



Asian aviation

Led by more tourists and steady growth in cargo transportation, Asian aviation places more orders and becomes the largest air market in the world.

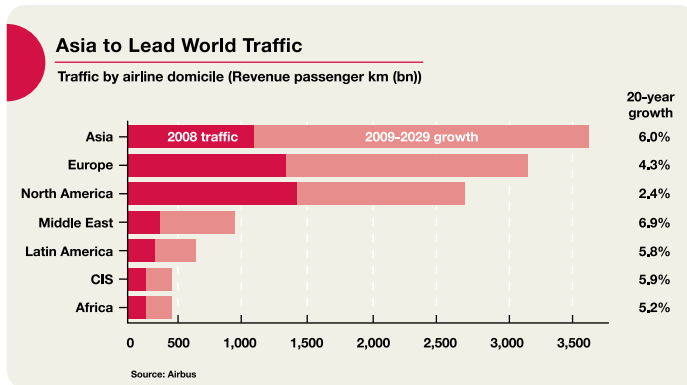
In terms of flying, we live in a world at a point of significant change: around half of us have just started to recognise that we need to travel less at the same time as the other half want to travel more. Overall, rising demand from both low-cost and premium passengers keen to fly more shows little sign of abating in the next decade. Add in increased air freight and there is little doubt that the number of passenger and cargo air miles flown will rise year by year through to 2020 and beyond. The International Air Transport Association projects that the number of passenger departures each year globally will rise from 2.3 billion in 2009 to 16 billion by 2050. Although much of this growth can be seen to be global, with the US continuing to play a major role, Asia will be the most significant source of air transport expansion – and many of the orders for the planes that will deliver this have already been placed.

While the aviation industry has been under scrutiny in many countries on account of its carbon emissions, as a sector it is only responsible for around 2% of the carbon released into the atmosphere. Despite the industry's stated ambition to cap emissions by 2050, the reality is that very little of note can actually be done by 2020. This is because, firstly, the average plane is in service for around thirty years and so the cycle time to change the fleet is too long – both Airbus and Boeing are already selling more efficient planes, such as the A380 and the Dreamliner, but it

will take several decades before all of the old models have been replaced with modern ones. Secondly, there are currently few technology options open to the aviation sector for reducing emissions. Any major innovation in aircraft propulsion units is many years away, so the only change that can be implemented during our time horizon is to introduce bio-fuels into the aviation fuel mix. Even with this shift, it is very unlikely that aircraft across the whole sector will be run on 100% bio-fuel any time soon, so most experts in the industry are planning for an extremely gradual shift – and hence the 2050 targets. Unlike other modes of transport, it is therefore unlikely that there will be any significant platform change by 2020.

The major difference we will see a decade from today will be the sheer number of planes in the skies, moving ever more people and goods around by air between growing numbers of airports. Given the nature of the lead times in the aviation sector, this can be guaranteed – the orders for the next decade are already with the manufacturers.

Both Airbus and Boeing release twenty-year projections for the sector which provide some salient facts. Globally, Boeing forecasts an average growth in passenger numbers of around 4% per annum but 'air travel for the Asia-Pacific region is expected to grow at an average rate of 6.5%'. As a consequence, over the next twenty years, 'the Asia-



Pacific fleet will grow from 3,910 to 11,170 planes' and, by 2020, 'Asia-Pacific will easily be the largest air travel market in the world'.

Airbus sees that 'global air traffic will triple over the next twenty years and, as average aircraft size will grow steadily, airlines will more than double the size of their fleets'. Like Boeing, Airbus identifies Asia as the major growth area, with over 30% of new aeroplane deliveries planned for the Asia-Pacific region. At the 2010 India Aviation Show, the Indian Civil Aviation Minister announced that he expected India to need another 3,000 aircraft over the next decade just to keep pace with economic growth. Also over the next decade, China's domestic market is expected to grow towards the size of the US and international flights between these two countries are forecast to represent more than 15% of all flights by 2028.

Asia-Pacific will easily be the largest air travel market in the world.

This Asian market growth is the result of a rise in regional tourism and an increase in cargo.

- The desire to travel for a younger, wealthier and increasingly middle-class Asian population will lead to significant intra-regional and international tourism. China alone is expected to produce 100 million outbound tourists a year by 2020 and, across Asia, real GDP in tourism is forecast to grow at an average of over 8% per annum over the next decade, adding an extra 10 million jobs.

- From a cargo perspective, Chinese flights dominate international traffic. New links between China and Africa, especially, are growing rapidly with new routes opening between key hubs such as Nigeria on a regular basis. Airbus expects India's fleet to grow 13.5 times by 2028. Over the next twenty years, 'the overall Asia-Pacific freighter fleet is expected to increase five-fold', rising from 16% of the global fleet in 2009 to nearly 40%.

On top of this, many Asian countries are relaxing regulatory restrictions to stimulate air travel and are rapidly upgrading their airports. Whereas the likes of Kuala Lumpur, Singapore, Hong Kong and Shanghai led the region over the past decade, other cities are rapidly catching up. Over the next ten years, China plans to invest \$64 billion, including numerous upgrades and nearly one hundred totally new airports. With expanding international operations in Beijing, Shanghai, Kunming, Guangzhou and Nanjing, China will have 244 major airports by 2020. In India, the current five-year investment plan has earmarked nearly \$7 billion for airport expansion, including upgrades that have started in New Delhi and Mumbai

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and new green-field construction that has been led by Hyderabad and Bangalore. As many as thirty-five airports are being improved and expanded in the country. Half of all intra-Asian future demand will be between just eleven cities. These will become tomorrow's major aviation hubs.

Although the scale of change within Asia alone is significant, there is additional growth in aviation directly linked to the Asian expansion. Many of the new orders for planes in Europe, the Americas and, especially, the Middle East are for planes that will fly into Asia. For example, the expansion of facilities at Dubai International Airport means it already

caters for the third largest number of international passengers (after London Heathrow and Hong Kong). By 2020, it is planning to accommodate 90 million passengers a year, with Emirates carrying just less than 80 million of them. Adding in Doha and Abu Dhabi, and their associated airlines, well over 200 million passengers will fly to and through the Gulf by 2020 – with over 40% of them heading to and from Asia. When these projections are combined with the Asian airline figures, the scale of growth is astounding.

Whether through more internal domestic flights, more intra-Asian flights or more long-haul passenger and cargo services to and from the rest of the world, there is little doubt of the impact of Asian aviation on the world landscape over the next decade or so. The investment is already being made and so now it is just about execution of the ambition.



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