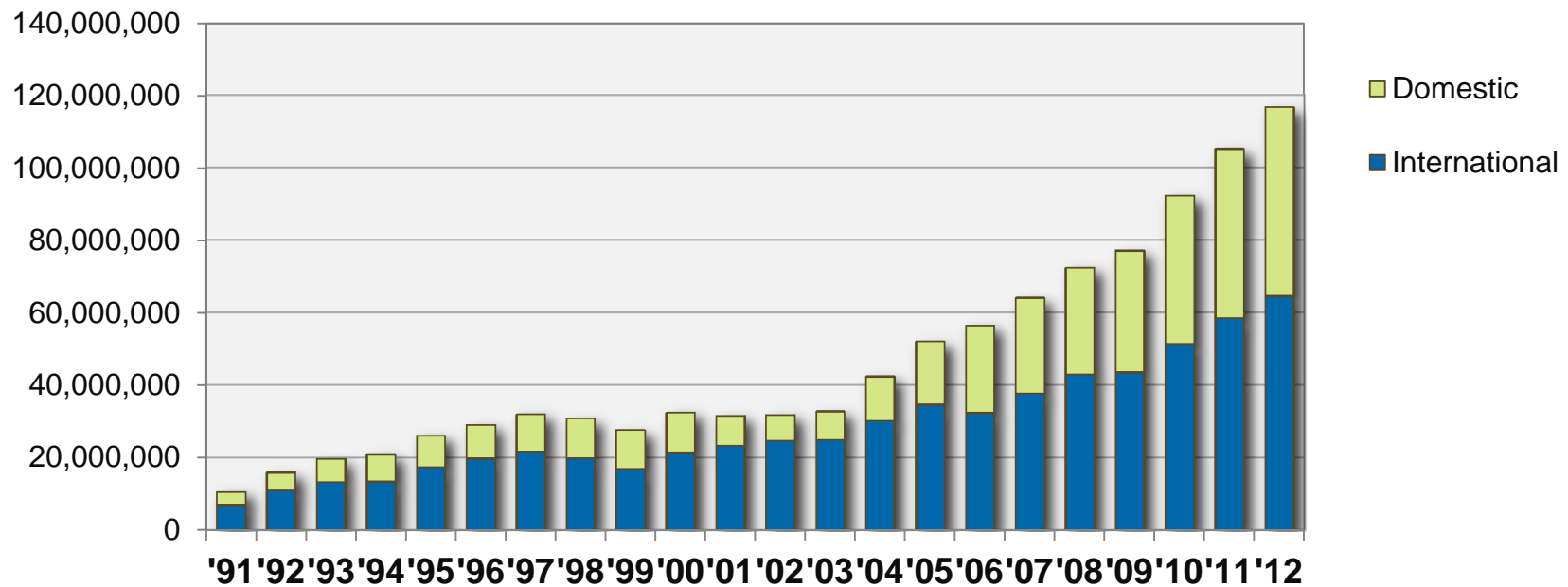
Destination Region	No. of Destinations		% of Departing Weekly Flights	
	2004	2014	2004	2014
Domestic	7	12	37%	24%
Europe	20	32	48%	40%
Central / West Africa	6	24	6%	22%
North Africa / Middle East	5	7	6%	9%
Americas	2	3	3%	5%
<b>Total</b>	<b>40</b>	<b>78</b>	<b>100%</b>	<b>100%</b>

Source: OAG schedules

## Case Study: Morocco (cont.)

- While the open skies policy was not without some problems, it clearly served to open Morocco to competition and grew air service dramatically

*Historical Passenger Traffic - Morocco*

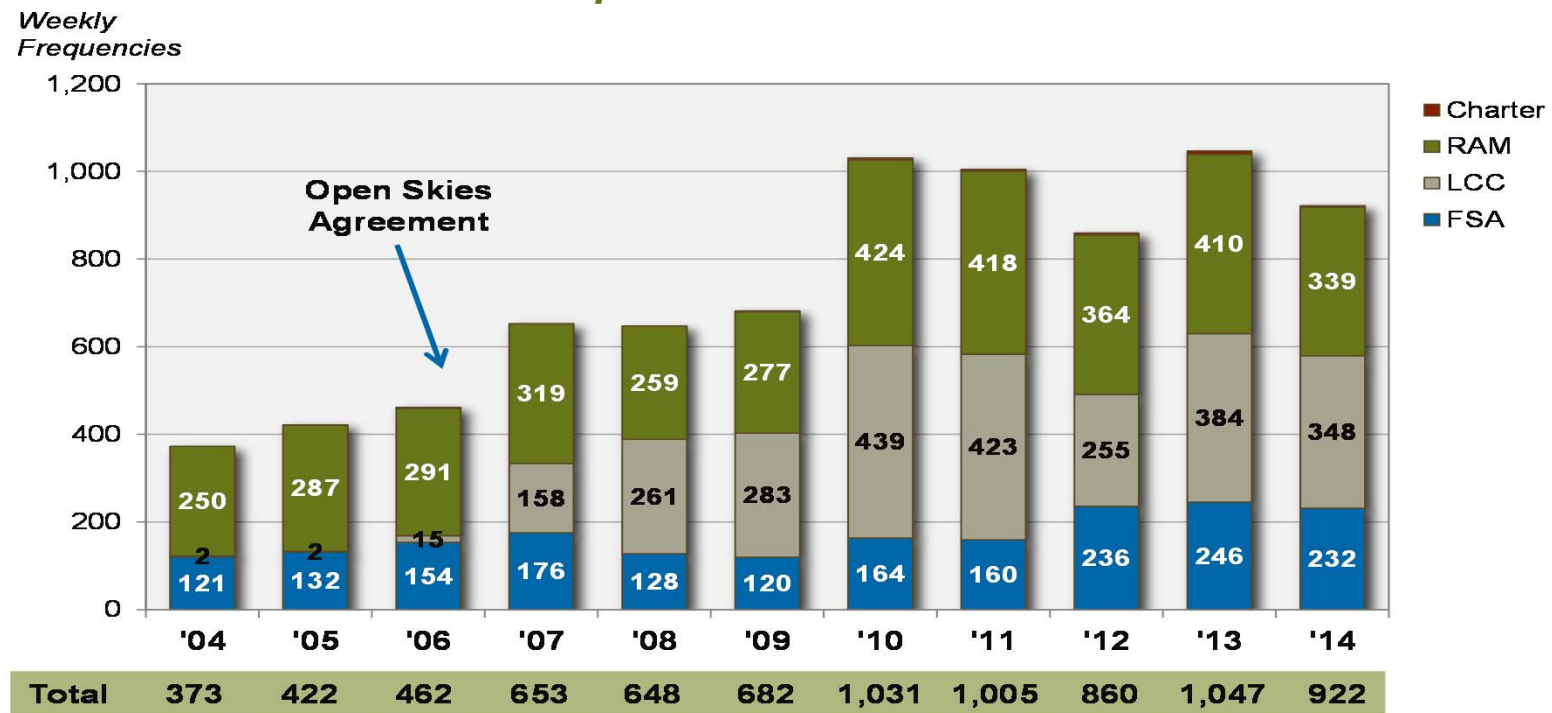


Source: IATA PaxIS

## Case Study: Morocco (cont.)

- LCC flights between Europe and Morocco jumped from almost nothing in 2004-06 to 158 weekly flights in 2007 and to 348 in 2014

### Morocco – Europe Scheduled Service 2004-2014



Source OAG June Schedules 2004-2014

## Case Study: Turkey – High Prioritization of Tourism

*(Established)*

**Barriers:** *Ground transport infrastructure*

**Incentives:** *Strong air service connectivity, air transport infrastructure, government prioritization of tourism, visa procedures*



Note: Turkey is in the Established group

## Case Study: Turkey (CONT.)

- Turkey has established itself as one of the world's top tourist destinations
- In 2012, Turkey was the 6th most visited country with 35.7m international arrivals
- The number of visitors to Turkey has grown at a fast pace in the last decade, more than tripling between 2000 and 2012



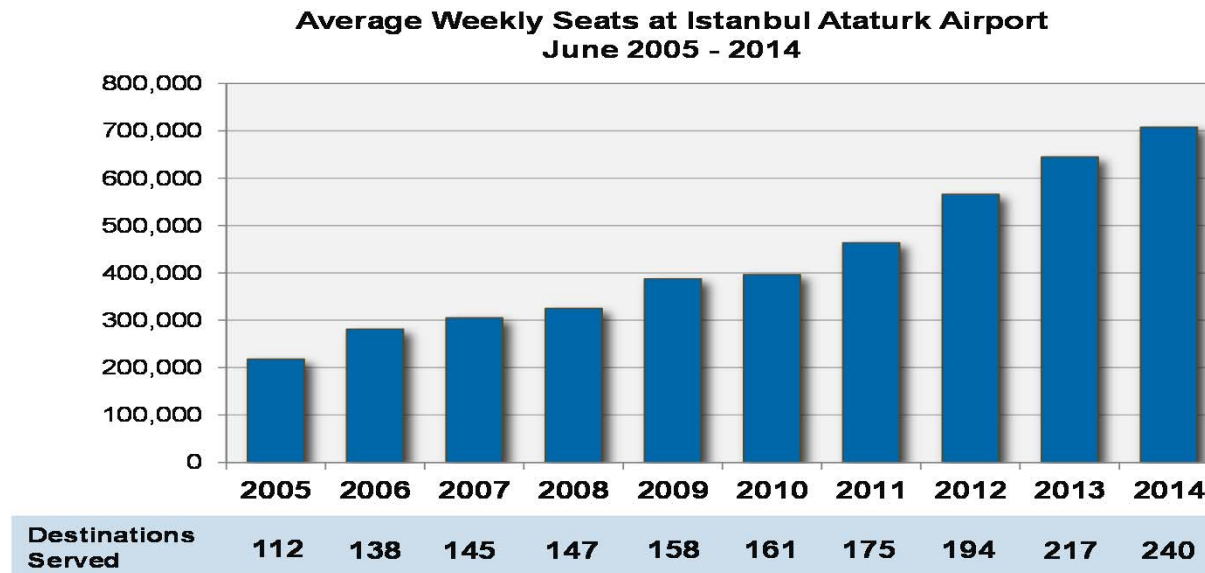
## Case Study: Turkey (CONT.)

### *Incentives*

- **Turkey ranks highly on the air transport infrastructure indicator at 29 out of 140 countries**
- **Istanbul serves as the country's primary international gateway and is the primary hub of the country's flag carrier, Turkish Airlines**
- **Turkish has built an extensive and truly global network at Istanbul Ataturk Airport (IST) with destinations in Europe, Africa, Asia, the Middle East, and increasingly North America**
  - A third airport in Istanbul is planned; it will be the largest in the world (capacity for 100m annual passengers)
- **The government of Turkey has taken an active role in the development of the tourism industry**
  - In its 'Tourism Strategy of Turkey – 2023,' the government aims to boost cooperation between the public and private sector in promoting and developing tourism
- **The Strategy proposes a long-term vision for planning and investment in tourism, with the goal of Turkey becoming one of the five most visited countries in the world by 2023**

## Case Study: Turkey (CONT.)

- Average weekly seats at the Istanbul Ataturk Airport have grown rapidly in the last decade at rate of nearly 14 % annually, thanks to the rise of Turkish Airlines
- Although the airport is served by 57 carriers, Turkish currently accounts for roughly 76 % of seat capacity
- The number of destinations served from Ataturk airport has more than double in the last decade
- 207 of the 240 destination served in 2014 are to international destinations, spanning over 90 countries

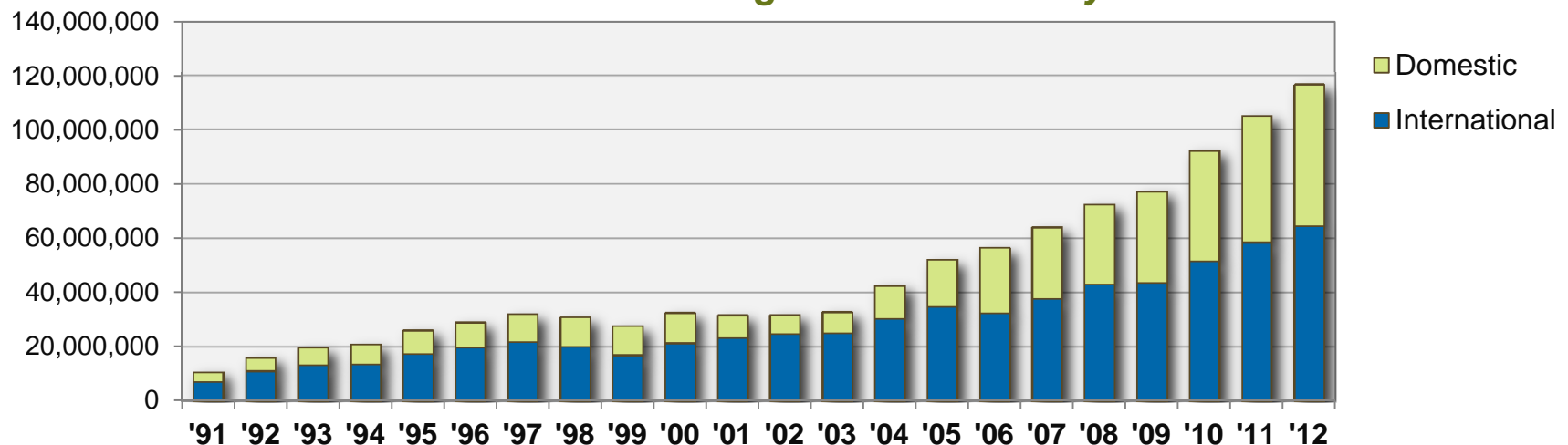


## Case Study: Turkey (CONT.)

### Barriers

- **Short term news coverage of politics**
  - Although there are no travel warnings currently in effect, the U.S. and UK governments urge caution when travelling in Turkey due to the potential for political unrest
- **In addition, while Turkey enjoys excellent air service connectivity in terms of both international and domestic travel, ground transportation infrastructure could be improved, particularly rail and ports**
  - Turkey currently ranks 52<sup>nd</sup> out of 140 countries in terms of ground transport infrastructure

### Historical Passenger Traffic - Turkey



Source: IATA PaxIS

## Case Study: Afghanistan – Prohibitive Security Situation

**Barriers:** *Safety and security, ground transport infrastructure*

**Incentives:** *Air service to major hubs*

- **Afghanistan has seen few tourists in recent years**
  - Tourists range between 15,000-20,000 visitors annually
- **Afghanistan has a rich history that has left behind castles, forts, and other archaeological sites dating back 5,000 years**



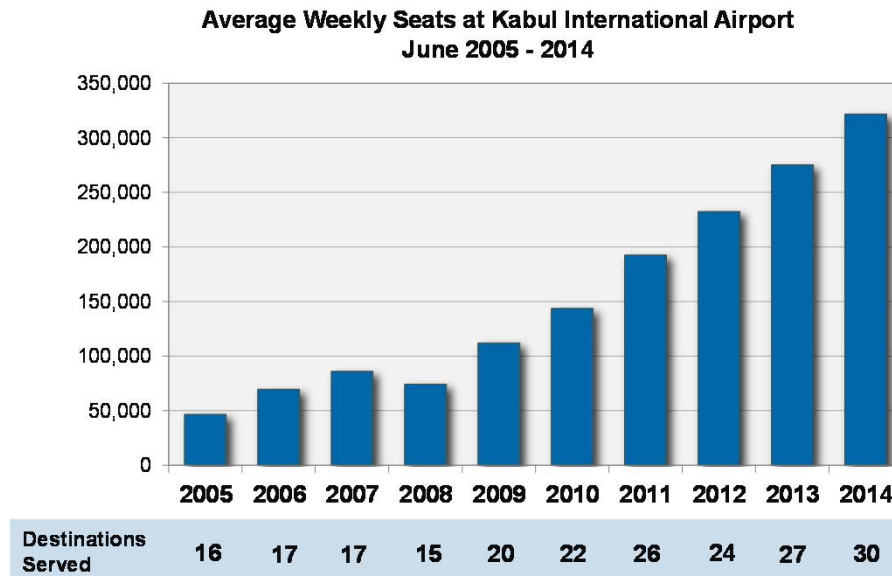
Note: Afghanistan is in the Future country group

## Case Study: Afghanistan (cont.)

### *Incentives*

- Afghanistan's natural beauty and rich historical culture hold promise for the development of tourism
- Afghanistan is reasonably well-connected via air service to Dubai and Istanbul, major hubs for Emirates and Turkish Airlines, respectively, offering one-stop service to points in Europe, Asia, and increasingly North America

### *Historical Air Service at Kabul International Airport*



Source: OAG Schedules

## Case Study: Afghanistan (cont.)

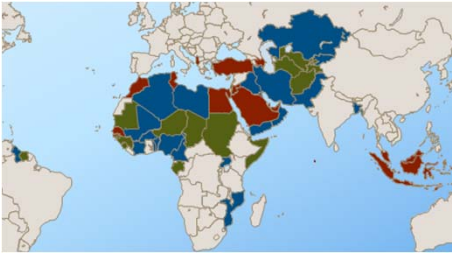
### Barriers

- Chief among Afghanistan's barriers are is safety and security and the threat of violence toward tourists
- Numerous western governments have travel warnings for Afghanistan, urging their country's citizens to avoid travel to any part of the country
- Tourism infrastructure, including hotels and ground access to historical sites, is also underdeveloped and will require significant investment to improve the ease of travel within the country

### Top 10 Country Destinations, 2013

Rank	Country	O&D Passengers (CY 2013)
1	United Arab Emirates	628,182
2	India	293,240
3	Iran	111,538
4	Saudi Arabia	74,526
5	United Kingdom	68,708
6	Pakistan	54,800
7	Germany	51,812
8	Turkey	49,080
9	Tajikistan	34,264
10	Russia	21,680

Source: IATA PaxIS



## SECTION 5

# CONCLUSIONS AND POLICY RECOMMENDATIONS

## Policy Actions by Group

Area	Established	Emergent	Future
<b>Government Prioritization of Tourism</b>	<ul style="list-style-type: none"> <li>Ensure aviation authorities are a key stakeholder in the tourism development strategy and incorporate input from business groups, tour operators, restaurant and hotel associations, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Develop tourism website that includes information regarding tourism sites, visa requirements, and links to hotels, restaurants, and airlines serving the country</li> <li>Establish a long-term vision for planning and investment in tourism; create development strategy and action plan in conjunction with both aviation and tourism authorities</li> </ul>	<ul style="list-style-type: none"> <li>Develop tourism website that includes information regarding tourism sites, visa requirements, and links to hotels, restaurants, and airlines serving the country</li> <li>Establish a long-term vision for planning and investment in tourism; create development strategy and action plan in conjunction with both aviation and tourism authorities</li> </ul>
<b>Regulatory Environment</b>	<ul style="list-style-type: none"> <li>Remove regulation of air fares</li> <li>Remove foreign ownership limits</li> <li>Consider airport and carrier privatization</li> </ul>	<ul style="list-style-type: none"> <li>Remove regulation of air fares</li> <li>Cultivate a favourable investment climate for private sector</li> <li>Remove foreign ownership limits</li> <li>Consider airport and carrier privatization</li> </ul>	<ul style="list-style-type: none"> <li>Remove regulation of air fares</li> <li>Cultivate a favourable investment climate for private sector</li> <li>Remove foreign ownership limits</li> <li>Consider airport and carrier privatization</li> </ul>
<b>Travel and Tourism Infrastructure</b>	<ul style="list-style-type: none"> <li>Develop long-term aviation activity forecasts to ensure existing airport infrastructure has the capacity to meet future traffic projections</li> <li>Modernize airport infrastructure, particularly at tourism centers and regional locations</li> </ul>	<ul style="list-style-type: none"> <li>Develop long-term aviation activity forecasts to ensure existing airport infrastructure has the capacity to meet future traffic projections</li> <li>Invest in new or modernized airport infrastructure, particularly at tourism centers and regional locations</li> <li>Invest in supporting infrastructure including access roads, hotels/restaurants, and tourism facilities</li> </ul>	<ul style="list-style-type: none"> <li>Invest in new or modernized airport infrastructure, particularly at tourism centers and regional locations</li> <li>Invest in supporting infrastructure including access roads, hotels/restaurants, and tourism facilities</li> </ul>

## Policy Actions by Group (cont.)

Area	Established	Emergent	Future
<b>Air Service</b>	<ul style="list-style-type: none"> <li>Depending on the current level of air service, establish an air service development program (see next section) for regional/secondary airports</li> </ul>	<ul style="list-style-type: none"> <li>Offer financial incentives to airlines</li> <li>Establish an air service development program (see next section) for primary international gateway</li> </ul>	<ul style="list-style-type: none"> <li>Offer financial incentives to airlines</li> <li>Establish an air service development program (see next section) for primary international gateway</li> </ul>
<b>Visa Requirements</b>	<ul style="list-style-type: none"> <li>Allow visa applications to be submitted online</li> <li>Streamline the documentation and forms required, shorten approval time and make cost reasonable</li> <li>Grant tourist visas at the airport upon arrival</li> <li>Implement transit without visa (TWOV) schemes, which allow passengers to pass through an airport without obtaining an entry visa</li> <li>Implement a visa waiver program for a list of specific countries</li> </ul>	<ul style="list-style-type: none"> <li>Allow visa applications to be submitted online</li> <li>Streamline the documentation and forms required, shorten approval time and make cost reasonable</li> <li>Grant tourist visas at the airport upon arrival</li> <li>Implement transit without visa (TWOV) schemes, which allow passengers to pass through an airport without obtaining an entry visa</li> <li>Implement a visa waiver program for a list of specific countries</li> </ul>	<ul style="list-style-type: none"> <li>Allow visa applications to be submitted online</li> <li>Streamline the documentation and forms required, shorten approval time and make cost reasonable</li> <li>Grant tourist visas at the airport upon arrival</li> <li>Implement transit without visa (TWOV) schemes, which allow passengers to pass through an airport without obtaining an entry visa</li> <li>Implement a visa waiver program for a list of specific countries</li> </ul>

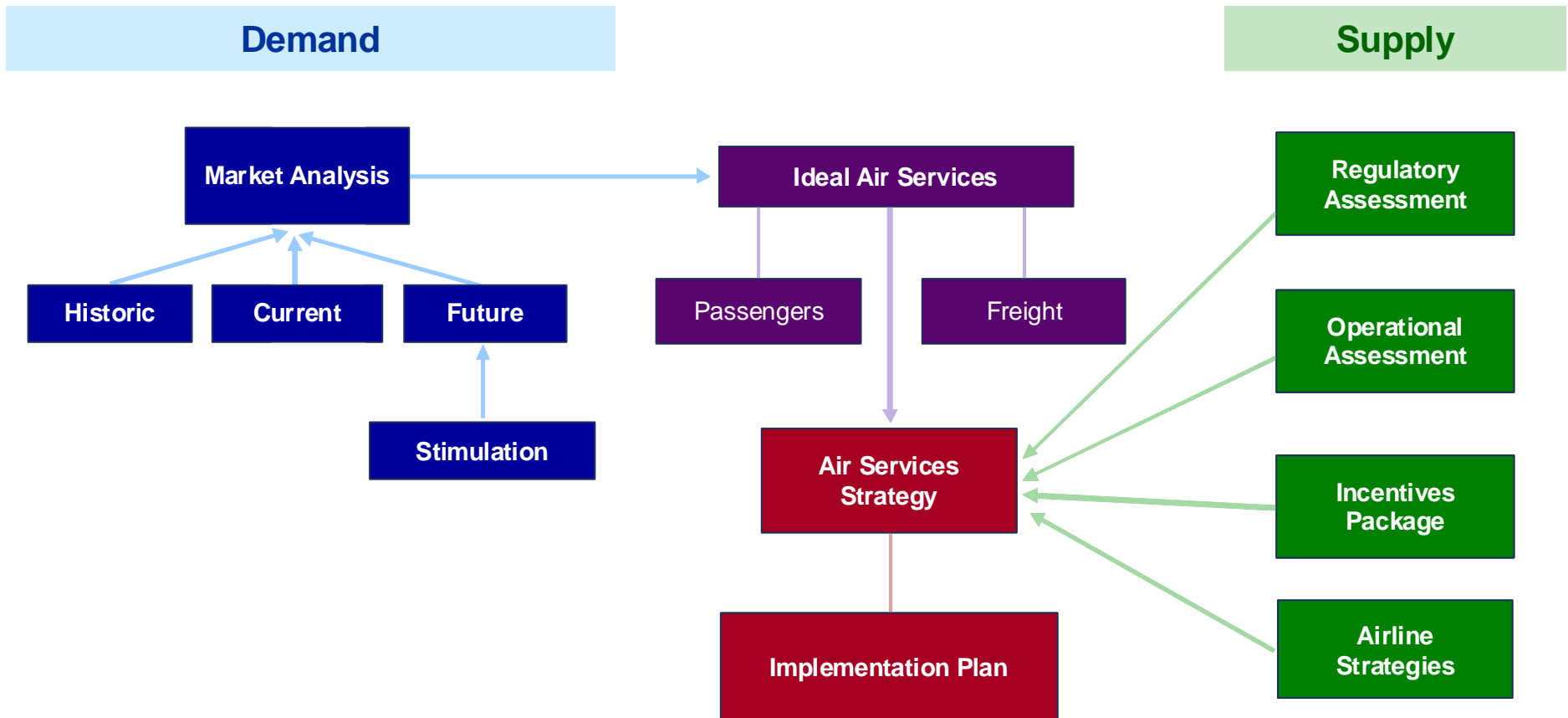
## Air Service Development

- **Market research, analysis and forecasting including the traffic stimulation expected from new air service**
- **Matching the market opportunities to specific airlines' strategies, networks and fleets**
- **Creating quantitative business cases for airlines for specific routes based on a standard industry methodology**
- **Providing introductory material about the destinations and their attractions and infrastructure**
- **Regular contact with airlines at route development conferences, tourism conferences, and in private meetings. Ongoing relationships must be established with airline planners**
- **TALK TO AIRLINES IN THEIR OWN “LANGUAGE” USING THEIR SAME DATA AND ANALYTICAL METHODOLOGIES**

## Air Service Development (cont.)

- Establishment of route committees consisting of the important stakeholders in the development of new air service: airports, tourism ministries, hotel associations, chambers of commerce and others
- A comprehensive package of incentives and financial support for new air service. Airports and countries today are competing with other destinations for scarce aircraft resources
- **Airlines respond best to a unified effort by the destination**
- *The above-described efforts often require the participation of an outside specialist, to develop and maintain an on-going air service development program, particularly for the analysis of airline operations and route case forecasts*

## Elements of Air Service Development Strategy



## Elements of Air Service Development Strategy (cont.)

### *Demand Factors*

- **Historical, current and forecasted future levels of traffic including the market stimulation that occurs with new nonstop air service**
- **Characteristics of the market**
  - Market sizes
  - Seasonality
  - Point of sale/origin
- **Attributes of the destination**
  - Beach, Nature, History, Religious, Shopping

### *Supply Factors*

- **Regulatory characteristics**
  - Visa policy and cost
  - Bilateral air traffic rights
  - Fare regulations and taxation of industry
- **Operational characteristics**
  - Airport Infrastructure
  - Runway characteristics
  - Operating Hours
  - Slot or gate constraints

## Elements of Air Service Development Strategy (cont.)

### ■ Incentives

- Discounts on airport charges
- Advertising Support
- Revenue Guarantee Agreement

### ■ Strategies of the airlines

- Route network and hubs
- Target customer base
- Fleet size and range

### *Timeframe of an Air Service Development Program*

- **Short-term** strategy to cover 6-12 months ahead. This is typically the planning period of small and regional airlines that do not require lot of planning to start up a route
- **Mid-term** strategy to cover 1-3 years. This is typically the planning period of bigger airlines that fly longer distances, rely on fleet plans, need to obtain slots, need to build up sales strategies etc.
- **Long-term** strategy to cover more than three years. This is to target markets that currently do not show enough potential, but eventually might mature to sustain services and/or for which an airline might need to acquire an aircraft

## Elements and Activities of an Air Service Development Program

### ■ Data and statistics

- The airport's own traffic statistics
- The statistics of the local Civil Aviation Authority, tourism ministries and other parties
- Commercially available market data such as:
  - MIDT air traffic booking data
  - IATA PAXIS, Origin and Destination Market size and fare data
  - Passenger surveys done by airports, destinations, ministries, etc.

### ■ Market analyses

- These analyses process the data and statistics and create a coherent and realistic image of the market
- Then used to identify the gaps in service and the future growth of the market
  - *An important part of the analyses are the traffic forecasts which predict the future size of the market.*

### ■ Strategic goals

- These are decisions taken by the airport identifying which market opportunities it will pursue
- The goals must match the strategies, route networks and fleets of the airlines being targeted
  - *Is the proposed destination a 'fit?'*

## Elements and Activities of an Air Service Development Program (cont.)

### ■ Marketing activities

- The delivery of the marketing strategy encompasses many different activities such as:
  - *Attending industry conferences*
  - *Meetings with the carriers*
  - *Contacting the embassies of foreign countries. This is especially useful if bilateral agreements limit air services between the two countries and the other country's government has substantial influence over that country's airline.*
  - *Contacting government and tourism organizations.*
  - *Contacting economic development organizations for funding*
  - *Constructing route scenarios to present in business cases*

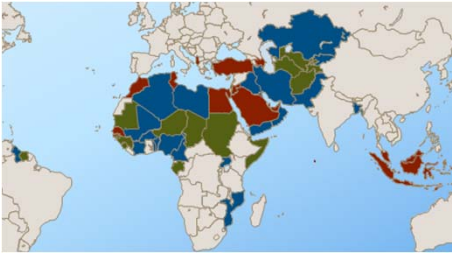
### ■ Formulating offer packages

- Typically includes discounts, rebates and/or financial contributions to the airline's efforts to market the route.
  - *In some countries laws regulate such subsidies to airlines*
- Elements of an incentive package can include:
  - *Landing and parking fees*
  - *Check in counters and office space*
  - *Security screening*
  - *Rebate of passenger user fees (in some cases)*
  - *Discount of fuel mark-up (in some cases)*
  - *In-airport advertising*

## Elements and Activities of an Air Service Development Program (cont.)

- **Marketing plan**

- The plan collects and arranges the different activities into a coherent stream
  - *If compiled and executed correctly, the different activities will reinforce each other creating synergies and better results.*
- Critically, the plan can and should include marketing fund (for advertising) from local stakeholders
  - *Airlines have come to expect this support, especially in tourist destinations that are characterized by lower air fares.*



## SECTION 6

# ANNEX – CASE STUDIES

## CASE STUDY: PAKISTAN - LOW PRIORITIZATION OF TOURISM AND SECURITY ISSUES

**Barriers:** Low government prioritization of travel and tourism, tourism infrastructure, security, visa requirement

**Incentives:** Open Skies agreement with United States

- Lonely Planet describes Pakistan as on the brink of being tourism's 'next big thing'
- Tremendous potential for tourism due to its long rich history, cultural diversity, and beautiful landscapes
- Pakistan's Travel & Tourism industry generated only USD 7.14 billion or 3.1% of GDP in direct contribution in 2013 and is expected to grow by 5.3% to USD 7.52 billion in 2014



Note: Pakistan is in the Future country group

Source: Global Agenda Council on Pakistan 2012-2014, World Economic Forum, Travel & Tourism, Economic

Impact 2014, Pakistan

## CASE STUDY: PAKISTAN (CONT.)

### Barriers

- **Low Priority:** According to the WEF, Pakistan scored poorly in the Travel & Tourism Competitiveness Index in 2013; ranking 24th out of 25 countries in the region.
  - Additionally, the report stated that the Government of Pakistan does not place high priority on the Tourism industry (3.25 out of 7).
  - It was only in 2004 that the government of Pakistan created the Ministry of Tourism but was later abolished under the constitutional requirement that ensures transfer of the ministry to the provinces.
  - Therefore, there is no central body promoting and publicizing the country's image abroad

Source: WEF Pakistan Country Profile

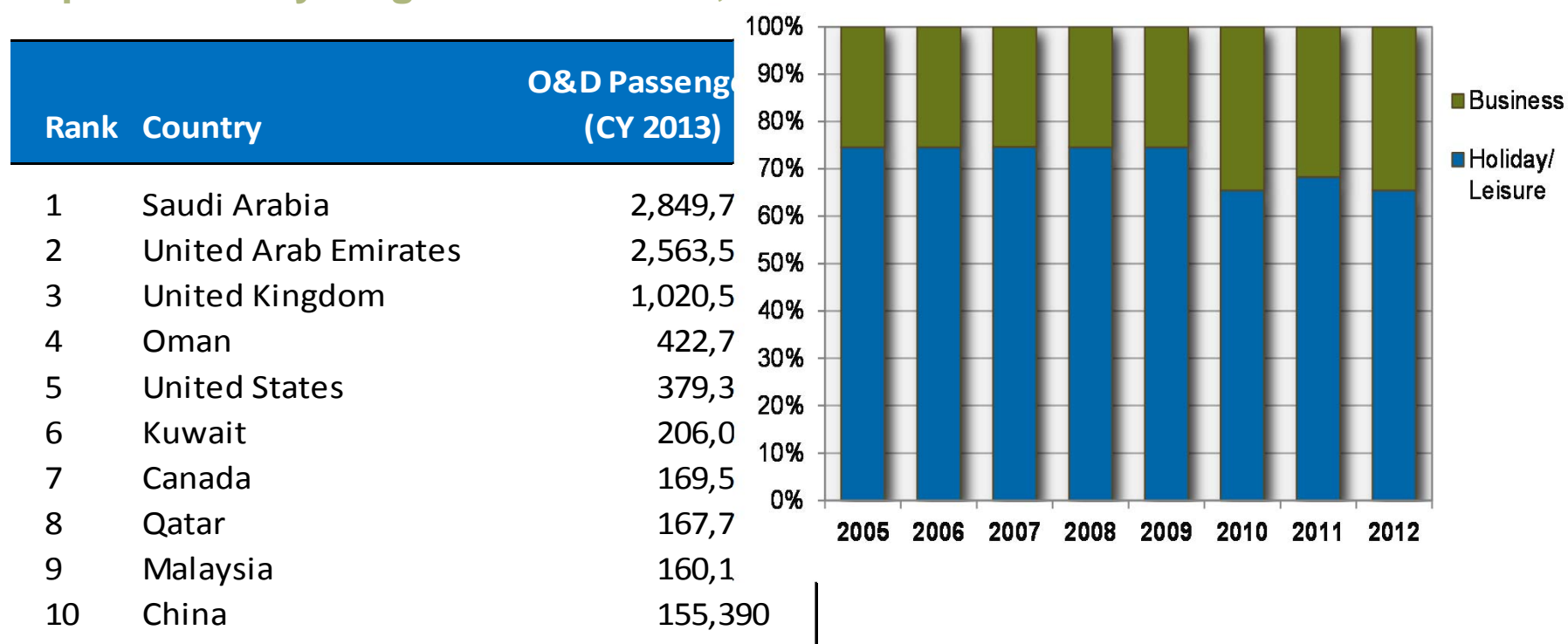
## CASE STUDY: PAKISTAN (CONT.)

- **Tourism Infrastructure:** The country experienced a devastating earth quake in 2005 which collapsed the tourism infrastructure in North-Western Pakistan
  - Lack of development in infrastructure (i.e. hotel rooms, transportation facilities, and road network)
- **Security:** The persistent news coverage of terrorist attacks has had a significant impact on Pakistan's image abroad
  - The security situation has also deprived the country of major international sporting events
  - As a result, the country has been unable to attract sports tourists which have been traditional sources of visitors
- **Visa Requirements:** Pakistan has placed visa requirements for visitors from major tourism-sourced countries such as the United States, China, India, UK, etc.
  - Normal processing time to obtain a Pakistani visa averages between 4-6 weeks



## CASE STUDY: PAKISTAN (CONT.)

Top 10 Country Origin/Destinations, 2013 Share of Purpose of Visit to Pakistan (2005-



Source: IATA PaxIS

## CASE STUDY: AIR SERVICE DEVELOPMENT BETWEEN WESTERN CANADA AND MEXICO

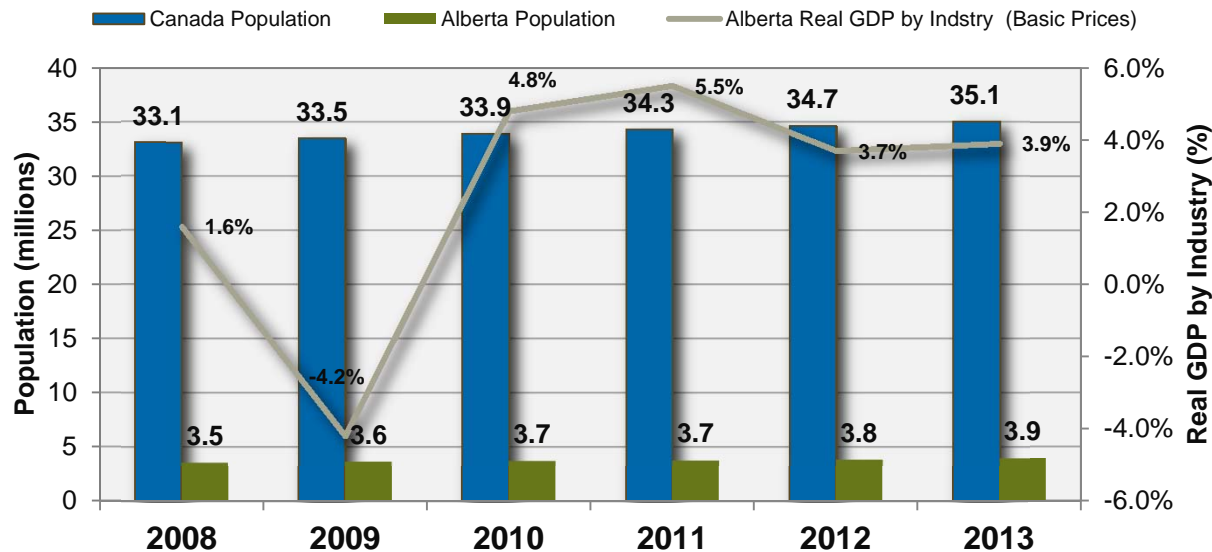
**Barriers:** Little non-stop air service, meaning that western Canadian visitors to Mexico had to connect via the United States, requiring two immigration/customs/security procedures in each direction during travel: once in the U.S. and once in the arrival country

**Incentives:** *More liberal bilateral agreement between Mexico and Canada, discounted/free landing and aircraft parking fees, airport security, and check-in counters. Rebate to the operating airline of the passenger user fee, publicity money from the local tourism authority and other parties.*

## CASE STUDY CANADA/MEXICO: (CONT.)

- In recent years Canada has experienced a buoyant economy, particularly in the west where the energy sector is booming
- The province of Alberta is the centre of the oil and gas extraction activity

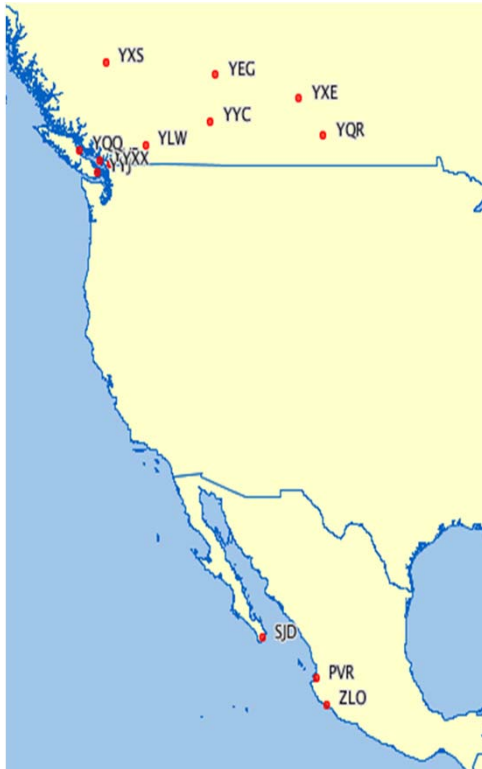
Canada Population and Growth of GDP (2008-2013)



## CASE STUDY CANADA/MEXICO: (CONT.)

- **Concurrently the development of a significant low-cost airline was occurring in Canada: WestJet**
- **WestJet's low fares stimulated demand for travel within Canada as the airline grew**
- **WestJet's first forays outside of Canada were to the United States and traditional vacation markets in the Caribbean**
- **As more people began to populate western Canada, due to the booming economy and, as disposable incomes rose, there was a rise in demand for winter vacation options from this cold part of the world**
- **WestJet, as the hometown airline in Alberta began to look for options**

## CASE STUDY CANADA/MEXICO: (CONT.)



- At the same time, the private Mexican airport operator, Grupo Aeroportuario del Pacifico (GAP) was interested in growing air service to the beach resorts in its portfolio of 12 airports
- The major beach resorts include Los Cabos, Puerto Vallarta, Manzanillo and La Paz, all on the western coast of Mexico – a direct flight south from western Canada.
- These Mexican resorts, and others, were affected by the economic downturn in its core market of the United States and new sources of traffic were needed

## CASE STUDY CANADA/MEXICO: (CONT.)

- The GAP airports, working with an air service development consultant, analysed the growing demand for travel in western Canada and the lack of warm weather destinations
- As part of creating a proposal or business case for WestJet, GAP and the consultant reviewed market sizes and analysed the market stimulation that could be expected from new nonstop service
- Once convinced of the viability of new markets, proposals were created including the most adequate aircraft type (for size and range), the exact schedule timings and days of the week, and the connecting market opportunities
- The airport group offered WestJet attractive discounts to launch the service and provided access to route committees in the communities

## **A common easing of regulation involves visa procedures. Ways that countries can relax visa requirements are:**

- **Allowing visa applications to be submitted online**
- **Streamlining the documentation and forms required**
- **Granting tourist visas at the airport upon arrival**
- **Implementing transit without visa (TWOV) schemes, which allow passengers to pass through an airport without obtaining an entry visa**
- **Implementing a visa waiver program for a list of specific countries**
- **Guaranteeing a short (one day) visa approval**
- **Making the cost of the visas competitive and affordable**

## **A place of origin where the focus destination would be marketed has to be selected based on an assessment of different alternatives**

**The assessment should try to answer questions similar to the following:**

- **Reason to travel to the destination from the selected place of origin**
- **Other destinations that the focus destination is competing with at the given place of origin**
- **The advantage / disadvantage of the different destinations vs. the focus destination**
- **The characteristics of the focus destination that the marketing effort should emphasize.**
- **Size of the potential market for tourists from the target place of origin to the focus destination**
- **Size of the necessary marketing effort to achieve target levels of tourists**
- **Any potential stakeholders that would cooperate with the marketing effort at the place of origin (e.g. the origin airport)**



## Following are slides that EJ recommend not to present

- I have moved all case studies but those Nihat requested here

## CASE STUDY #4: OMAN – OPEN BILATERALS AND DEVELOPMENT OF AIRPORT INFRASTRUCTURE

(Emergent)



*With just 3.1% of national GDP related to the tourism industry, the country of Oman is in our Future country group. In 2009, the country had over 1.5m tourist arrivals and in 2013 was ranked 57 out of 140 countries on the World Economic Forum's Travel & Tourism Competitiveness Index.*

*The end of 2014 will see the completion of a major airport infrastructure project to create three new regional airports as well as capacity increases at both Muscat International and Salalah Airport. These improvements will allow the five airport system to handle almost 15m passengers annually.*



World Economic Forum, 'The Travel & Tourism Competitiveness Report,' 2013  
Oman Airports Management Company

## CASE STUDY #4: (CONT.)

**Oman's over 2,000 kilometres of coast line along the Gulf of Oman and Arabian Sea is a major draw for many visitors to the Sultanate.**

**Many luxury beachfront resorts dot the coast offering snorkelling, scuba diving, and other water sports allowing guests to enjoy Oman's scenic waters and coastline.**

**In addition, historical areas including Bahla Fort, the Frankincense route through the Dhofar region, and a multitude of other archaeological sites and museums attract a wide range of visitors interested in learning about Oman's rich and vibrant past.**

### **Incentives**

**Three new regional airports (Ad Duqm, Sohar, and Ras Al Hadd) all with the capability to handle widebody aircraft. Investment in new terminals at Muscat International Airport and Salalah Airport will increase capacity to 12m passengers annually and 1m passengers annually, respectively.**

**According to the WEF, Oman's government policy places a relatively high priority on travel and tourism (4.5 on a scale of 7, ranked 60 out of 140 countries). The Oman Ministry of Tourism, created in 2004, provides national support to develop the tourism industry in the Sultanate and has identified key niche markets to further develop including Eco-Tourism, Health & Spa Tourism and Yachting Tourism.**

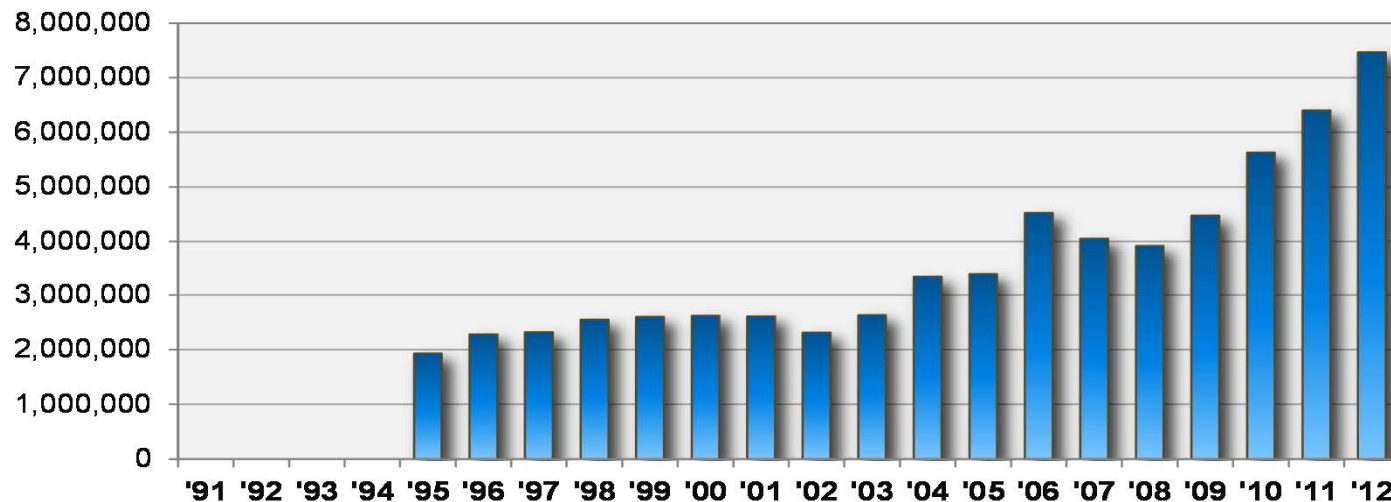
## CASE STUDY #4: (CONT.)

### Barriers

Oman's stringent visa requirements for visitors to the Sultanate, ranked 108 out of 140 countries by the WEF, still present as a barrier to increased levels of tourism in the country. While the Royal Oman Police (ROP) has streamlined the process via an online application, the limited time of validity and visits per visa could steer potential visitors toward other Gulf destinations without visa requirements.

### Key Aviation and Tourism Statistics - Oman

#### Historical Passenger Traffic - Oman



Source: IATA PaxIS

## Case Study #5: Mozambique - Visa Restrictions and Lack of Air Service

### (EMERGENT)

**Barriers:** low air service (few carriers/connections outside Africa), air and ground transport infrastructure, safety and security

**Incentives:** Visa requirements, government prioritization of tourism, investment in tourism infrastructure.

Mozambique, one of Africa's up-and-coming tourism destinations, is in our Emergent country group. In 2013, Mozambique received 2.0m international visitors, up from 1.8m in 2010. Africa was by far the primary source of visitors to Mozambique in 2013, accounting for 72% of total visitors, followed by Europe (20%), the Americas (6%), Asia (1%), and other (1%). Within Africa, the primary country of origin of visitors was South Africa, which shares a border with Mozambique, and within Europe the primary country of origin of visitors was Portugal, which is unsurprising given the two countries' historical and cultural ties. Predictably, the profile of visitors to Mozambique corresponds to the availability of direct international air service links.

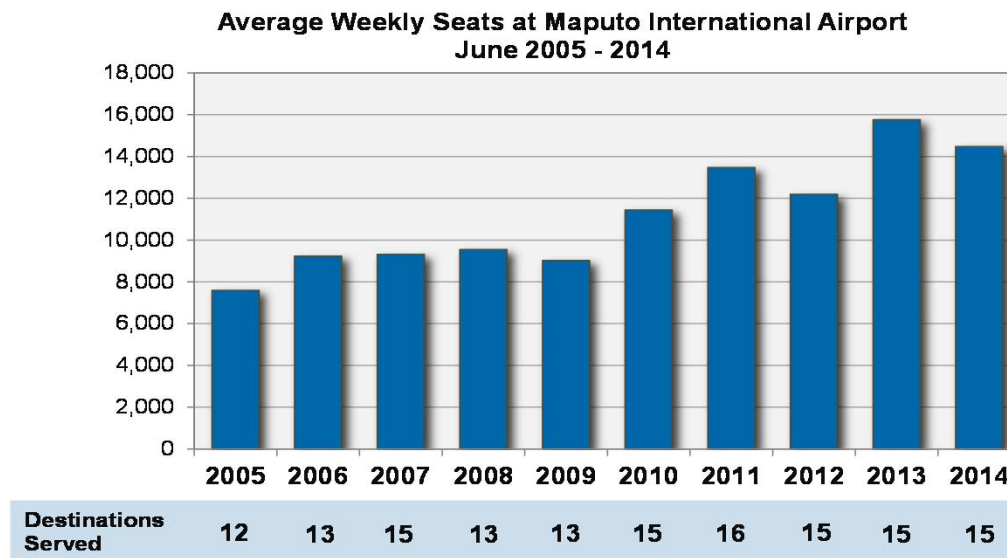


## Case Study #5: (cont.)

Maputo is the capital and largest city of Mozambique and serves as the country's primary international gateway. Eight airlines currently provide service to eight domestic destinations and seven international destinations from Maputo International Airport (MPM). Mozambique's international connectivity is almost entirely limited to Africa, however, as six of seven international destinations are on the continent. Mozambique is served by TAP Portugal with direct flights to Lisbon, the only international destination outside Africa. Qatar Airways offers one-stop service to Doha via Johannesburg, where it has built a large connecting hub that provides onward flights to Asia-Pacific, Europe, and increasingly North America.

As seen in the Exhibit below, average weekly seats at the Maputo International Airport were relatively flat between 2005 and 2009 before starting an upward trend in 2010, which coincided with the addition of two new destinations and increased capacity on existing routes.

### Historical Air Service at Maputo International Airport



Source: OAG Schedules

## Case Study #5: (cont.)

Mozambique's primary tourist draw is its biodiversity, including numerous national parks and wildlife reserves, 2,500km of white sand beaches, and the islands of the Bazaruto Archipelago, the country's most popular destination. The extensive coral reefs along the coast provide opportunities for diving, snorkelling, kayaking, sailing, and other eco-tourism activities. Mozambique's proximity to South Africa allows it to capture a significant share of that country's tourist market, with Mozambique as an 'add-on' destination. Mozambique's unique blend of Portuguese and Arabic heritage sets the country apart from others in Southern Africa.



## Case Study #5: (cont.)

### Incentives

**The government of Mozambique has promoted tourism as a strategic sector beginning in 2001 with the establishment of the Ministry of Tourism (MITUR). Through the ‘Strategic Plan for the Development of Tourism in Mozambique’, the government has defined tourism’s role in the Mozambican economy, tourism trends in Southern Africa and in Mozambique, a tourism development plan, and an implementation framework. A series of laws passed in 2003 and 2004 further defined the country’s high-level objectives for the tourism sector as well as specific measures to promote tourism.**

In recent years, Mozambique has made notable strides in easing entry requirements for tourists; between 2010 and 2012, it eased visa requirements for 189 countries. Mozambique currently ranks 17<sup>th</sup> out of 140 countries on the World Economic Forum’s visa requirements indicator.

The growth of international visitors for both leisure and business purposes in recent years has spurred investment in tourism infrastructure, including hotels. In 2013, more than 30 new hotels were constructed in Mozambique, representing an additional 4,500 rooms, according to a speech made by President Armando Guebuza.

Club of Mozambique. ‘President Guebuza Lays First Stone for New Conference Complex.’ 17 January 2014.

## Case Study #5: (cont.)

### Barriers

One of the key barriers to the development of tourism in Mozambique is the condition of the country's air and ground transport infrastructure. According to the World Economic Forum's business environment and infrastructure indicator, Mozambique ranks 114<sup>th</sup> and 134<sup>th</sup> out of 140 countries for air and ground transport infrastructure, respectively. In 2013, 20.8% of the roadways in Mozambique were paved.

Safety and security also represent a barrier to the growth of Mozambique's tourism industry. On this measure Mozambique ranks 125<sup>th</sup> out of 140 countries. The website of the UK Foreign Ministry warns travellers of street crime, car-jackings, and a recent increase in threats of kidnappings, including to foreigners. In addition, the EU has placed all carriers based in Mozambique on its no fly list as they do not meet ICAO safety standards.

### Key Aviation and Tourism Statistics - Mozambique

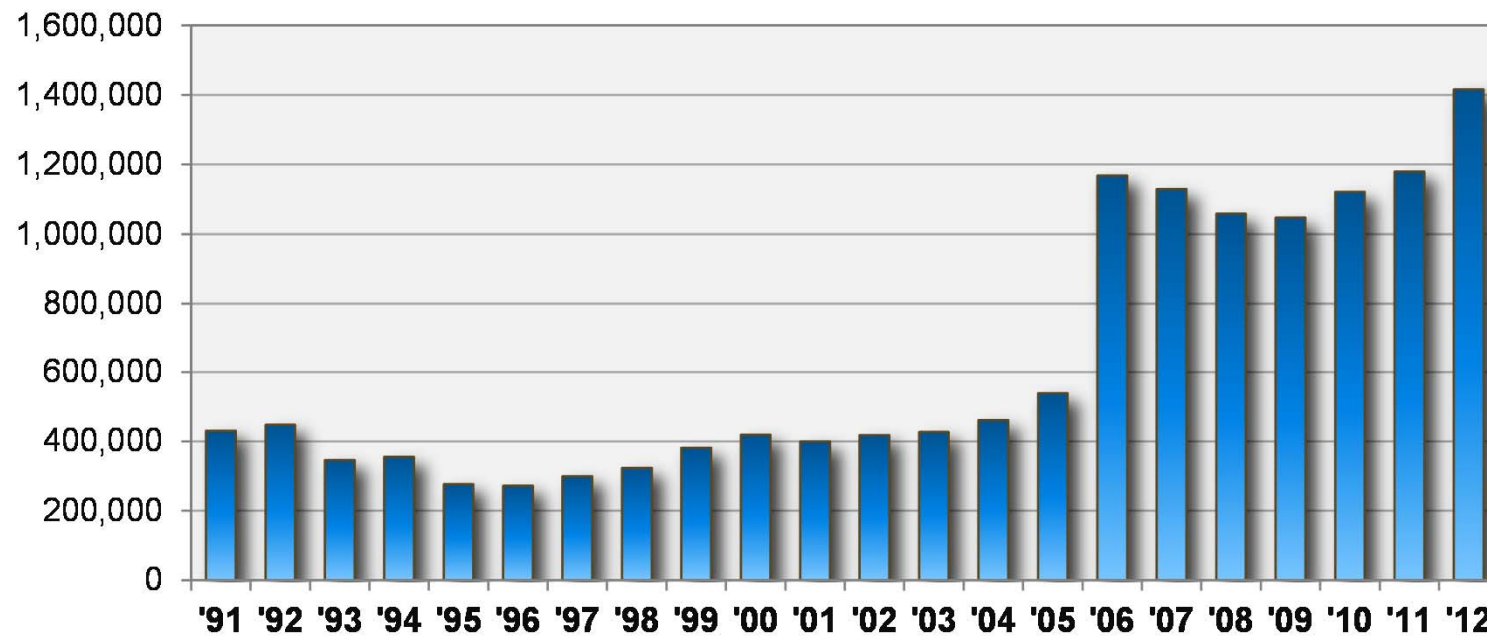
### Top 10 Point of Origin Countries, 2013

Rank	Country	O&D Passengers (CY 2013)
1	South Africa	432,208
2	Portugal	83,618
3	Kenya	33,724
4	China	24,600
5	Tanzania	21,874
6	India	20,032
7	Brazil	17,916
8	Angola	16,958
9	Zimbabwe	16,918
10	United Arab Emirates	15,598

World Bank, 2013 UK Foreign Ministry website

## Case Study #5: (cont.)

Historical Passenger Traffic - Mozambique



Source: ACI

## CASE STUDY # 7: MAURITANIA – IMPROVED SAFETY BUT LOW AIR SERVICE LEVELS

### (FUTURE)

**Barriers:** low air service levels (few carriers/connections outside Africa), air and ground transport infrastructure, safety and security, and low prioritization of tourism by the government, visa requirements

**Incentives:** price competitiveness, improved aviation security.

Mauritania, which ranks 134th out of 140 countries on the World Economic Forum's 2013 Travel and Tourism Competitiveness Index, is in our Future country group. Mauritania's varied landscapes and natural beauty are its key assets that draw visitors to the country. Mauritania ranks highly on the Travel and Tourism Competitiveness Index for the number of World Heritage natural sites and marine protected areas (45<sup>th</sup> and 14<sup>th</sup> out of 140, respectively).



## CASE STUDY # 7: (CONT.)

Mauritania's primary tourist attractions are the desert in Adrar and the Banc d'Arguin National Park along the coast. As one of the most important areas in the world for nesting birds and Palearctic migratory waders, Banc d'Arguin was granted status as a UNESCO World Heritage Site in 1989. The park comprises sand-dunes, coastal swamps, small islands, and shallow coastal waters and is a major breeding site for migratory birds including flamingos, broad-billed sandpipers, pelicans, and terns. Mauritania is best known as an eco-tourism destination for those seeking outdoor adventure amidst the country's varied landscapes. For example, visitors can trek by camel through the desert dunes or see them from above on a hot balloon trip



### Incentives

Mauritania successfully improved its aviation safety and security record enough to be removed from the EU safety list in 2012. A coordinated effort by the government resulted in ICAO declaring that:

Mauritania has worked very hard in recent months to achieve a 70 % effective implementation rate with respect to ICAO's safety oversight guidance. This has led to dramatic improvements in the safety of its system – improvements which can now be of direct benefit to travellers, tourists and businesses that rely on timely access to related destinations and markets.

-ICAO press release, 12 December 2012

## CASE STUDY # 7: (CONT.)

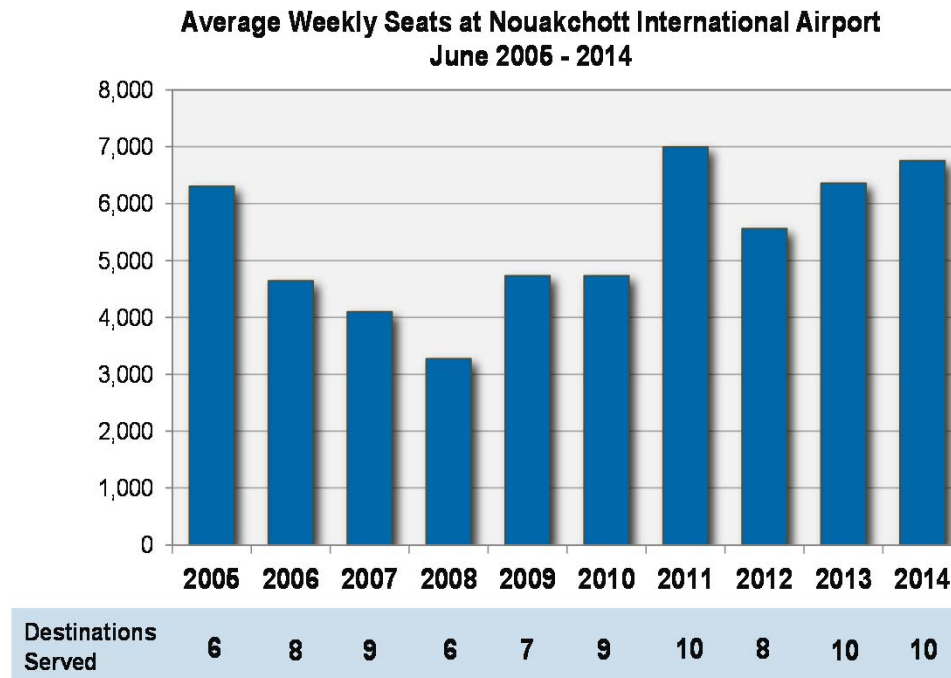
### Barriers

Air service to Mauritania is limited in terms of destination breadth as well as quantity. Mauritania's largest airport and primary international gateway is in Nouakchott, also the country's capital. Eight airlines currently provide service, including Mauritania Airlines which has its hub at the airport. Nouakchott International Airport (NKC) offers nonstop service to ten destinations, eight international and two domestic. International air service from Mauritania's is almost entirely limited to Africa, however, as seven of eight international destinations are on the continent. Mauritania is served by Air France with direct flights to Paris, the only international destination outside Africa. Turkish Airways offers one-stop service via Dakar to Istanbul, where it has built a large connecting hub that provides onward flights to Asia-Pacific, Europe, and increasingly North America.

As seen in the exhibit below, average weekly seat capacity at Nouakchott International Airport declined between 2005 and 2008 as the national carrier Air Mauritanie withdrew capacity, culminating in the carrier's collapse in 2007. Air Mauritanie was replaced by Mauritania Airways in 2007, restoring some of the former carriers' service. Air service at Nouakchott was disrupted again in 2010 when Mauritania Airways shut down. However, another airline was created in December 2010 following the demise of Mauritania Airways: Mauritania Airlines International. Seat capacity at Nouakchott has grown in each of the last three years.

## CASE STUDY # 7: (CONT.)

### Historical Air Service at Nouakchott International Airport



There are significant barriers to the development of aviation and tourism in Mauritania. Foremost is the security situation, which serves as a major deterrent to foreigners interested in the country's eco-tourism offerings. Both the United States and the United Kingdom have issued travel warnings for the country.

Source: OAG Schedules

## CASE STUDY # 7: (CONT.)

In terms of ease of access, Mauritania's air service connections outside of Africa are limited to Paris, though as Air France's hub there are significant connecting options on the carriers' network. Within Africa, none of the airports served from Nouakchott are major hubs, further limiting onward connectivity. Entry requirements also represent a formidable barrier, as Mauritania ranks 135<sup>th</sup> out of 140 countries in terms of visa requirements in the Travel and Tourism Competitiveness Index.

### Key Aviation and Tourism Statistics - Mauritania

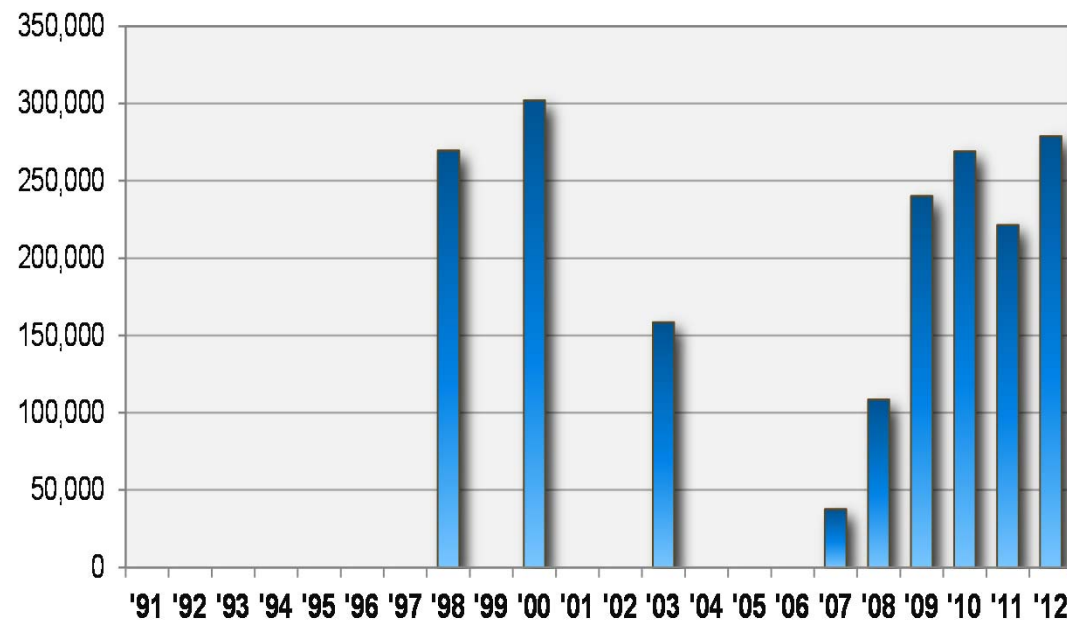
#### Top 10 Country Origin/Destinations, 2013

Rank	Country	O&D Passengers (CY 2013)
1	Morocco	74,942
2	Senegal	40,858
3	Canary Islands	39,360
4	France	33,374
5	Tunisia	26,114
6	Mali	23,812
7	Spain	10,728
8	Algeria	10,662
9	United Kingdom	7,502
10	Turkey	6,316

Source: IATA PaxIS

## CASE STUDY # 7: (CONT.)

Historical Passenger Traffic - Mauritania



Source: ACI

## CASE STUDY #8: SURINAME – LOW PRIORITIZATION AND AIR SERVICE

### (FUTURE)

**Barriers:** Low government prioritization of travel and tourism, aviation infrastructure, political instability, visa requirements, aviation safety and security, and low air service (few carriers)

**Incentives:** Open Skies agreement with United States

With only 2.2% of national GDP related to tourism, the country of Suriname is in our Future country group. In 2012, the country had 240,000 tourist arrivals, of which over 90% were for leisure purposes. Approximately 65% of tourist arrivals were via air (the remaining were via water) and visitor origins were roughly evenly split between the Americas and Europe. This is not surprising given the air service to the country.

Since 1996 the Suriname Tourism Foundation (STF) has worked in cooperation with the local tourism industry to brand and promote Suriname as a tourism destination. The STF supports the industry through their marketing and promotional campaigns, as well as partnerships with international, national, and regional tourism organizations.

UNWTO Statistics



## CASE STUDY #8: (CONT.)



A primary draw of tourism to Suriname is the dense Amazonian rainforest which covers roughly 95% of the country. The country boasts eleven national nature reserves, the largest being the 'Central Suriname Nature Reserve' a UNESCO World Heritage site. The rainforest hides a wide array of rare and exotic flora and fauna, and nurtures Suriname's growing eco-tourism industry. Additionally, the Surinamese culture, a diverse mix of ethnic groups, languages and religions with ties to Asia, West Africa, and Europe, attracts travellers wishing to learn more about the country's peoples and past.

## CASE STUDY #8: (CONT.)

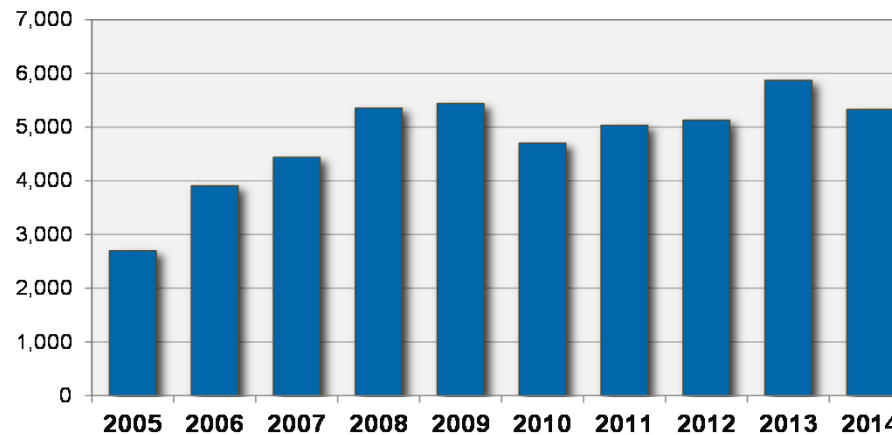
### Incentives

Suriname signed an Open Skies agreement with the United States in July 2013. However, the main airport, Paramaribo, does not yet have nonstop service to the United States, nor do any American carriers serve the country. Rather, Suriname Airways serves Miami via Aruba and Georgetown, Guyana.

### Barriers

Air service to Suriname mostly connects the country with regional Caribbean (e.g. Aruba, Curacao, and Trinidad) or mainland South American destinations (e.g. Belem, Brazil and Georgetown, Guyana). However as Suriname is a former Dutch colony, both Suriname Airways, the national carrier, and KLM operate long-haul service to Amsterdam using A340-300 and B747-400 aircraft, respectively.

Average Weekly Departing Seats at Paramaribo  
June 2005 - 2014



Destinations Served	4	4	5	4	4	5	5	6	7	7
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Source: OAG  
schedules

## CASE STUDY #8: (CONT.)

According to the WEF, Suriname's government policy does not place a high priority on travel and tourism (3.6 on a scale of 7, ranked 114 out of 140 countries). This lack of prioritization by the government on travel and tourism is also reflected in the small share of the government budget, only 1.7%, devoted to the cause. This underinvestment, especially when compared to Established tourism markets such as Qatar and the United Arab Emirates, which each spend 5.6% and 5.5% of their national budgets, respectively, could make the development of future air service a challenge.

### Key Aviation and Tourism Statistics - Suriname

Safety and security is another barrier Suriname faces as it seeks grows its tourism sector. Political instability represents a major deterrent to tourists seeking to visit the country. In addition, Blue Wing Airlines, a carrier based in Suriname, has been placed on the EU's safety list of airlines barred from serving the EU due to its safety record. The airline sustained aircraft crashes in 2008 and 2010.

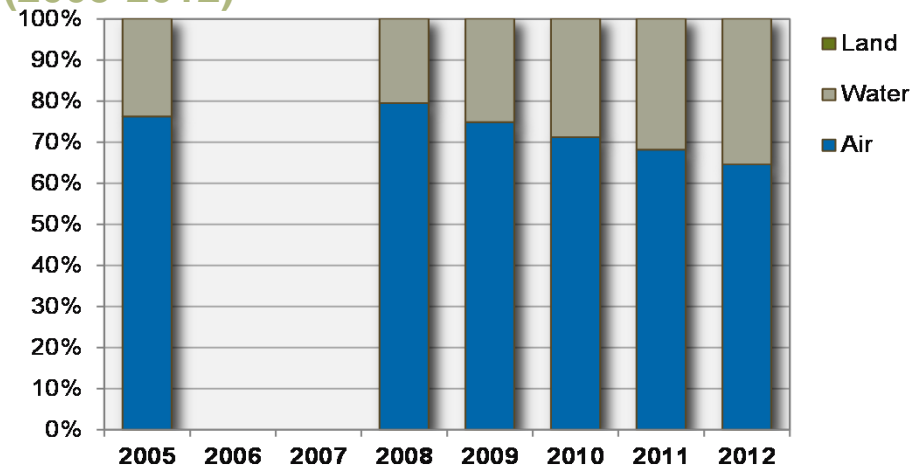
World Economic Forum, 'The Travel & Tourism Competitiveness Report,' 2013 , CAPA news articles

### Top 10 Country Destinations, 2013

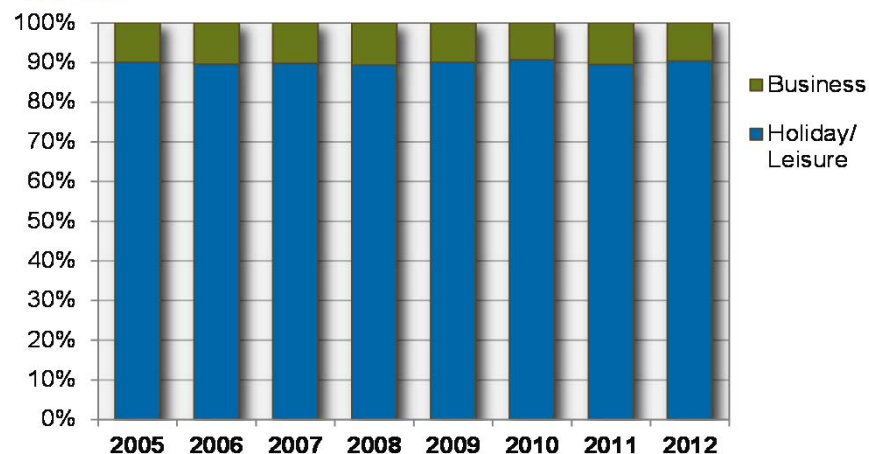
Rank	Country	O&D Passengers (CY 2013)
1	Netherlands	241,440
2	Netherlands Antilles	59,610
3	United States	51,594
4	Brazil	29,278
5	Trinidad & Tobago	26,770
6	Aruba	22,270
7	French Guiana	16,594
8	China	10,628
9	Guyana	6,918
10	Hong Kong	4,802

## CASE STUDY #8: (CONT.)

Share of Mode of Travel of Visitors to Suriname (2005-2012)



Share of Purpose of Visit to Suriname (2005-2012)



Source: UNWTO

## CASE STUDY #10: DOMINICAN REPUBLIC – AIR SERVICE DEVELOPMENT

**Barriers:** Lack of air service to South America

**Incentives:** Air service marketing campaign, multilateral air service agreements

The Dominican Republic is an island nation in the Caribbean. Its traditional air service offerings are either in the VFR or 'ethnic' market to the United States or flights to beach resorts, such as Puerto Plata, on the island. These flights are from North America and Europe.

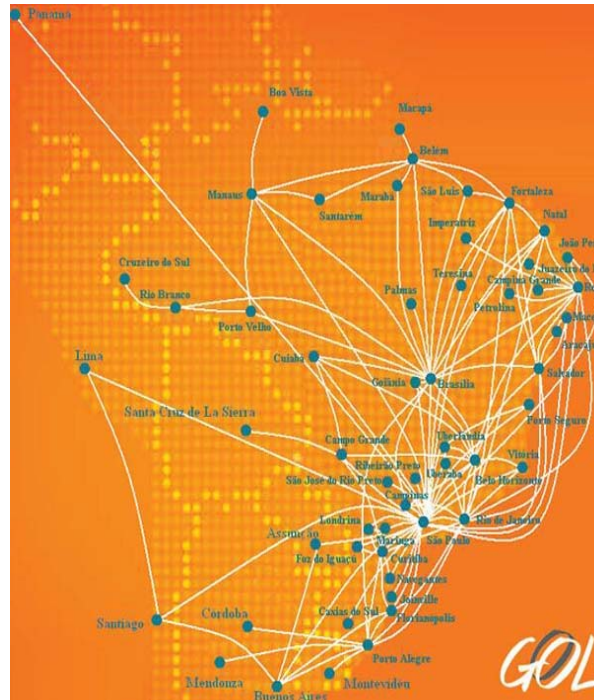
The airport operator of the Santo Domingo airport was keen to identify more air service, particularly in the growing Latin America market.

Concurrently, the Brazilian low-cost airline, Gol, was looking for new opportunities. Gol had historically flown within its home country and to nearby markets. Gol's entire fleet consists of narrowbody aircraft, which limit the distance the airline can fly from Brazil. For example, Gol's aircraft cannot fly nonstop from Brazil's main cities to the important United States market.



## CASE STUDY #10: (CONT.)

## Gol Route Map



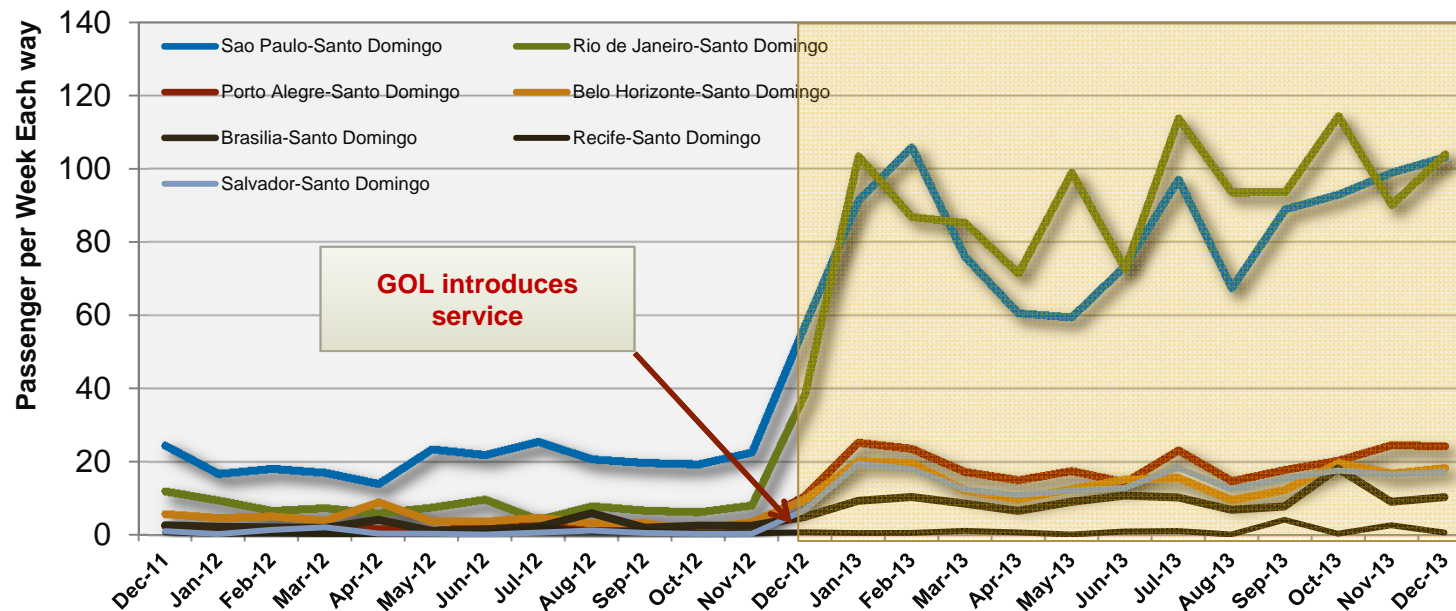
The historically fast-growing Brazilian domestic market began to experience slower growth, caused by the economy and by higher fares. This situation caused Brazilian carriers, including Gol, to look farther from Brazil's home market for opportunities.

Source: Gol corporate website

## CASE STUDY #10: (CONT.)

The Santo Domingo airport envisioned the idea of inviting Gol to serve Santo Domingo from key cities in Brazil. The local market sizes between Brazil and the Dominican Republic are not large and the traffic forecasts did not justify the operation of non-stop flights in the markets. Next came the realization that the Brazil-USA market suffered from a lack of capacity, caused by a constrained bilateral agreement between the countries and by a shortage of slots and airport space in Rio de Janeiro and Sao Paulo. Fares were very high and seats scarce on nonstop flights between Brazil and the United States. As a result, the concept of Gol flying beyond Santo Domingo to points in the United States was promoted.

### Impact of GOL Starting Service between SDQ and SAO/RIO



Source: IATA PAX-IS, OAG Schedules

## CASE STUDY #10: (CONT.)

As a result a 'mini-hub' was established in Santo Domingo by Gol. Three types of traffic are served: Brazil to Santo Domingo, Brazil to the United States via Santo Domingo and Santo Domingo to the United States. The combination of these traffic types enables the hub operation to work, creating new air service and visitors for Santo Domingo and new markets for the airline.

The hub required proper multilateral air service agreements in order for a Brazilian airline to carry passengers between the Dominican Republic and the United States.

Map of Santo Domingo Hub



Source: IATA