

CAREC Transport: Improving Air Connectivity in the CAREC Region

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CAREC National Focal Point Meeting

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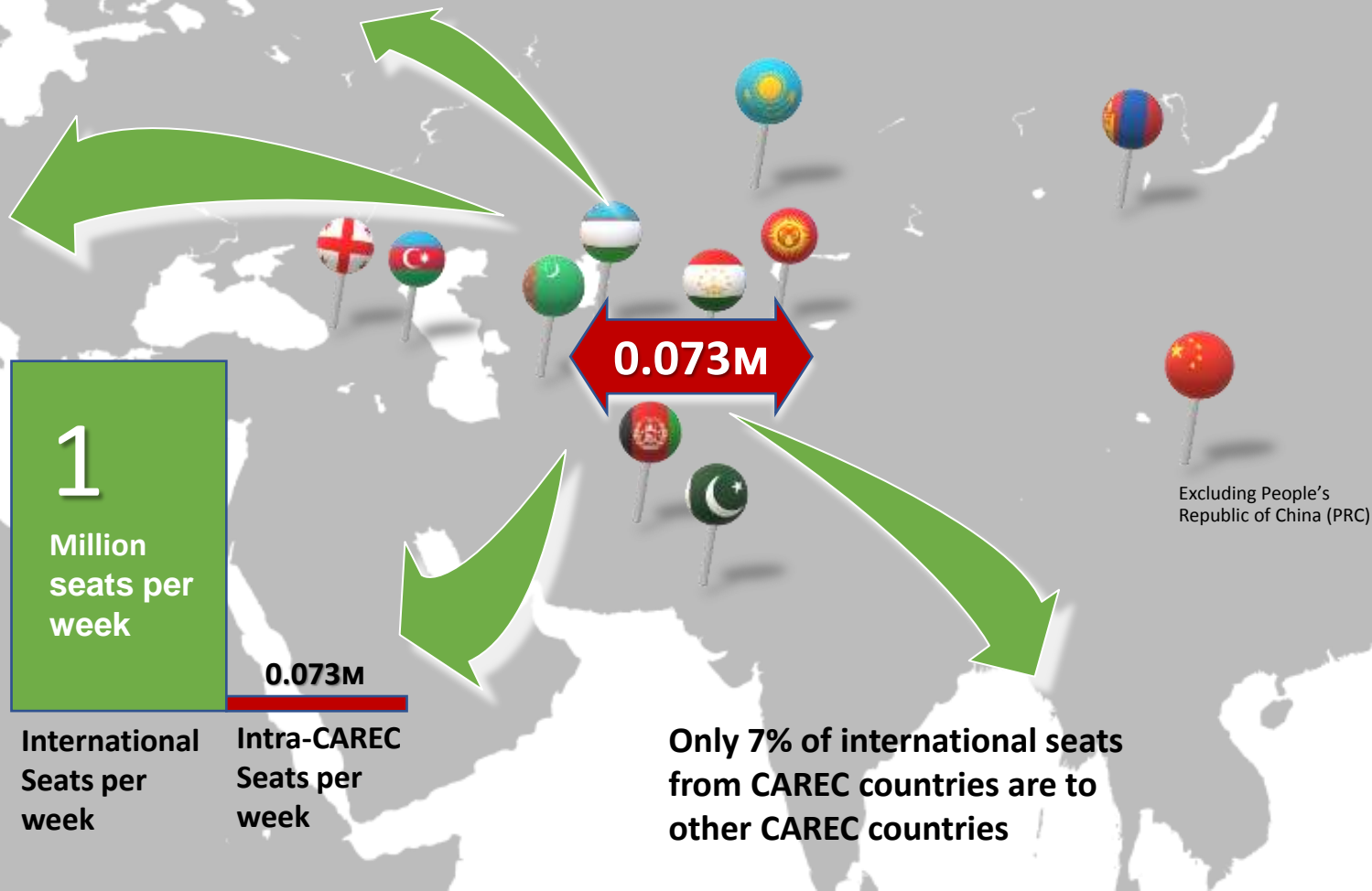


Introduction

- CAREC was created to foster connectivity
- Air transport connectivity facilitates economic development
- A safe, reliable, and efficient aviation sector can perform a catalytic role in local and regional economic development
- A phased approach to opening the CAREC aviation market is the principal recommendation
- The CAREC program can play a role in realizing this goal

Connectivity within CAREC is constrained

The map does not reflect any judgments of ADB as to the legal or other status of any territory or area.



Less than half of all country pairs within CAREC are served with direct flights

Weekly scheduled frequencies between CAREC countries (September 2017) Source: OAG

	AFG	AZE	GEO	KAZ	KGZ	MON	PAK	PRC	TAJ	TKM	UZB
AFG				1			8	1			
AZE			21	23				5		6	2
GEO		21		21				3			
KAZ	1	23	21		13			41	8	2	18
KGZ				13		3		10	2		2
MON					3			53			
PAK	8							12			2
TAJ				8	2			7			1
TKM		6		2				4			
UZB		2		18	2		2	8	1		
Total	10	57	45	127	30	56	22	144	18	12	33
% of total	2%	10%	8%	23%	5%	10%	4%	26%	3%	2%	6%

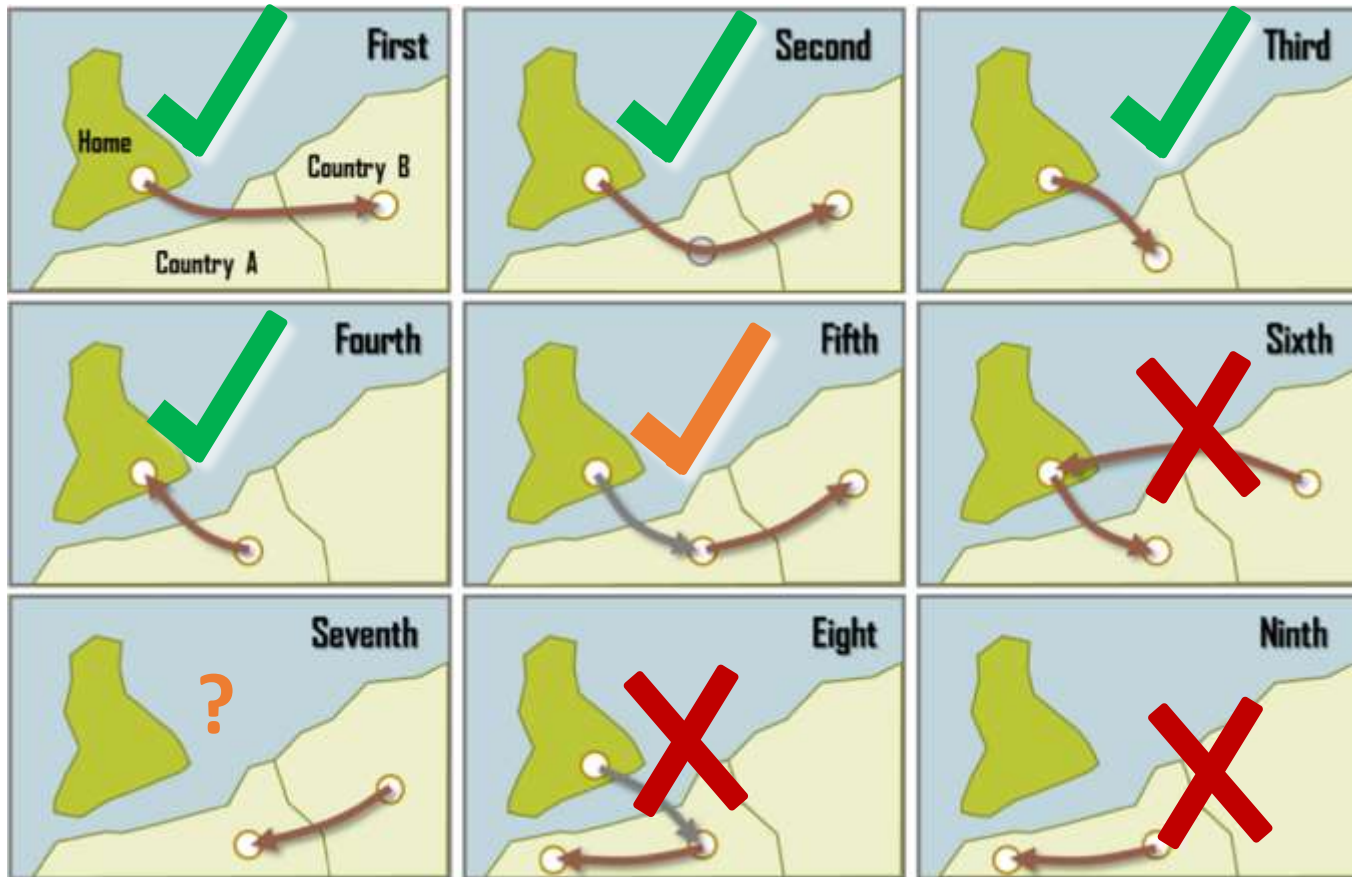
CAREC Aviation Scoping Study Recommendation

**CAREC countries could adopt a gradual, phased approach to managed competition
e.g. Allowing open access to unserved city pairs**



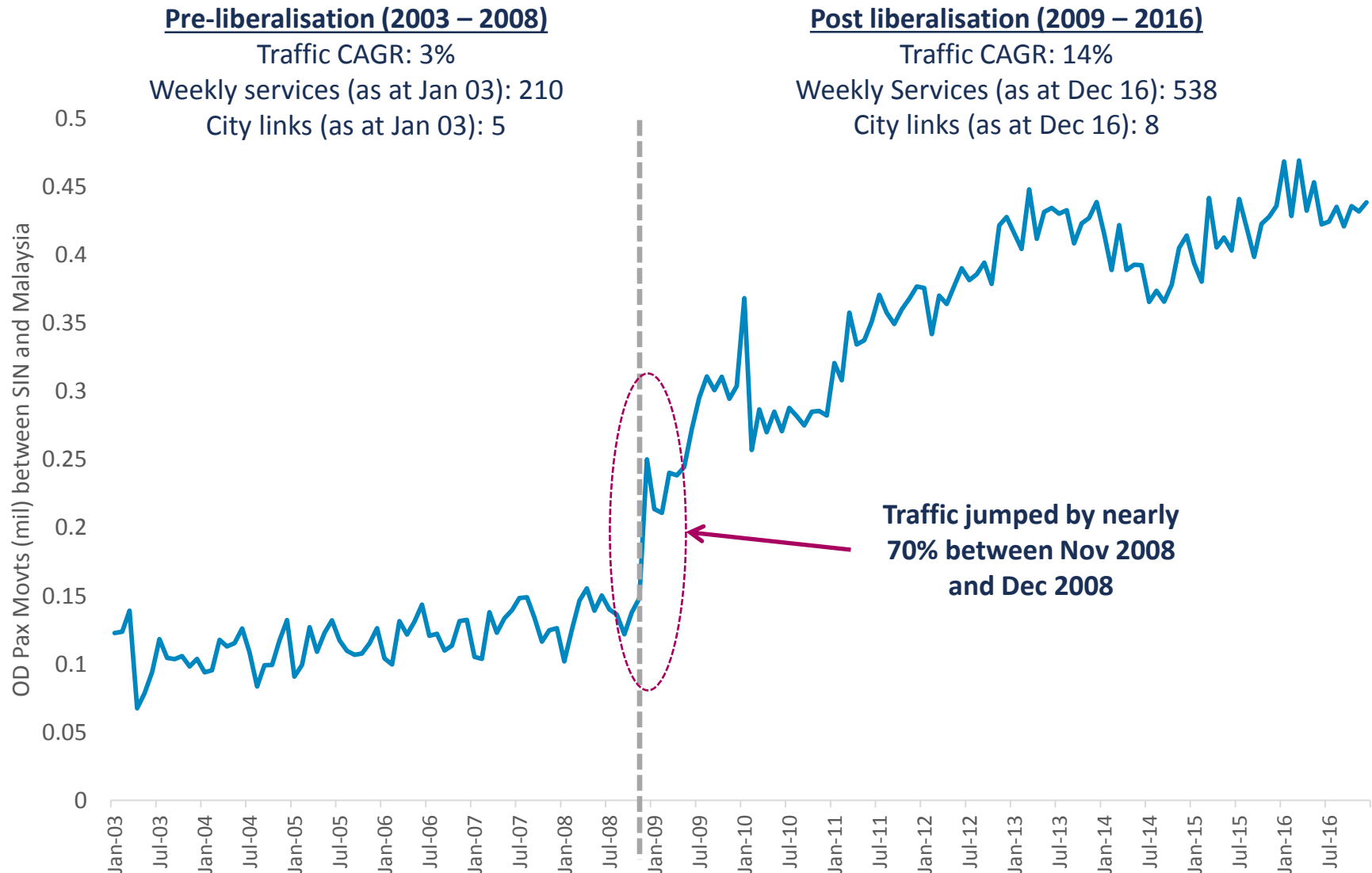
Phased Approach:

Move towards granting third and fourth freedom rights within CAREC



Nine Rights
of Freedom
in Aviation

CAAS case: Liberalisation of Singapore-Malaysia ASA in 2008 increased connectivity between both countries



Open Skies: Perceived Advantages and Disadvantages (Country Perspective)

- Gains from increased competition in commercial aviation
 - More flights available, cheaper cost for air travel, higher economy of scale
 - Multiplier effects to the economy: Tourism, Trade, Employment, Investments
- Possible losses for local airline industry
 - Decreased market share; some may fold if unable to compete with lower cost of foreign carriers
- Increased risks (security, health)

CAREC Program will assist CAREC member countries with analytical tools to support policy decision making

Most airlines serving CAREC are country-constrained

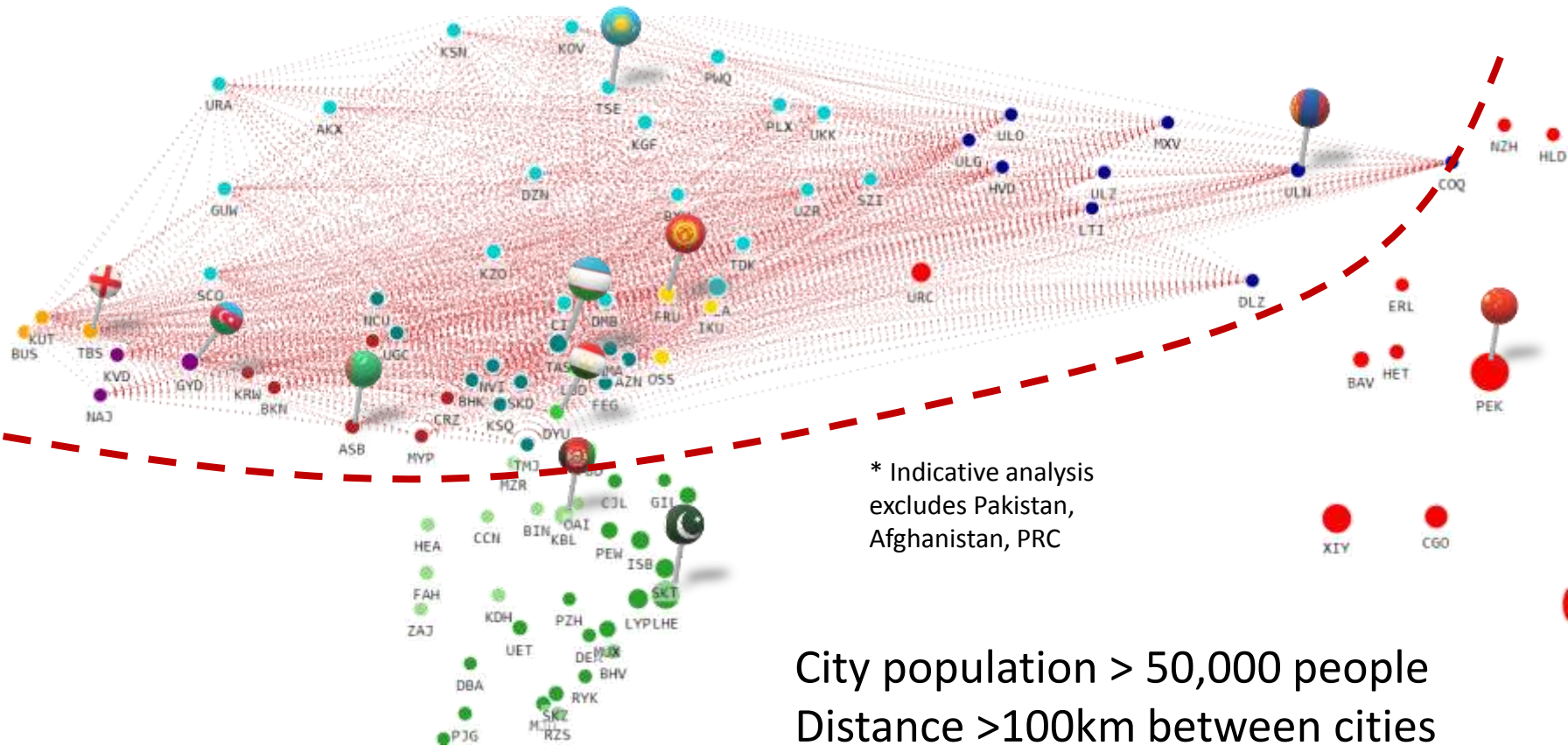
Only three CAREC airlines serve more than three CAREC countries

Airline	Number of CAREC countries served	Number of CAREC airports served
Air China	3	4
Air Kyrgyzstan	1	1
Aero Mongolia	1	1
Air Astana (Kazakhstan)	6	7
Air Manas (Kyrgyz)	1	1
Ariana (Afghanistan)	1	1
Avia Traffic (Kyrgyz)	2	2
AZAL (Azerbaijan)	3	3
China Southern	8	10
Georgian Airways	0	0
Hainan Airlines	1	1
Hunnu Air (Mongolia)	1	4
Kam Air (Afghanistan)	1	2
MIAT (Mongolia)	1	1
PIA (Pakistan)	2	2
SCAT (Kazakhstan)	3	5
Shaheen Air (Pakistan)	1	1
Somon Air (Tajikistan)	2	2
Suparna (PRC)	1	1
Tajik Air (Tajikistan)	3	3
Turkmenistan Airlines	2	2
Uzbekistan Airways	6	8
	Number of CAREC countries served	Number of CAREC airports served

Turkish Airlines has the largest CAREC network, serving all CAREC countries

Source: OAG. Sep 2017

Unserved city pairs in Central Asia region*



ILLUSTRATIVE ONLY

Transport Infrastructure in Global Competitiveness Index*

(World Competitiveness Report 2018 by World Economic Forum)

Country	GCI	Transport	Road	Rail**	Air
PRC	27	21	42	17	45
Azerbaijan	35	43	36	20	24
Kazakhstan	57	82	115	32	90
Georgia	67	74	82	39	69
Tajikistan	79	85	70	41	70
Mongolia	101	122	102	69	116
Kyrgyz Rep.	102	127	122	76	120
Pakistan	115	72	76	52	91

*GCI ranking includes 137 countries

**Railway infrastructure ranking includes 101 country

Central Asia countries have high growth potential from Tourism & Travel

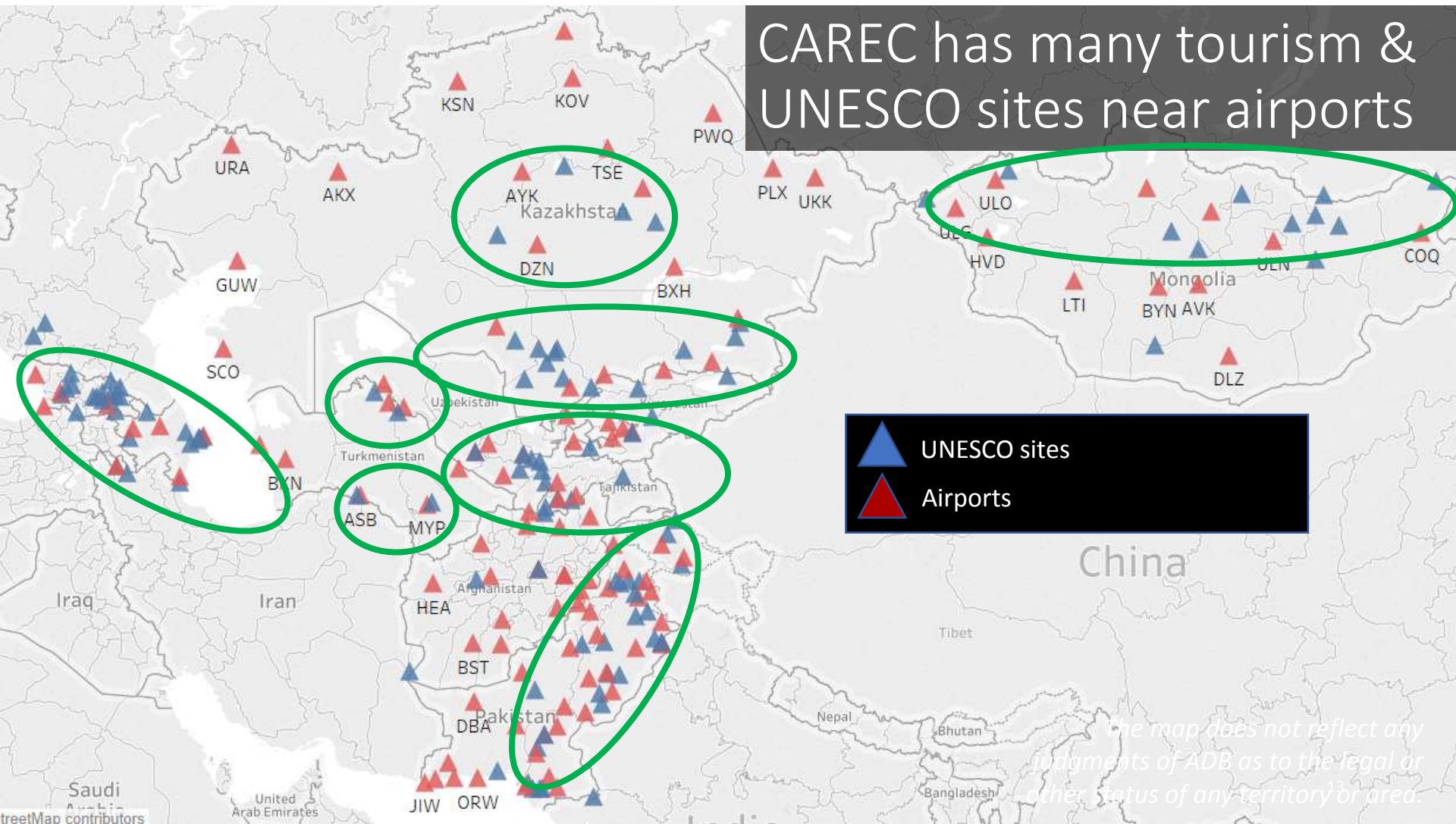
- Georgia and Azerbaijan have grown strongly through more liberalized aviation markets and connectivity as % contribution to GDP

Excludes PRC and Afghanistan

Source: World Bank 2016

Country	GDP (\$m)	Population (millions)	GDP per capita (\$ USD)	Direct contribution (\$billions (2016))	Total contribution (\$billions (2016))	Tourism & Travel % direct to GDP	% total to GDP
Kazakhstan	133.7	17.8	7511	2.4	7.9	1.9%	6.2%
Azerbaijan	37.85	9.8	3862	1.4	5.1	4.1%	14.6%
Uzbekistan	67.22	31.85	2111	0.7	2.1	1%	3.1%
Georgia	14.33	3.7	3873	1.2	3.9	8.1%	27.1%
Tajikistan	6.95	8.735	796	0.2	0.6	3.3%	8.2%
Kyrgyz republic	6.551	6.083	1077	0.1	0.3	1.4%	3.9%
Pakistan	283.7	193.2	1468	7.6	19.4	2.7%	6.9%
Turkmenistan	36.18	5.663	6389			No data	
Mongolia	11.6	3.03	3828	0.3	1.2	3.1%	11.4%

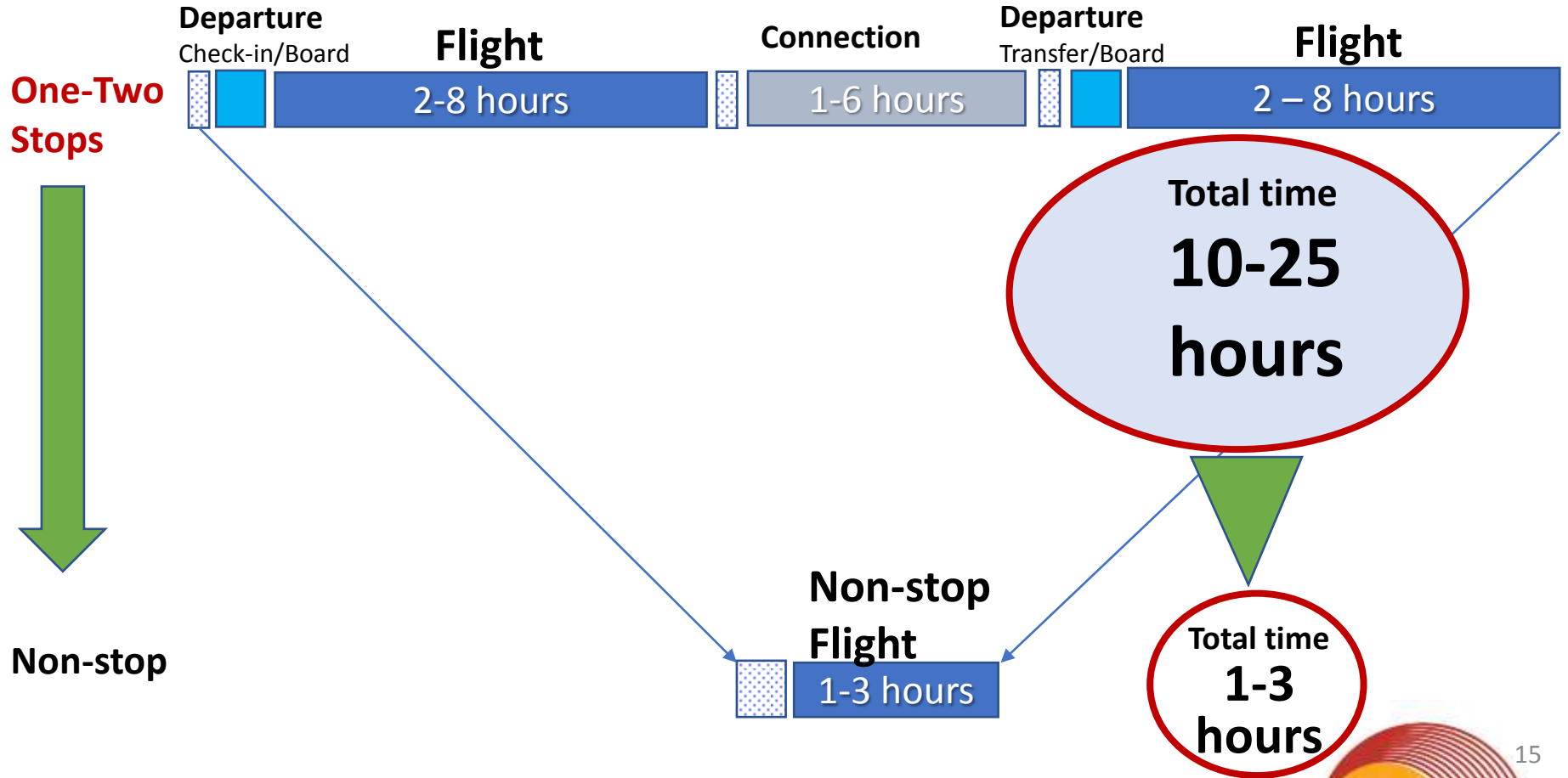
CAREC has many tourism & UNESCO sites near airports



Tourist sites within 100 km from major CAREC airports



Greater connectivity within CAREC can reduce journey time with non-stops



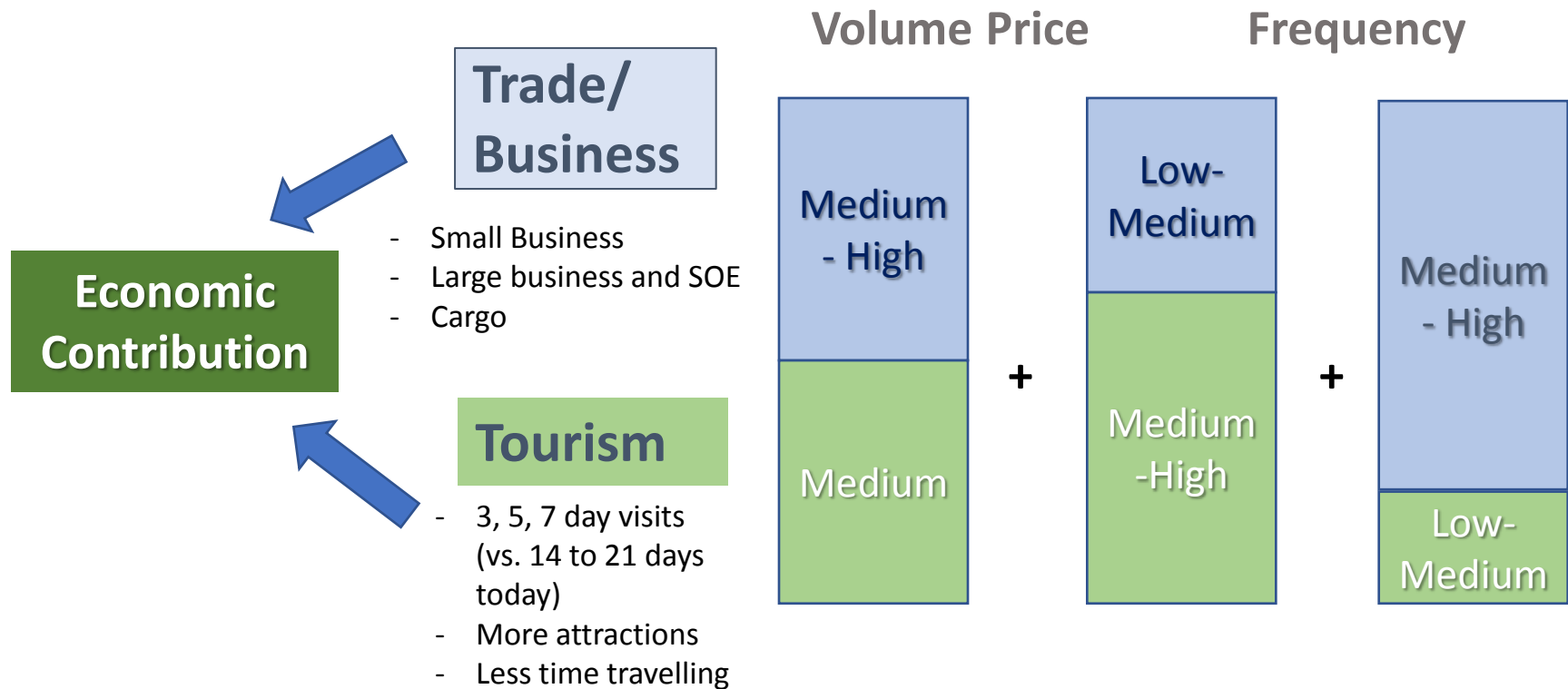
Lack of visa-free travel between CAREC countries is an impediment

Azerbaijan and Georgia have benefitted from liberal visa policies but not with other CAREC countries and they not attract many Central Asian visitors

CAREC countries could attract more visitors from neighbors with a visa free policy and more efficient processes at airports. CAREC countries could also attract more visitors from outside the region by promoting combined itineraries (Silk Road tours)

CAREC country	Number of visa-free countries within CAREC (as of Sep-2017)
Kazakhstan	6
Azerbaijan	5
Georgia	5
Kyrgyz Republic	5
Tajikistan	4
Uzbekistan	4
Mongolia	3
Turkmenistan	2 (selected provinces)
Afghanistan	0
PRC	0
Pakistan	0

Connectivity in the Central Asia region enables tourism flows and business growth



- Increased connectivity enables regular, same-day business travel plus larger itinerary but shorter stays for tourists (greater spend, easier connections, faster overall journey time)

Globally proven experience and aviation history demonstrates:

- Air Transport mix of foreign and local airlines is a critical part of growing tourism
- Further deregulation is required to lift efficiency of assets & infrastructure
- Way forward is best orchestrated under a clear Air Transport Strategy and a 5-10 year implementation plan



Recommendations from the Scoping Study

- CAREC countries could work to permit open access for flights between international airports within the CAREC region, starting with third and fourth freedom rights
- CAREC countries could develop a phased and managed competition plan
- CAREC countries could develop a uniform visa free policy and more efficient facilitation processes to make travel within the region more seamless
- CAREC countries could reduce and standardize taxes on international flights between CAREC countries to stimulate growth in regional travel
- Overall development of aviation in the region creates greater value than creating an imbalance between weaker and stronger operators
- Aligning aviation capability and infrastructure requirements at CAREC level provides an opportunity for an emerging aviation sector to succeed

Thank you for your attention

<http://www.carecprogram.org>

