



Economic impact – Air connectivity and liberalization

February 27, 2012

To represent, lead and serve the airline industry



Agenda

- Economic benefits of air transport
- Airline market liberalization
- Examples of impacts from airline market liberalization

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Economic benefits of air transport

Three ways of looking at benefits from air transport

1. Jobs, GDP and tax revenue supported by aviation
2. Consumer benefits
3. Benefits from improved air transport links


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Jobs, GDP and tax revenues supported by air transport and tourism firms




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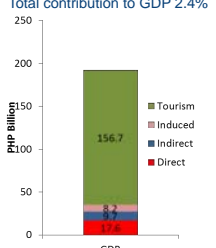
Example: Philippines

Total contribution to employment 2.5%




Source: IATA, ACI, Oxford Economics

Total contribution to GDP 2.4%



Source: IATA, ACI, Oxford Economics

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Consumer benefits



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Benefits from air transport links

Benefits are more difficult to quantify (compared to economic footprint) but perhaps more important

- Improves productivity
- Facilitates foreign direct investment
- Promotes agile business models

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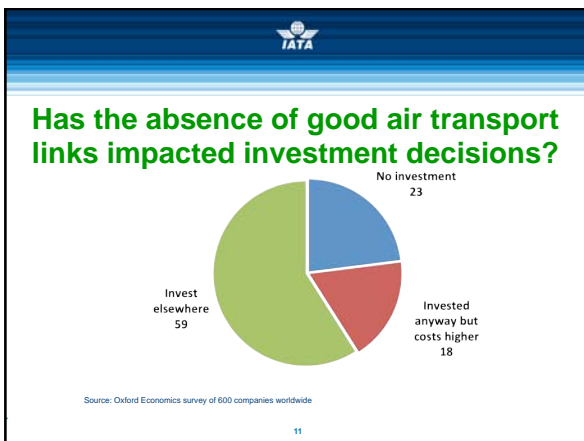
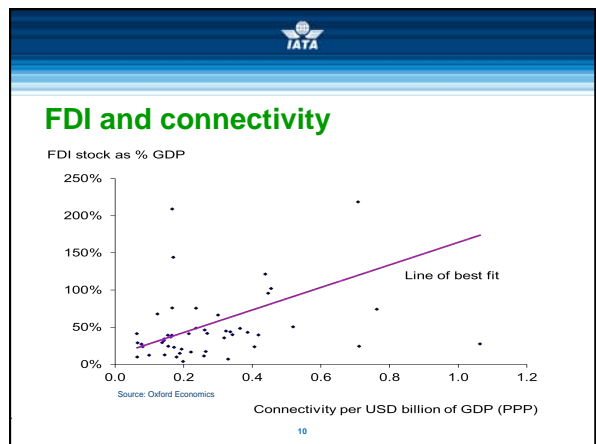
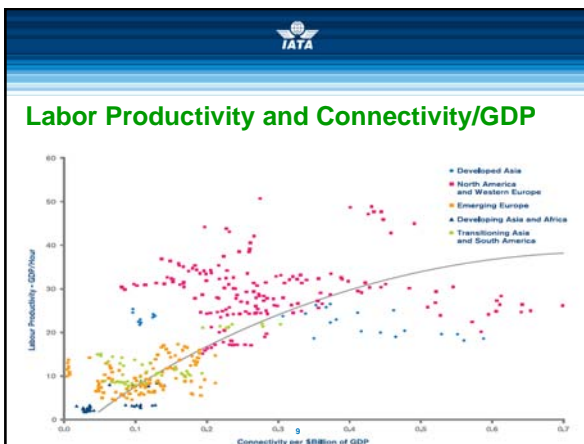
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Connectivity has facilitated the success of many businesses e.g. Dell

Businesses can set up much more efficient global supply chains

- Dell manufacturing plant Austin, Texas
- Mexico Keyboards
- France Soundcards
- China Power supplies
- Japan RAM Chips CO-ROM Drives
- Taiwan Network Cards Monitors Cooling Fans
- Singapore SCSI Cards Disk Drives
- Malaysia Floppy Drives
- Hong Kong Video Cards Microprocessors

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Restrictions to Global Aviation

- **Operational (product market) restrictions**
 - Bilateral ASAs contain restrictions on number of airlines and frequency of flights on a route as well as fare restrictions
 - Only 17% of international traffic conducted in an operationally liberalized environment (still restrictions on ownership)
- **Ownership (capital market) restrictions**
 - Limits on foreign ownership and control of airlines

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Liberalization – consumer benefits

- Lower Prices
- Increased Output and Choice
- Improved Product and Service Quality

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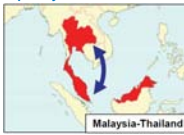
Liberalization – benefits for firms

- Improve capacity utilization
- Promote cost efficiency and productivity
- Increase investment and knowledge transfer
- Improve profitability and market value

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Examples: Malaysia-Thailand

- Greater liberalization has brought significant benefits
- In 2005 alone - over 370,000 passengers attributed to liberalized regime
- 4300 full-time jobs and a boost to GDP of 114 mil USD
- Economic and tourism benefits shared equally



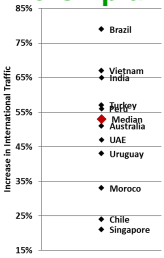
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Impact of liberalization



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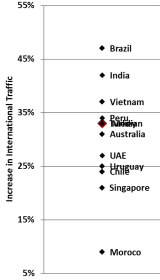
Traffic Impacts – Market Access and Ownership and Control



- Median impact of combined liberalisation: 53% increase in international traffic
- Countries currently with the most restrictive regulation would experience the biggest impacts:
- Singapore (21%), Chile (24%) and Morocco (33%) have already undertaken significant liberalisation so the potential impact of further liberalisation is smaller

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Traffic Impacts – Market Access



- Median impact of market access liberalization: 33% increase in international traffic
- Market access liberalization has a higher impact on traffic increase but scale of impacts will vary country-to-country

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Alignment with APEC agenda

Concrete action → Airline market liberalization will support APEC agenda:

- Trade and investment liberalization
- Supply chain connectivity
- Fostering intensive cooperation for innovative growth

➤ Advanced through

- Tourism Working Group
- Transportation Working Group

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How Integrated is Aviation with the Tourism Sector?

Binding Constraints to APEC Tourism Growth


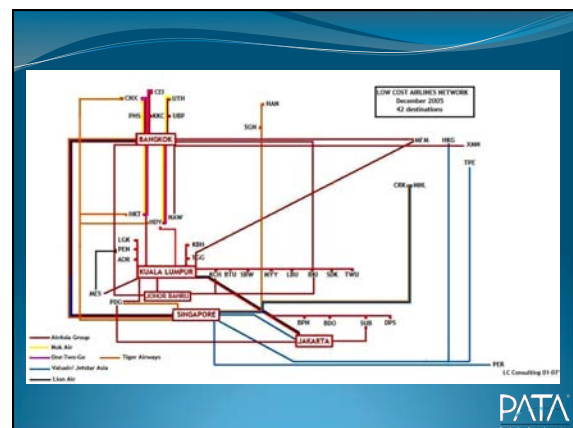
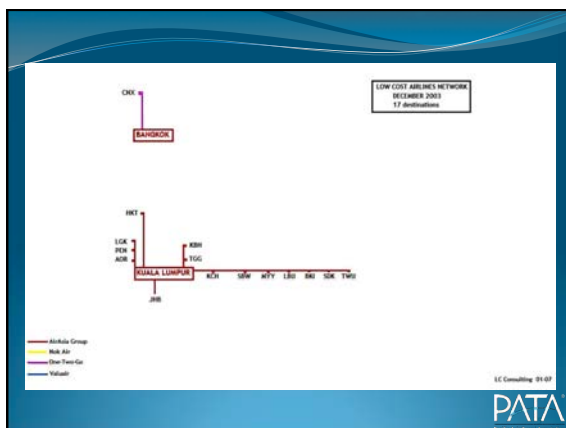
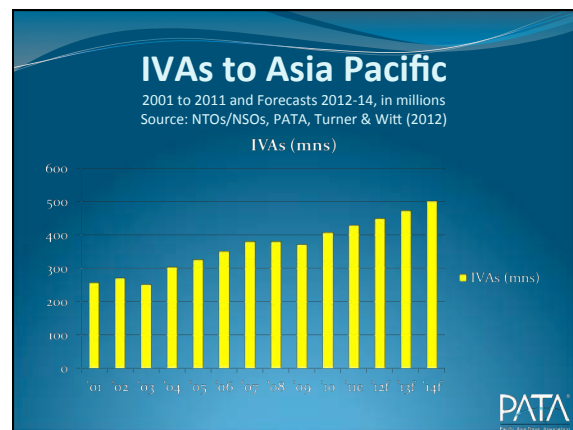
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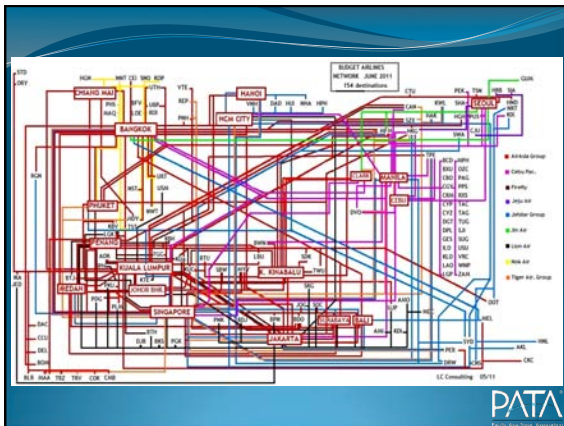



The Asia Pacific accounts for 44% of the global land mass



44%








APEC
 Asia-Pacific Economic Cooperation

2008/TWG32/013
 Agenda Item: 9

Final Report: Tourism Impediments Stage III
 Purpose: Information
 Submitted by: Thailand



APEC Report on Tourism Impediments

- Fragmentation
- Vulnerability
- Relatively Low Profile



