



20th Transport Sector Coordinating Committee Meeting

24–25 May 2023 • Tbilisi, Georgia

20-е заседание Координационного комитета по транспортному сектору

24–25 мая 2023 года • Тбилиси, Грузия



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CAREC Aviation

Brendan Sobie

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Celebrating 100 years of aviation in Georgia and CAREC!



Zakavia (Transcaucasian Society of Air Transport) was established in Georgia in May 1923 and initially flew German-built Junkers between Tbilisi and Baku

OUTLINE

- CAREC Aviation: Introduction
- Recent developments in the CAREC aviation sector
 - Post-pandemic recovery
 - Low-Cost Carrier (LCC) growth
 - Intra-CAREC connectivity
 - Liberalization
- Airport expansion
- Sustainability
- What's next for CAREC Aviation



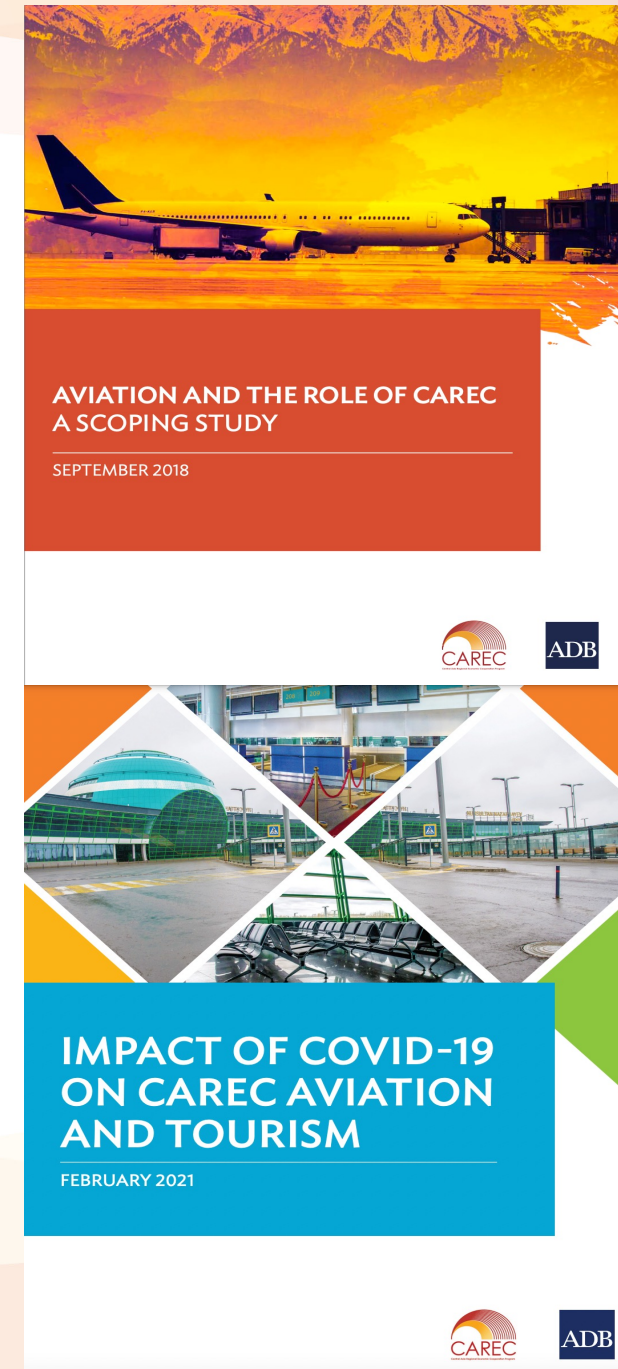
THE CAREC AVIATION PROGRAM: AN INTRODUCTION

- The CAREC Aviation Program was established in 2017 following a recommendation by Pakistan's PM at 15th CAREC Ministerial Conference in October 2016
- An initial aviation workshop was held in Singapore April 2017, resulting in several recommendations including the commissioning of a scoping study and potential capacity support for regional connectivity



THE CAREC AVIATION PROGRAM: STUDIES

- “Aviation and the Role of CAREC: A Scoping Study” was published by ADB in September 2018
- “Silk Road Air Pass: A CAREC Proposal/Study” was published by CAREC in August 2020
- “The Impact of COVID-19 on CAREC Aviation and Tourism” study was published by CAREC in November 2020 and by ADB in February 2021
- A new study, “Low-Cost Carrier Opportunities, Air Transport Liberalization and Post-Pandemic Recovery in CAREC,” has been shared with member countries and will be published later this year



THE CAREC AVIATION PROGRAM: ENGAGEMENT

- CAREC Aviation completed two missions in 2019 (Kyrgyz Republic and Mongolia) and six missions in 2022 (Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia and Uzbekistan)
- The CAREC Aviation program has assisted four CAREC member countries in assessing specific aviation opportunities
- VCs were held with several member countries in 2020
- A series of three webinars was held in 2021



THE CAREC AVIATION PROGRAM: OBJECTIVE

- The CAREC Aviation program strives to facilitate development of the region's aviation sector
- CAREC Aviation is now a pillar under CAREC Transport Strategy 2030, which was signed at the 18th CAREC Ministerial Conference in 2019
- This is the fourth time CAREC Aviation has presented at the TSCC (2018 Istanbul, 2019 Tashkent, 2022 Almaty and 2023 Tbilisi)
- CAREC Aviation welcomes suggestions and requests for assistance



**Low-Cost Carrier Opportunities, Air Transport Liberalization
and Post-Pandemic Recovery in CAREC**

March 2023
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This study has been commissioned by ADB and is funded under TA:9754 REG. This is a draft version and not for public dissemination.

RECENT DEVELOPMENTS: POST-PANDEMIC RECOVERY

- Central Asia was the first region to recover from COVID
- In 2022, international seat capacity in Central Asia was 101% of 2019 levels and in CAREC (excluding China) it was 94% recovered compared to only 69% globally
- Tajikistan (143%), Kyrgyz Republic (136%), Uzbekistan (106%) and Pakistan (96%) had the highest international recovery rates in 2022
- Kazakhstan had an international recovery rate of 82% but an overall rate of 107% when including growth in the domestic market

Table 13: Seat capacity recovery rate by region: 2022 vs 2019

Rank	Region	Overall	International	Domestic
1.	Central Asia	106%	101%	115%
2.	Latin America	97%	91%	101%
3.	South Asia	92%	84%	98%
4.	North America	91%	83%	93%
5.	Africa	89%	86%	94%
6.	Middle East	85%	84%	87%
7.	Europe	82%	80%	87%
8.	Southwest Pacific	70%	46%	86%
9.	Northeast Asia	67%	20%	91%
10.	Southeast Asia	58%	37%	83%
	CAREC total	98%	94%	109%
	<i>Global average</i>	<i>82%</i>	<i>69%</i>	<i>91%</i>

Source: Calculated by CAREC Aviation as part of the latest study using OAG data

RECENT DEVELOPMENTS: POST-PANDEMIC RECOVERY

CAREC Country	International recovery rate May 2023	Share
Tajikistan	214%	8.5%
Kyrgyz Republic	165%	7.6%
Uzbekistan	138%	14.6%
Azerbaijan	121%	10.6%
Mongolia	109%	2.1%
Kazakhstan	108%	12.5%
Pakistan	105%	32.1%
Georgia	101%	11.0%
Turkmenistan	58%	1.2%
CAREC total	118%	
Central Asia	136%	44.3%

- CAREC's international air transport market excluding China is 118% recovered as of May 2023 (based on scheduled seat capacity compared to May 2019)
- CAREC is still well ahead of the global average (90% recovered in May 2023)
- All countries except Turkmenistan are now fully recovered and four countries are above 120%
- International capacity at Urumqi (Xinjiang) in China is 57% recovered in May 2023

RECENT DEVELOPMENTS: LOW-COST CARRIER GROWTH

- Low-cost carrier (LCC) seat capacity in Central Asia has more than tripled (2022 vs 2019) and in CAREC has increased by over 60%
- CAREC's LCC penetration rate (% of total capacity that is flown by LCCs) reached 25% in 2022 while in Central Asia it reached 20%
- The LCC penetration rate is continuing to increase in 2023 but is still below the global average, highlighting further growth potential

CAREC Country	LCC penetration 2019	LCC penetration 2022
Georgia	37%	55%
Azerbaijan	25%	32%
Kyrgyz Republic	19%	16%
Pakistan	19%	23%
Kazakhstan	8%	30%
Mongolia	5%	7%
Tajikistan	2%	1%
Turkmenistan	2%	0%
Uzbekistan	1%	14%
CAREC total	15%	25%
Central Asia	7%	20%
Global	30%	33%

Source: Calculated by CAREC Aviation as part of the latest study using OAG data

RECENT DEVELOPMENTS: LOW-COST CARRIER GROWTH

Region	LCC penetration 2022
South Asia	57%
Southeast Asia	50%
Europe	38%
Latin America	37%
Southwest Pacific	36%
North America	30%
Middle East	24%
Central Asia	20%
Africa	13%
Northeast Asia	11%
CAREC total	25%

- CAREC still lags most other regions in terms of LCC development
- Most LCC capacity in CAREC is domestic (Pakistan and Kazakhstan) and to/from the Middle East or Turkey
- There are huge opportunities in the regional international market (connecting CAREC countries)
- There are very few regional LCC services; in Southeast Asia LCCs account for 48% of regional international capacity and in Europe they account for 52%

RECENT DEVELOPMENTS: INTRA-CAREC CONNECTIVITY

- CAREC Aviation has been highlighting the overall lack of connectivity between CAREC countries since the initial workshop and scoping study
- Intra-regional flights account for only 4% of total international seat capacity in Central Asia and CAREC; this is the lower than any other region
- In May 2023, intra-CAREC capacity is 34% higher than May 2019 (excludes China) but the intra-regional portion is still only 4%

Region	Intra-regional % of international capacity, 2022
Europe	68%
Southeast Asia	29%
Northeast Asia	24%
Southwest Pacific	24%
Latin America	23%
Africa	23%
Middle East	18%
North America	10%
South Asia	7%
Central Asia	4%
CAREC total	4%

Source: Calculated by CAREC Aviation as part of the latest study using OAG data

RECENT DEVELOPMENTS: INTRA-CAREC CONNECTIVITY

- There are 32 routes within CAREC (excluding China) in May 2023 compared to 21 in May 2019 with total capacity 34% higher
- There are 9 Urumqi/Xinjiang-CAREC routes in May 2023 compared to 8 in May 2019 with capacity 31% lower
- There are also 2 Inner Mongolia-CAREC routes in May 2023 for a total of 43 intra-CAREC routes compared to 31 in May 2019
- Only 6 of these routes are served daily; a lack of frequency on most routes is a major impediment to intra-CAREC connectivity

Top intra-CAREC routes, May 2023

Route	Frequency
Baku-Tbilisi	29 per week
Almaty-Tashkent	20 per week
Astana-Tashkent	9 per week
Baku-Tashkent	9 per week
Aktau-Baku	8 per week
Almaty-Bishkek	7 per week
Almaty-Dushanbe	5 per week
Almaty-Tbilisi	5 per week
Almaty-Baku	4 per week
Almaty-Urumqi	4 per week
Dushanbe-Urumqi	4 per week
Bishkek-Tashkent	4 per week

Source: OAG (May 2023 schedules)

RECENT DEVELOPMENTS: LIBERALIZATION



- Uzbekistan has experienced rapid growth (total capacity now up 50% compared with pre-pandemic levels) due to a more liberal policy
- The local market has been opened to the private sector, resulting in the launch of five new airlines within the last two years: Qanot Sharq, Uzbekistan Express, Panorama Airways, Centrum Air and Silk Avia
- Foreign airline capacity also has expanded significantly
- There are now over 40 international LCC routes vs 1 pre-COVID

RECENT DEVELOPMENTS: LIBERALIZATION



- A change of legislation in Kazakhstan enabled Air Astana to launch Kazakhstan's first LCC, FlyArystan, in 2019
- The domestic market has since grown by over 60% and FlyArystan is now the domestic market leader
- LCC capacity in Kazakhstan's international market also has tripled since 2019, driven by FlyArystan and expansion from foreign LCCs
- FlyArystan aims to carry 4.8 million passengers in 2023, which would make it the largest airline in CAREC (bigger than parent Air Astana)

RECENT DEVELOPMENTS: LIBERALIZATION

- Kazakhstan and Uzbekistan are two of six case studies in the new study with specific recommendations for each country
- The study has 12 CAREC-wide recommendations aimed at facilitating further liberalization and LCC development. Here is a snapshot:
 - CAREC countries should consider providing fifth and seventh freedoms
 - CAREC countries should consider adopting a universal visa-free policy
 - CAREC countries should consider reducing taxes, fees and charges
 - CAREC airports should reexamine their structure of prices and charges
 - CAREC countries should consider establishing programs to incentivize new routes
 - CAREC countries should consider introducing new policies and strategies that facilitate a diversification of their international markets

AIRPORT EXPANSION



- There are several airport expansion and new airport projects across CAREC
- The new study recommends that CAREC countries consider PPPs and other options for facilitating development of airport infrastructure and improving airport efficiency levels
- The study also recommends that CAREC airports consider developing LCC terminals and focusing more on LCCs as they upgrade their infrastructure

AIRPORT EXPANSION

CAREC Country	Recent developments	Future projects	PPP/PSP status
Azerbaijan	Opening of two new airports in Karabakh region (2021 and 2022)	Airside link for Baku's two terminals	Future possibility
Georgia	New longer runway at Kutaisi (first phase to be completed by end 2023)	New airport for Tbilisi (existing airport cannot be expanded to meet future needs)	Two airports under PPP with concession expiring in 2027; future options under review
Kazakhstan	Opening of Turkistan Airport (2021); new LCC terminal at Astana (by end 2023); new terminal at Almaty (by end 2024)	LCC terminal for Shymkent; terminal expansion at Astana and several regional airports	Several airports are now under the private sector with more under consideration
Kyrgyz Republic	Modernization/Reopening of Karakol Airport (by end 2024)	Expansion of terminals at Bishkek, Osh and Issyk-Kul	Planned tender for Manas Airport (Bishkek)
Mongolia	Opening of the New Ulaanbaatar Airport (2021)	Expansion of terminal at Ulaanbaatar; expansion of regional airports	A consortium is managing the new Ulaanbaatar airport under a 15-year concession
Uzbekistan	Opening of new terminal at Samarkand (2022)	Expansion of terminal at Tashkent; new airports for Fergana Valley and Tashkent	Samarkand now under PPP; several more concessions are planned

- These examples were included in the six case studies from the study

SUSTAINABILITY

- There are opportunities for CAREC Aviation to focus more on sustainability as the global aviation industry increases its attention on the environment
- Several CAREC countries are well placed to produce Sustainable Aviation Fuel (SAF) and an important EBRD-funded project on SAF development in Kazakhstan is now underway
- CAREC countries are also well placed to produce hydrogen, which aircraft manufacturers believe has the potential to achieve zero-emission goals
- Electrification is another important future zero-emission technology, particularly for smaller aircraft operating short routes
- CAREC countries should begin considering electric aircraft options for domestic and regional markets while also exploring opportunities for development of SAF and hydrogen

WHAT'S NEXT FOR CAREC AVIATION?

**What would you like to see from CAREC Aviation?
Which of these initiatives would you support?**

- Second CAREC Aviation Workshop
- Second CAREC Aviation Webinar Series
- Reappointment of CAREC Aviation Focal Points (each country nominating two focal points for civil aviation)
- Supporting specific countries with Technical Assistance
- Continuing dialogue with the aviation community in all CAREC countries and assessments of potential airport projects

THANK YOU!



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