



Silk Road Air Pass: A CAREC proposal

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Concept Introduction:

Air passes have been used for over three decades by the airline and travel industries to facilitate travel within regions by offering a block of several one-way flights at a discount compared to buying the same flights separately. They are typically sold to tourists from outside the region planning a multi-stop itinerary. By selling a package of flights, often on several airlines, air passes can make travel within a region easier and more affordable, enabling tourists to visit more countries.

While their overall track record is mixed, air passes have succeeded in the past at stimulating tourism in several regions, particularly regions that were suffering from high one-way air fares. In recent years one-way air fares have declined significantly in most regions, limiting the appeal of air passes. Tourists visiting most regions are now able to easily buy affordable one-way fares between their desired destinations, either directly with airlines or using travel agents, resulting in multi-country itineraries. However, Central Asia remains a region with high one-way fares between countries, inhibiting tourism and making multi-country itineraries difficult.

Central Asia is a unique market that could benefit from an air pass, facilitating tourism in the post-pandemic environment, while for most other regions air passes have disappeared and are unlikely to return. Establishing a successful air pass program in Central Asia would still have its challenges. This proposal is meant to provide a realistic summary of the challenges, drawing from lessons learned from air passes in other regions as well as potential issues specific to Central Asia, as well as highlight the opportunities.

This proposal examines the concept of an air pass for the 11 countries in the Central Asia Economic Cooperation (CAREC) Program – Afghanistan, Azerbaijan, China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan. For China, only the Inner Mongolia and Xinjiang Uygur autonomous regions are included as only these two regions are part of CAREC. This proposal and study has been funded under a Technical Assistance grant covering CAREC Knowledge Sharing and Services in Transport and Transport Facilitation.

The air pass could potentially be expanded to include other ADB Developing Member Countries outside CAREC such as Armenia. If this proposal is implemented a phased approach is recommended, starting with a subset of countries within CAREC followed by other CAREC countries and potentially countries outside CAREC.

A possible pilot program involving an initial subset of countries could include Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. These countries are often combined by visitors from outside the region following a Silk Road itinerary. Tourism development and

improving air access is an ongoing objective for these five countries that is supported by ADB. An air pass could help facilitate travel between these countries, making multi-country Silk Road itineraries more affordable and attractive. Other countries in the Central and West Asia Region could be added following a successful pilot phase.

Summary of Opportunities and Challenges

Opportunities and Pros for the Silk Road Air Pass:

1. Drive visitor growth by facilitating travel between CAREC countries
2. Drive visitor growth by reducing air fares between Silk Road destinations
3. Increase the average number of countries visited, resulting in higher overall spend
4. Improve the attractiveness of CAREC as a destination compared to other regions
5. Help airlines improve their distribution, brand awareness and sales outside CAREC
6. Drive growth in passenger numbers, leading to more frequencies on existing routes
7. Create sufficient demand to support new nonstop routes within CAREC
8. Create sufficient demand to support new domestic airports near tourist destinations
9. Reduce average travel time between Silk Road tourist destinations
10. Enable more country pairs within CAREC to have direct air services
11. Facilitate partnerships between airlines, including potential codeshare arrangements
12. Facilitate partnerships between tourism authorities
13. Facilitate partnerships between airlines and railway operators
14. Facilitate more visa free policies
15. Enable CAREC airlines to better compete with foreign airlines
16. Help open up new source markets when combined with other regional initiatives
17. Help the aviation and tourism sectors recover from the COVID-19 pandemic

Challenges and Cons for the Silk Road Air Pass:

1. Potential high cost of supplying the technology to support an air pass
2. Possible reluctance from airlines to participate in the air pass
3. Lack of interline agreements between airlines inhibit potential sales
4. Air pass seats may be limited, reducing appeal of the air pass
5. Air passes are typically not conducive for group travel, a big and important segment
6. Air passes are not conducive for short stay visitors, a very large segment
7. Air Pass fares could end up being higher than fares available through other channels
8. Railway operators may be unable to participate, reducing the appeal of the air pass
9. Visa constraints with some countries make it difficult to pursue multi-stop itineraries
10. Future low-cost airline growth could make the air pass less appealing
11. Limited sales of air passes could make the program difficult to sustain
12. Limited sales of air passes could make the initial investment hard to justify

Historic Examples of Air Passes and Lessons Learned

Air passes have generally dwindled in popularity in recent years. Several passes have been discontinued and there have been very few if any new launches. While there are still some air passes in the market the volume of sales is very small.

It is important to understand the challenges that have confronted air passes in recent years in creating any new air pass products. For the Silk Road Air Pass to succeed a new approach is likely required.

Over the last two decades, the three global alliances (oneworld, SkyTeam and Star) have accounted for most of the air pass products. For several years, all three alliances offered regional air passes covering Africa, Asia, Europe and North America.

Oneworld also offered passes for South America and the Pacific. Star had passes for the Middle East and the Pacific. In addition, each alliance offered several passes covering specific domestic markets.

The alliances quietly stopped selling all the regional passes in recent years. For example, SkyTeam discontinued all its regional passes at the beginning of 2019 and according to the SkyTeam website only a domestic Russia pass is still available. Oneworld and Star stopped selling their regional and domestic air passes a few years earlier.

Oneworld was the first alliance to offer regional air passes, initially launching several in 2001. Star followed by launching its first regional passes in 2004 with the last of the passes, for the Middle East, added in 2009. SkyTeam launched its regional air pass products much later, in 2012 to 2014.

The global alliances still offer round the world fares and other global air pass products that require stops in multiple continents. The regional passes were appreciated by some travelers but struggled to generate sufficient volumes to justify being maintained. Often the per segment fare for these passes were higher than buying individual flights, making them unappealing. The air pass fares became less and less attractive as one-way fares in most regions steadily declined, driven by the growth of low-cost airlines.

Distribution and marketing were also issues. Participation from member airlines was often weak, making the air passes difficult to purchase due to airlines not filing the schedule and fare for desired flights. Unlike the round the world products, the regional air passes offered by the alliances could never be purchased online and were not well known. They were generally sold by travel agents in conjunction with a long-haul flight from an alliance member.

Most of the regional air passes had restrictions preventing a passenger from the buying an air pass in their own region – a restriction which should also be placed on the Silk Road Air Pass. A

minimum of three or four stops were required. For example, all the SkyTeam regional air passes had a minimum of three and a maximum of 16 stops except the pass for Asia Pacific, which had a minimum of four stops and a maximum of 10 stops.

SkyTeam's Russia air pass also requires at least three stops in Russia and a maximum of 16 stops. This pass uses the domestic network of SkyTeam member Aeroflot and can only be purchased with an international ticket to Russia on any SkyTeam member. It does not permit travel to other CIS countries.

Domestic air passes are also still available in other markets such as Australia, Brazil and Japan. However, they are now only sold by the local airline directly rather than through the global alliances, which enabled sales from any member airline.

For example, the Star Alliance stopped selling its Japan Air Pass product in 2015 but its member All Nippon Airways is still offering an Experience Japan pass, providing domestic flights at a fixed rate when purchased outside Japan. Oneworld member Japan Airlines offers a similar product called the Japan Explorer Pass. Both passes are available to any visitor arriving in Japan on any airline.

Qantas offers a Walkabout Pass that includes up to six domestic flights in Australia as well as a cross-Tasman flight to New Zealand. This air pass can be purchased in conjunction with a flight by Qantas or partner airlines from outside the region. The Virgin Australia AirPass is a similar product and is available for international passengers arriving in Australia on Virgin Australia or partner airlines.

Air New Zealand launched an Explorer Pass in 2013 that offers domestic flights as well as international flights within the Pacific. However, this air pass, which had to be purchased in conjunction with a long-haul flight, is no longer available.

In South America, Azul and Gol still offer domestic air passes in Brazil while Aerolineas Argentinas offers a domestic air pass in Argentina. These passes cannot be purchased online and are only available to passengers arriving on international flights. For Azul and Gol, the pass can only be purchased if the passenger uses these airlines or their partner airlines to fly into Brazil. Aerolineas Argentinas offers its pass to any visitor arriving in Argentina on any airline.

Gol also offers a regional air pass for South America. LATAM, an airline group with subsidiaries in several South American countries including Brazil, also offers a regional pass covering within South America. It is only available to non-South American residents flying to South America with LATAM Airlines. Fares vary widely and include a mix of domestic flights in several countries as well as regional international flights.

Air passes limited to one airline or one airline group are easier to manage and maintain than passes with several participating airlines. New single airline air passes can easily be launched with little preparation time required.

Air passes involving multiple airlines are more complicated as they require each airline to file special fares and set aside seats for the air pass fare category. The participating airlines often fail to file the fares, resulting in no seats available for air pass customers on certain routes. This has been a challenge with air passes offered by the global alliances as well as multiple airline air passes offered outside the global alliances.

Air passes involving multiple airlines that are not part of global alliances are rather rare but there have been a few examples.

In 2012, four independent airlines from the Pacific launched the Discover South Pacific Pass – Aircalin, Air Vanuatu, Air Niugini and Solomon Airlines. The pass was sold for about five years before it was quietly discontinued. Recently there has been some discussion about reviving the program to facilitate a resumption of tourism in the South Pacific region.

The Discover South Pacific Pass required a minimum of three flights and could only be sold outside the Pacific region, which includes Australia and New Zealand as well as several small island countries or territories. As of 2016 the Discover South Pacific Pass included six Pacific island destinations, five destinations in Australia and Auckland in New Zealand. Each flight was priced at USD150, USD200 or USD300, excluding taxes, depending on the route.

As is the case with most air passes, the Discover South Pacific Pass suffered from a lack of marketing. Most tourists visiting the Pacific were not aware of the pass, which if promoted properly could stimulate demand for island hopping.

The ASEAN Air Pass is another example of a regional air pass between multiple airlines outside the global alliances that was short-lived. This pass was launched back in 1998 by seven flag carriers from Southeast Asia. It was discontinued after a few years of virtually no sales.

While the ASEAN Air Pass is not a recent example it is relevant for CAREC given that it was initiated by Association of Southeast Asian Nations (ASEAN) Secretariat. A decade later ASEAN forged a landmark open skies agreement which was gradually implemented over several years with the last phase occurring 2015. The ASEAN liberalization example was included in a scoping study on aviation and the role of CAREC that was published by ADB in 2018.

The ASEAN Air Pass was not successful due mainly to a lack of support from the seven participating airlines. The objective was to encourage travel and tourism within Southeast Asia. While the ASEAN Air Pass represented a very good deal for tourists – particularly as it came before the launch of LCCs in Southeast Asia – most visitors were not aware of its existence due to a lack of marketing.

The participating airlines were responsible for selling the pass but most did not make it a priority. The participating airlines often failed to file the fares or provide sufficient seats, making it difficult for passengers interested in buying the pass.

The ASEAN Air Pass was also limited to international flights within ASEAN and to flag carriers. Other airlines were unable to participate and domestic flights were not permitted, impacting the product's appeal.

The ASEAN Air Pass predated most global alliances. When it was launched only one airline from Southeast Asia, Thai Airways, was a member of a global alliance. Star was founded in 1997 with Thai Airways one of five founding members. Oneworld was started in 1999 and SkyTeam in 2000.

The birth and expansion of global alliances made it more difficult for airlines to partner outside the alliances. Five of Southeast Asia's flag carriers are now alliance members. CAREC does not have this issue as there are no alliance members from any of CAREC country excluding China.

The AirAsia Group launched its own air pass product for ASEAN in 2016. The AirAsia Asean Pass offered 10 or 20 credits at a bargain price of MYR499 and MYR888 respectively. Each flight used one, two or three credits depending on the length of flight. AirAsia has subsidiaries or affiliates that operate domestic flights in four ASEAN countries and is also the largest airline group for international travel within ASEAN.

The AirAsia Asean Pass was discontinued in late 2018. While it represented a good deal, passengers had to pay extra for checked bags, food, seat assignments as well as taxes. Availability was also limited, making it hard for air pass customers to cash in their credits for flights on certain routes. Being able to access seats on the flight a passenger wants to take is a common issue with all air passes – regardless of the number of participating airlines.

Another Southeast Asia based air pass product, the Discovery Airpass, has been relatively more successful in that it is probably the longest standing air pass globally. However, sales have been limited, particularly in recent years.

Thailand's Bangkok Airways launched the Discovery Airpass two decades ago. It briefly included four airlines – Bangkok Airways, Berjaya Air (Malaysia), Lao Airlines and Siem Reap Airways (Cambodia). Over the last several years only Bangkok Airways and Lao Airlines have been included.

The Discovery Airpass requires a minimum of three flights and a maximum of 16 flights. There are several fare categories covering domestic flights in Thailand and Laos as well as international flights within Southeast Asia and to other regions of Asia. Bangkok Airways and Lao Airlines do not operate any long-haul flights but Bangkok Airways has several partner airlines outside Asia.

The Discovery Airpass was more popular in the earlier years when one-way flights within Southeast Asia were more expensive. The expansion of LCCs Southeast Asia has impacted

demand over the last decade. Like other air passes, the Discovery Airpass also has suffered from a lack of promotion and focus.

Internally Bangkok Airways often forgets its air pass product exists and sales staff that are aware of its existence do not view it as a priority. The only remaining partner, Lao Airlines, often does not file fares, making its flights hard to purchase by Discovery Airpass customers.

Efforts by Bangkok Airways to secure other participating airlines never succeeded. Berjaya Air and Siem Reap Airways were only part of the program briefly before suspending operations.

Bangkok Airways actively sold its air pass in earlier years, particularly in markets where there was strong demand from individual travelers seeking multi-stop itineraries. Germany and Israel were strong markets for the Discovery Airpass for several years. However, over time the product has faded, suffering from a lack of internal attention at Bangkok Airways and a lack of marketing.

As part of this study airline executives that have been involved in air passes were interviewed, including the Bangkok Airways executive in charge of the Discovery Airpass since its inception. From these interviews the following challenges were highlighted:

- Airlines are reluctant to provide inventory (seats), particularly when the air pass is under a low booking class code, as they want to protect their revenue
- Airlines are reluctant to actively participate due to the complexity associated with air pass programs
- Airline sales teams are often unaware of air pass products and aren't properly trained or incentivized to sell them
- The mindset of airline commercial teams is not conducive to air pass sales as the focus is on pushing their own fares and flights
- Airlines often forget to file air pass fares for several months – even for air passes involving just one airline – as air pass volumes are so small
- Air passes are generally not conducive for group travel due to limited seats available at air pass fares, resulting in mainly individual customers including budget conscious backpackers
- Air passes often have several fares, making them hard to manage
- Air passes need one strong airline to drive the program but often no airline is willing to take the lead or initiative
- All participating airlines need to be supportive and have an executive who understands how air passes work and drives sales
- Air passes need an established technology provider that understand how air pass fares work and can enable tour operators to access the fares and combine them with other items
- Selling air passes without individual interline e-ticket agreements between all the participating airlines is difficult

- Target markets for air passes need to be clearly identified and a strategy should be in place to make sure travel partners in these source markets know about the product and can sell it
- The key source markets for the air pass must be able to easily secure visas for travel to the countries covered by the air pass

To succeed, the proposed Silk Road Air Pass will need to overcome many of the challenges and issues that have plagued prior air pass programs. However, with the right setup and strategy there is still an opportunity to have a successful air pass in the current environment

Selecting the right technology partner or partners and putting in place training programs for the airlines are particularly important. The technology aspect is covered in an addendum to this proposal/study. The introduction of new technology options in recent years provides a potential opportunity to introduce at a relatively low cost an air pass that can resolve many of the challenges that have impacted earlier air pass programs.

Silk Road Air Pass: The Objective

The main objective of establishing a Silk Road Air Pass is to facilitate air travel and tourism within Central Asia or CAREC.

A lack of connectivity within CAREC has been a major impediment to promoting and expanding tourism in the region. Connectivity has been identified as a challenge in several CAREC studies of both the aviation and tourism sectors. A Silk Road Air Pass could be one of several initiatives ADB launches to help address this challenge and help support development of tourism and aviation in CAREC.

Flights often do not exist between Silk Road destinations or do not operate on the day a tourist needs to travel. This leaves the visitor with the choice of skipping a destination entirely or opting for a long circuitous one-stop journey via a hub that is usually outside CAREC. In some cases, a potential Silk Road visitor may decide to holiday in another region entirely due how difficult it is to travel between desired sites.

Over half of all CAREC country pairs do not have any direct services, leaving only inconvenient one-stop options. For those routes that have direct flights most are served less than daily.

Flights between CAREC countries are also usually expensive compared to short international flights in other regions. Air fares as well as taxes are relatively high. One-way fares can particularly be expensive, dissuading some visitors from tacking on another country in their Silk Road holidays.

For those visitors willing to pay for the convenience of a one-way flight between CAREC countries, figuring out how to buy the ticket can be challenging as several CAREC airlines do not

have reliable booking engines, foreign payment capabilities or English language options on their websites.

Most airlines in CAREC are small and are not known outside the region, making it difficult for them to sell their flights overseas using direct channels. Travel agents, including online agents, also are often unable to sell flights operated by CAREC airlines due to distribution limitations.

A Silk Road Air Pass could help resolve these challenges by improving distribution and facilitating the sale of intra-CAREC flights in countries outside the region. A Silk Road Air Pass website could be set up to offer a direct option to independent travelers. The air pass website could be combined or become part of a broader website or portal developed by tourism authorities in CAREC countries to jointly promote tourism. Other products such as a joint visa for multiple CAREC countries could be incorporated.

Travel agents, both offline and online, would be able to sell the Silk Road Air Pass and therefore more easily access flights operated by CAREC airlines. The airlines could also sell the Silk Road Air Pass, enabling them to offer flights operated by other airlines without having to forge a traditional partnership.

The Silk Road Air Pass would facilitate the sale of existing international flights between CAREC countries by providing a single platform for selling, ticketing and distributing. The Air Pass should ultimately help attract more visitors to CAREC as tourists will be able to more easily follow the old Silk Road. The number of countries visited in an average itinerary should increase, enabling more countries to benefit as Silk Road interest continues to grow.

Visitors from outside the region are often keen to combine multiple countries in a single itinerary but often end up including fewer stops than initially intended due to limited flights. The air pass is intended mainly for this type of visitor, who typically spend at least a week and often several weeks hopping around Central Asia.

The air pass is not intended for tourists only spending a few days in the region. These tourists are typically coming from source markets which are closer (particularly Eastern Europe, including Russia, and the Middle East) and visit only one country. It is also not intended for tourists from other CAREC countries, which also typically only visit one country. There are other CAREC initiatives aimed at promoting intra-CAREC tourism.

While smaller in overall number, the visitors from markets that are from further away (for example Western Europe, East Asia, the Pacific and North America) are important given their higher average spend and the fact they are likely to visit several countries as they are touring the region typically for the first time as part of a desire to follow the old Silk Road. The idea is to facilitate this category of tourists, which has been growing in recent years due to expanding interest in the Silk Road and could grow much faster with improved connectivity and more economical fares between Silk Road sites.

In addition to driving an increase in visitor numbers and visitor spend, the additional passenger traffic generated by a Silk Road Air Pass could lead to more frequencies on existing routes as well as the launch of potential new routes. This would help enable CAREC to achieve one of its longstanding aviation objectives, improving connectivity between countries, and tackle one of the major obstacles inhibiting CAREC from achieving tourism growth targets.

Silk Road Air Pass: Regional International flights

There are eight airlines operating routes between CAREC countries (excluding China). There are two airlines from Kazakhstan and one each from six countries – Afghanistan, Azerbaijan, Pakistan, Tajikistan, Turkmenistan and Uzbekistan.

The remaining three countries – Georgia, Mongolia and Kyrgyz Republic – do not have any airlines serving other CAREC countries. There are several airlines based in these countries but they only operate domestic and/or international services to destinations outside CAREC. These three countries would still be covered under the air pass as they are served by airlines from other CAREC countries.

Air Astana is the largest airline connecting CAREC, operating eight international routes between CAREC countries (excluding China). Uzbekistan Airways is the second largest with seven international routes between CAREC countries.

There are no other airlines with more than four CAREC routes. However, it is important to include the smaller airlines in the Silk Road Air Pass as they offer several unique routes that help facilitate travel within CAREC.

Air Astana had a combined 45 weekly frequencies on its eight CAREC routes prior to COVID-19 while Uzbekistan Airways had 25 weekly frequencies. Both airlines typically have a slightly higher number of intra-CAREC frequencies in the peak summer months.

Airlines operating services between CAREC countries (excluding China)

Airline	Country	Number of Routes	Weekly Frequencies
Kam Air	Afghanistan	3	6
AZAL Azerbaijan Airlines/Buta Airways*	Azerbaijan	3	18
Air Astana	Kazakhstan	8	45
SCAT	Kazakhstan	4	17
Pakistan International Airlines	Pakistan	1	2
Somon Air	Tajikistan	3	5
Turkmenistan Airways	Turkmenistan	1	3
Uzbekistan Airways	Uzbekistan	7	25
TOTAL		23	121

Source: OAG and airline websites

*Notes: *Buta Airways is a division of AZAL Azerbaijan Airlines rather than a separate airline*

Based on schedules prior to the COVID-19 pandemic

Data from prior to the start of the pandemic in March 2020 is used throughout this study as there has since been a significant reduction in frequencies and number of routes.

There are 23 scheduled international routes between CAREC countries (excluding China). As the length of these routes vary from one to four hours the Silk Road Air Pass will need at least two and possibly three pricing tiers.

In most cases the Air Pass fare for each sector will be lower than an individual one-way fare on the same sector. The idea is to reduce average one-way fares, which are generally very high in CAREC, to help stimulate demand and more multi-country itineraries.

While airlines may be reluctant to offer lower one-way fares, the Silk Road Air Pass should drive higher traffic volumes, resulting in higher load factor and more overall revenues. The higher volumes should also enable airlines to offer more frequencies, which will improve their efficiency and reduce their unit costs.

CAREC countries should be encouraged to reduce taxes and fees on flights to other CAREC countries, resulting in a lower total cost of flights. This in turn will help further stimulate tourism, particularly multi-stop itineraries for visitors from outside the region.

CAREC countries should also be encouraged to adopt visa free policies or at least provide joint visa options for tourists seeking to visit multiple countries. Visa facilitation has improved significantly in CAREC over the last few years but there still visa impediments in several countries that dissuade multi-stop itineraries.

Tourists are more likely to include stops in countries that do not require visas, which put those countries still requiring visas at a disadvantage. In a scoping study published by ADB in 2018, visa facilitation, lack of connectivity, high air fares and high taxes were all identified as challenges impacting the ability of CAREC to grow its aviation and tourism sectors.

<https://www.adb.org/publications/aviation-role-carec-study>

One of the objectives of the Silk Road Air Pass is to drive additional demand to help drive improved connectivity. While it will be difficult over the next year to maintain the pre-COVID-19 schedule demand should recover over the next few years. With the successful implementation of an Air Pass along other initiatives most routes within CAREC could potentially be served at least daily by 2023.

Prior to the pandemic, only six of the 23 international routes between CAREC countries were served with at least seven weekly flights, which is the minimum required to provide passengers

with the option of a flight every day of the week. Three of the 23 routes were served with five weekly frequencies, two with four frequencies, six with three frequencies, five with two frequencies and one with one frequency.

Of the 23 routes, 16 are served by only one airline. An increase in frequencies in some cases can be driven by a second airline launching services on routes now served by only one airline.

On routes with multiple airlines (existing and new), the Silk Road Air Pass should facilitate a coordination in schedules to ensure a daily service. On the seven routes now operated by two airlines there is now no coordination, sometimes resulting in multiple flights on some days but no flights on other days.

International routes within CAREC (excluding China) ranked by frequencies

Route	Total Frequency	Airline(s) and frequency
Almaty-Tashkent	20 per week	Air Astana (10), Uzbekistan Airways (10)
Baku-Tbilisi	14 per week	Buta Airways* (14)
Almaty-Bishkek	10 per week	Air Astana (10)
Nur Sultan-Tashkent	9 per week	Air Astana (6), Uzbekistan Airways (3)
Almaty-Dushanbe	9 per week	Air Astana (6), Somon Air (3)
Aktau-Baku	7 per week	SCAT Airlines (7)
Aktau-Tbilisi	5 per week	SCAT Airlines (5)
Almaty-Baku	5 per week	Air Astana (3), AZAL Azerbaijan Airlines (2)
Baku-Tashkent	5 per week	Uzbekistan Airways (3), AZAL Azerbaijan Airlines (2)
Almaty-Tbilisi	4 per week	Air Astana (4)
Kabul-Islamabad	4 per week	Kam Air (2), Pakistan International Airlines (2)
Almaty-Ashgabat	3 per week	Turkmenistan Airlines (3)
Baku-Nur Sultan	3 per week	Air Astana (3)
Bishkek-Tashkent	3 per week	Uzbekistan Airways (3)
Dushanbe-Nur Sultan	3 per week	SCAT Airlines (3)
Dushanbe-Tashkent	3 per week	Uzbekistan Airways (2), Somon Air (1)
Nur Sultan-Tbilisi	3 per week	Air Astana (3)
Dushanbe-Kabul	2 per week	Kam Air (2)
Kabul-Tashkent	2 per week	Kam Air (2)
Lahore-Tashkent	2 per week	Uzbekistan Airways (2)
Nur Sultan-Ulaanbaatar	2 per week	SCAT Airlines (2)
Tashkent-Tbilisi	2 per week	Uzbekistan Airways (2)
Dushanbe-Bishkek	1 per week	Somon Air (1)

Source: OAG and airline websites

Notes: based on schedules from prior to COVID-19 pandemic

*Buta Airways is a division of AZAL Azerbaijan Airlines

Charter flights are excluded from the above table as well as seasonal flights that operate less than six months of the year. For example, there are limited flights that operate from Aktau, Almaty, Baku and Nur Sultan to Batumi in the peak summer months.

The frequency figures are based on the most common number of frequencies prior to COVID-19. There is some variation depending on the time of year, with more frequencies on some routes during peak periods and less frequencies during the low season.

In addition to driving frequency increases on existing routes, the Air Pass could facilitate the launch of several new routes. Routes between CAREC countries that are currently not served with any direct flights is particularly important as it will enable visitors to more easily combine multiple CAREC countries.

As discussed earlier in this study, only having a one-stop option via a third country is a major deterrent in visiting an additional country on a Silk Road itinerary. Such connectivity issues often turn what would be a short flight of one to three hours if there was a nonstop option into journey of more than 10 hours. In some cases, even an overnight connection is required to travel between two CAREC countries.

Less than half of all CAREC country pairs (excluding China) are connected with nonstop flights. The zeros in the table below show the country pairs which are not served.

One-way weekly seat capacity for all CAREC country pairs (excluding China)

	AFG	AZE	GEO	KAZ	KGZ	MON	PAK	TAJ	TUR	UZB
Afghanistan	N/A	0	0	0	0	0	500	300	0	300
Azerbaijan	0	N/A	1,500	1,500	0	0	0	0	0	500
Georgia	0	1,500	N/A	1,000	0	0	0	0	0	300
Kazakhstan	0	1,500	1,000	N/A	1,200	200	0	1,000	500	3,500
Kyrgyz Republic	0	0	0	1,200	N/A	0	0	200	0	500
Mongolia	0	0	0	200	0	N/A	0	0	0	0
Pakistan	500	0	0	0	0	0	N/A	0	0	300
Tajikistan	300	0	0	1,000	200	0	0	N/A	0	500
Turkmenistan	0	0	0	500	0	0	0	0	N/A	0
Uzbekistan	300	500	300	3,500	500	0	300	500	0	N/A
TOTAL	1,100	3,500	2,800	8,900	1,900	200	800	2,000	500	5,900

Notes: based on OAG schedules for first two months of 2020 (prior to COVID-19 pandemic)

Seat figures are approximate

Prior to COVID-19 there were only about 14,000 weekly one-way seats or 28,000 weekly return seats between CAREC countries. Of the 17 country pairs which are served, 11 have less than 1,000 weekly one-way seats.

More capacity – and the accompanying increase in frequencies and number of routes – is critical for CAREC to meet its long-term tourism growth aspirations. Capacity has shrunk

significantly since the start of the pandemic and will remain below pre-COVID levels until at least summer 2021 and likely 2022.

The Silk Road Air Pass is one of several potential CAREC initiatives aimed at driving a faster recovery in regional international travel within CAREC and laying the foundation for rapid growth over the next several years.

CAREC strives to triple the number of international flights within CAREC by 2030 and have nonstop links between all CAREC countries. The Silk Road Air Pass could help CAREC achieve this objective, part of the aviation pillar in CAREC Transport Strategy 2030, as well as similar objectives for tourism under CAREC 2030 Strategy.

Silk Road Air Pass: Domestic Flights

While a key objective of the Silk Road Air Pass is to promote travel between CAREC countries, the Air Pass should also include domestic flights.

There are 20 domestic airlines in CAREC excluding China. This includes four airlines in each of CAREC's two largest domestic markets, Kazakhstan and Pakistan.

In 2019, Kazakhstan's domestic market consisted of slightly over 5 million passengers while Pakistan's domestic market consisted of around 6 million passengers. There are over 50 domestic routes in Kazakhstan and over 30 domestic routes in Pakistan.

The other eight CAREC countries have much smaller domestic markets, generating only 4 million passengers combined in 2019. There are regular domestic services in seven of these countries with Georgia the only exception. While there are only a few domestic routes in most of these countries they have an important role in supporting the economy and tourism.

Scheduled domestic airlines in CAREC (excluding China)

Airline	Country	Number of domestic routes
Ariana	Afghanistan	3
Kam Air	Afghanistan	15
Buta Airways*	Azerbaijan	1
Air Astana	Kazakhstan	22
FlyArystan*	Kazakhstan	43
SCAT	Kazakhstan	27
Qazaq Air	Kazakhstan	13
Air Manas	Kyrgyz Republic	1
Avia Traffic	Kyrgyz Republic	1
TezJet	Kyrgyz Republic	2
Hunnu	Mongolia	7
AeroMongolia	Mongolia	9

PIA	Pakistan	29
airBlue	Pakistan	2
AirSial^	Pakistan	3
Serene Air	Pakistan	7
Somon Air	Tajikistan	1
Tajik Air	Tajikistan	1
Turkmenistan Airways	Turkmenistan	11
Uzbekistan Airways	Uzbekistan	10

Source: OAG and airline websites

Notes: FlyArystan is a division of Air Astana

Buta Airways is a division of AZAL Azerbaijan Airlines

AirSial is a new airline planning to launch services this year and initially operate three domestic routes

Based on schedules from prior to COVID-19 pandemic except for AirSial and FlyArystan, which is based on summer 2020

The above table only includes airlines operating regularly scheduled domestic services using aircraft with at least 50 seats. Charter airlines, operators of small regional aircraft and air taxi companies are excluded.

In most cases the number of routes listed is currently lower due to the COVID-19 pandemic. However, the domestic market in all CAREC countries have started recovering and most – if not all – domestic routes that were operated prior to the pandemic are expected to resume over the next few months.

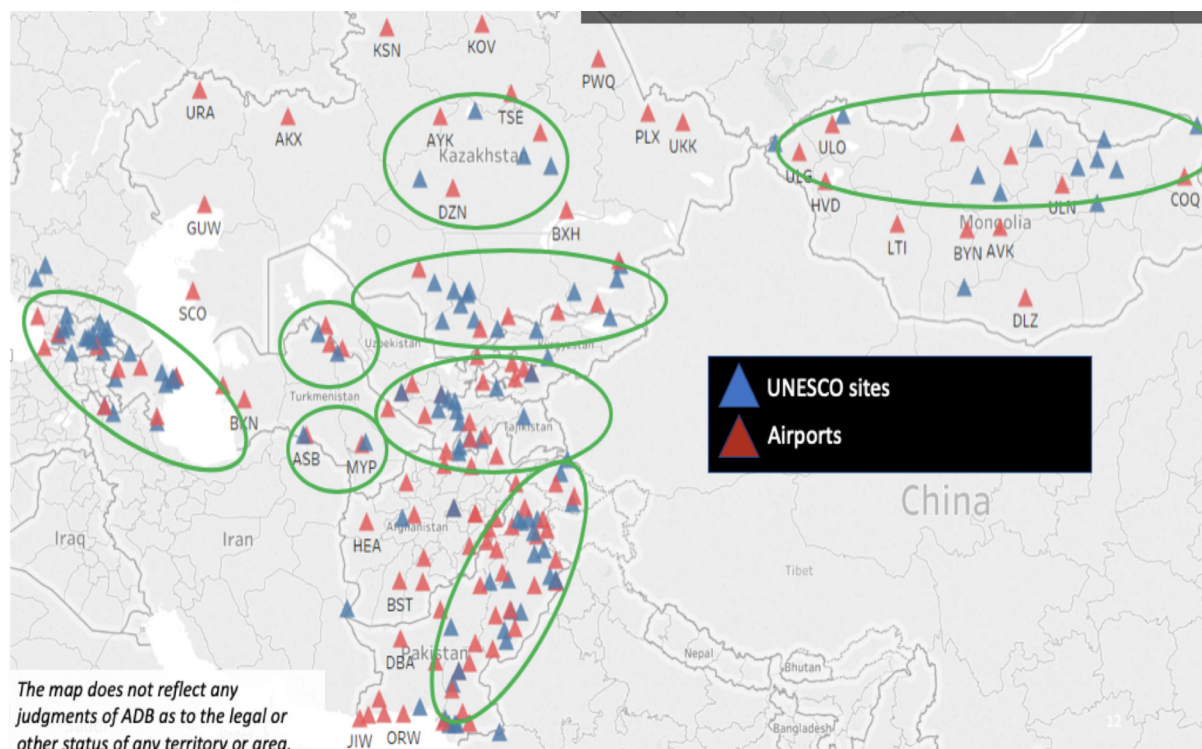
Ideally the Silk Road Air Pass would have one fixed price for all domestic flights, which is common with other air pass schemes offering domestic sectors. Having one price would make it easier to administer and simpler for consumers. Taxes on domestic flights vary depending on the country and the departing airport but are generally very low.

As low-cost carriers (LCCs) operate some of the domestic services in CAREC a checked bag should be included with the Air Pass fare. Air Manas, Buta Airways, and FlyArystan are LCCs. FlyArystan has more domestic routes than any other CAREC airline. Most of its routes are point to point routes between secondary cities that are served less than daily.

The Air Pass should make it easier for foreign tourists to travel within a country by providing a single point of sale at an affordable price. The Air Pass could help stimulate demand, leading to additional frequencies on existing domestic routes between tourist destinations and from hub airports to secondary tourist destinations. In some cases, new point to point routes linking tourist destinations could become viable as the Air Pass generates new traffic.

Domestic air connectivity is critical for facilitating travel between UNESCO heritage and other Silk Road tourism sites within a country. Many of these sites are served with small airports that only have domestic services. There are 37 heritage sites in CAREC with UNESCO designation and another 136 which have been proposed as possible additions to the prestigious UNESCO list.

Connecting UNESCO Heritage Sites in CAREC (Excluding China)



Source: Aviation and the Role of CAREC: A Scoping Study

Number of UNESCO Heritage Sites in CAREC by country (excluding China)

Country	Current Number	Tentative Additions
Afghanistan	2	4
Azerbaijan	3	10
Georgia	3	15
Kazakhstan	5	13
Kyrgyz Republic	3	2
Mongolia	5	12
Pakistan	6	26
Tajikistan	2	16
Turkmenistan	3	8
Uzbekistan	5	30
TOTAL	37	136

Source: UNESCO

Below is a sampling of popular domestic routes for international tourists. Some of these are popular high frequency routes between major cities. For example, Almaty-Nur Sultan and Bishkek-Osh.

Others are niche routes to heritage sites with limited seasonal frequency and no service at all during off-peak months. For example, Karachi-Mohenjo Daro and Ulaanbaatar-Dalanzadgad. Mohenjo Daro is an archaeological site and famous ancient city while Dalanzadgad is the gateway to the Gobi desert.

Sampling of CAREC domestic tourism air routes

Route	Country	Flight time	Driving time	Flight frequency Peak season	Flight frequency Off peak season
Baku-Ganja	Azerbaijan	1hr	5hrs	3 per week	3 per week
Almaty-Aktau	Kazakhstan	3hr	39hrs	19 per week	19 per week
Almaty-Balkash	Kazakhstan	1hr	11hrs	3 per week	No flights
Almaty-Nur Sultan	Kazakhstan	1.5hr	19hrs	126 per week	112 per week
Nur Sultan-Taraz	Kazakhstan	1.5hr	22hrs	10 per week	10 per week
Bishkek-Issy Kul	Kyrgyz Republic	1hr	4hrs	4 per week	No flights
Bishkek-Osh	Kyrgyz Republic	1hr	11hrs	56 per week	28 per week
Ulaanbaatar-Altai	Mongolia	1hr	14hrs	6 per week	4 per week
Ulaanbaatar-Dalanzadgad	Mongolia	1hr	8hrs	7 per week	No flights
Ulaanbaatar-Moron	Mongolia	1hr	10hrs	7 per week	No flights
Karachi-Mohenjo Daro	kistan	1hr	6hrs	7 per week	No flights
Islamabad-Gilgit	Pakistan	1hr	11hrs	21 per week	14 per week
Dushanbe-Khujand	Tajikistan	1hr	5hrs	2 per week	No flights
Ashgabat-Dashoguz	Turkmenistan	1hr	9hrs	28 per week	24 per week
Ashgabat-Turkmenbashi	Turkmenistan	1hr	7hrs	36 per week	21 per week
Tashkent-Bukhara	Uzbekistan	1hr	8hrs	6 per week	5 per week
Tashkent-Urgench/Khiva	Uzbekistan	1hr	14hr	16 per week	15 per week
Bukhara-Urgench/Khiva	Uzbekistan	1hr	6hr	6 per week	No flights

Source: OAG and airline websites

Note: train travel is an option on several routes but is longer than road transport with the exception of Tashkent-Bukhara One of the objectives of the CAREC aviation program is to improve connectivity to tourist sites – both domestic and international. For many up and coming Silk Road destinations only domestic is feasible at least for the foreseeable future due to the small size of airports and a lack of traffic to justify investment in international facilities.

Silk Road Air Pass: Domestic Train Travel

Domestic train tickets can also be considered for the Silk Road Air Pass. While the Air Pass is aimed at aviation and facilitating partnership between airlines in CAREC, there are opportunities to partner with railway operators.

Most CAREC countries have passenger trains. By far the most popular CAREC train line for tourists is the route from Tashkent to Samarkand and Bukhara in Uzbekistan. This is also the

only high-speed rail line in CAREC and is in the process of being extended from Bukhara to Khiva. Samarkand, Bukhara and Khiva are historical Silk Road heritage sites and the most popular tourist destinations in Uzbekistan along with the capital Tashkent.

ADB has previously advocated a partnership between Uzbekistan Airways and Uzbekistan Railways to facilitate domestic travel for tourists. As rail tickets in Uzbekistan cannot easily be purchased from overseas, Uzbekistan Airways can potentially be used as a sales platform for select trains.

Uzbekistan Railways could be added to the proposed Silk Road Air Pass using Uzbekistan Airways, assuming a partnership between the two companies. A direct sales link can also be considered between the technology platform supporting Air Pass and Uzbekistan Railways.

The ideal Uzbekistan itinerary includes rail journeys linking the capital Tashkent with Samarkand, Bukhara and Khiva. The current train takes about two hours from Tashkent to Samarkand, another two hours from Samarkand to Bukhara and (once the extension of the line is completed) another two hours from Bukhara to Khiva/Urgench.

Given the relatively long distance from Tashkent to Khiva, a flight in one direction is still ideal – to or from Tashkent at the beginning or end of the Uzbekistan portion of itinerary. At Tashkent flights throughout CAREC are available; Tashkent has flights to more CAREC countries than any other CAREC airport. While Samarkand, Bukhara and Urgench have international airports there are currently no flights to other CAREC destinations.

Other rail operators can also be considered for the Air Pass. For example, Georgia Railway operates a train from the capital Tbilisi to the Black Sea resort city of Batumi that takes five hours. There is also a train from Tbilisi to Kutaisi, Georgia's second largest city, and Kutaisi Airport, which has several services from Europe on budget airline Wizz Air.

The train is a good option for travel on the Tbilisi-Kutaisi-Batumi corridor, particularly as there are not any regular scheduled domestic flights in Georgia. This is not a fast train and the driving times are roughly similar. However, it would be a potentially positive addition to the Silk Road Air Pass.

Other CAREC countries have generally slower trains, resulting in longer travel times than road journeys. Trains are also typically old and not very comfortable. As passenger train services are improved in other CAREC countries there could be an opportunity to use the Silk Road Air Pass program to offer more rail options.

Silk Road Air Pass: the Two CAREC Regions of China

China's Xinjiang Uygur and Inner Mongolia autonomous regions are part of CAREC in addition to the 10 countries discussed so far in this report. It is possible to include these two regions of China in the Silk Road Air Pass, particularly flights between Xinjiang's largest city and capital Urumqi to other CAREC countries.

Urumqi is the largest airport in CAREC, handling 24 million passengers in 2019. In comparison the largest airport in CAREC excluding China, Almaty, handled only 6.4 million passengers in 2019. However, Almaty has more than three times as much international traffic.

Over 96% of Urumqi's traffic in 2019 was domestic. Urumqi's international traffic is still significant because almost all of it is to other CAREC countries.

Urumqi has 11 routes to nine other CAREC countries, making it the most connected CAREC hub in terms of international CAREC city pairs and country pairs. Mongolia is the only CAREC country not served from Urumqi but Mongolia is served from several cities in Inner Mongolia.

Urumqi routes to other CAREC countries ranked by frequency

Route	Country	Total frequencies	Airline(s) and frequency
Almaty	Kazakhstan	12 per week	China Southern (7), Air Astana (5)
Bishkek	Kyrgyz Republic	7 per week	China Southern (7)
Nur Sultan	Kazakhstan	6 per week	Air Astana (4), China Southern (2)
Dushanbe	Tajikistan	4 per week	China Southern (2), Somon Air (2)
Islamabad	Pakistan	4 per week	China Southern (4)
Tashkent	Uzbekistan	4 per week	China Southern (2), Uzbekistan Airways (2)
Lahore	Pakistan	3 per week	China Southern (3)
Tbilisi	Georgia	3 per week	China Southern (3)
Baku	Azerbaijan	2 per week	China Southern (2)
Ashgabat	Turkmenistan	1 per week	China Southern (1)
Kabul	Afghanistan	1 per week	Ariana Afghan Airlines (1)
TOTAL		47 per week	China Southern (33), Others (14)

Source: OAG and airline websites

Notes: based on schedules from prior to COVID-19 pandemic

China Southern has a hub at Urumqi and serves 10 destinations in other CAREC countries, giving it more international routes within CAREC routes than any airline. Air Astana, Ariana Afghan Airlines, Somon Air and Uzbekistan Airways also serve Urumqi. For Ariana, Urumqi is its only destination in another CAREC country and therefore it was not included in the earlier section on services between the 10 countries which are entirely part of CAREC.

The frequencies displayed in the chart on the prior page are for prior to COVID-19. As there are seasonal variations on most routes the most common number of frequencies that was operated in 2019 and early 2020 is used.

China Southern has an average of 33 weekly flights between Urumqi and other CAREC countries. Including these flights in the Silk Road Air Pass would be sensible as they are often

used by passengers travelling between two CAREC countries other than China due to the lack of a direct option. A stopover in Urumqi can be promoted as part of the Air Pass, particularly given that connections between two Central Asian flights often require an overnight layover.

China Southern mainly uses the Urumqi hub for domestic to international connections. It has over 40 domestic destinations from Urumqi, including several secondary destinations within the Xinjiang Uygur Autonomous Region.

In addition to Urumqi, the Xinjiang Airport Group operates about 20 regional airports which combined handled slightly over 13 million passengers in 2019. China Southern's domestic flights within Xinjiang should be included in the Silk Road Air Pass as several Xinjiang destinations have tourism products, particularly historical or heritage sites.

Some of the domestic routes within Xinjiang are served by other Chinese airlines. However, China Southern has far more flights within Xinjiang than any other airline and has an important international network connecting other CAREC countries.

Inner Mongolia also has about 20 regional airports, some of which are near historical or heritage sites. However, Hohhot is a much smaller hub airport than Urumqi and has very limited international services. Hohhot Baita Airport handled 13 million passengers in 2019 while regional airports in the Inner Mongolia Airport Group handled a combined 11 million passengers.

Hohhot has never exceeded 200,000 annual international passengers. Prior to COVID-19 its international network only consisted of low frequency services to Mongolia, Taiwan, Thailand and Vietnam. The Hohhot-Ulaanbaatar route is served with five weekly flights, including three from AeroMongolia and two with Air China.

Two smaller cities in Inner Mongolia, Hailar and Manzhouli, also have services to Ulaanbaatar. Hunnu Air operates two weekly flights to Hulunbuir and three weekly flights to Manzhouli using regional aircraft. Manzhouli only handled 400,000 passengers in 2019 (domestic and international) while Hulunbuir handled 2.6 million passengers in 2019.

The Ulaanbaatar to Hohhot, Hailar and Manzhouli routes should be included in the Silk Road Air Pass as they all qualify as international routes within CAREC. Domestic services within Inner Mongolia could also be included but there are relatively few of these routes compared to in Xinjiang. There are several domestic airlines operating in Inner Mongolia with Air China being the largest.

Air China and China Southern would be the most logical airlines to include in the Silk Road Air Pass given they operate most if not all the relevant routes within Inner Mongolia and Xinjiang respectively as well as the international routes to other CAREC countries.

There are several routes between CAREC countries and regions of China that are not part of CAREC.

Beijing is the most popular destination in China from CAREC after Urumqi. Beijing has services from Almaty (Air Astana), Ashgabat (Turkmenistan Airlines), Baku (AZAL Azerbaijan Airlines), Islamabad (Air China and Pakistan International Airlines), Nur Sultan (Air Astana and Air China), Tashkent (China Southern and Uzbekistan Airlines) and Ulaanbaatar (Air China and MIAT Mongolian).

There are also services from Nur Sultan to Xian (SCAT Airlines) and several routes from Ulaanbaatar to regional cities in China outside Inner Mongolia.

The proposed Silk Road Air Pass does not include Beijing or other cities in China outside the two regions that are part of CAREC. However, there is a potential opportunity for CAREC airlines to use the Silk Road Air Pass to promote their non CAREC destinations, including in China.

Silk Road Air Pass: Promoting Flights to/from CAREC

The Silk Road Air Pass could help CAREC airlines sell flights from other regions but the Air Pass is not intended to offer such flights.

A majority of visitors from outside the region fly to CAREC countries using foreign airlines. The Air Pass could improve the visibility of CAREC airlines outside the region, leading to increased sales for their flights from outside CAREC.

There are 18 CAREC airlines operating international flights. Eight of the 18 airlines are very small and operate less than 10 international routes.

Seven of the 18 airlines do not have any international routes within CAREC. Four of these seven airlines also do not have any domestic services and therefore would not be included in the Silk Road Air Pass (as they do not operate any flights within CAREC).

Pakistan International Airlines, Uzbekistan Airways, AZAL Azerbaijan Airlines and Air Astana have the largest international networks among CAREC airlines. All four of these airlines have at least 40 international routes.

CAREC airlines (excluding China) with international routes

Airline	Country	International Routes	CAREC Routes	Non-CAREC Routes
Ariana	Afghanistan	9	1	8
Kam Air	Afghanistan	10	3	7
AZAL Azerbaijan Airlines*	Azerbaijan	44	3	41
Georgian Airways	Georgia	8	0	8

MyWay	Georgia	1	0	1
Air Astana	Kazakhstan	41	10	31
SCAT Airlines	Kazakhstan	21	4	17
Avia Traffic Company	Kyrgyz Republic	16	0	16
MIAT Mongolian Airlines	Mongolia	8	0	8
Hunnu Air	Mongolia	3	2	1
Eznis Airways	Mongolia	1	0	1
AeroMongolia	Mongolia	3	1	2
Pakistan International Airlines	Pakistan	70	1	69
airBlue	Pakistan	17	0	17
Somon Air	Tajikistan	23	4	19
Tajik Air	Tajikistan	3	0	3
Turkmenistan Airways	Turkmenistan	13	1	12
Uzbekistan Airways	Uzbekistan	62	8	54

Source: OAG

Notes: Based on OAG schedules for Jan-2020; summer-only routes are excluded

CAREC routes include Xinjiang and Inner Mongolia; other parts of China (such as Beijing) are considered non-CAREC

*AZAL routes include routes operated by low cost division Buta Airways

Air Astana routes includes low cost division FlyArystan, which had one international route as of Jan-2020

There are currently no codeshare partnerships between CAREC carriers. As CAREC airlines potentially work with each other on the Air Pass new codeshare partnerships could be forged, enabling the airlines to cross-sell their flights outside the region.

For example, two CAREC airlines could codeshare on their flights from select markets outside CAREC, enabling a passenger from one of these markets to fly to CAREC on one CAREC airline and from CAREC on a second CAREC airline. Such itineraries are known as open jaws and are currently offered by several foreign airlines serving CAREC, giving the foreign airlines a competitive advantage.

Foreign airlines also generally have an advantage over CAREC airlines due to their larger scale, global distribution networks and strong brands. Several foreign competitors are also part of global alliances – oneworld, SkyTeam or Star. There are no members from any CAREC country (excluding China) in any of these three global alliances.

Offering a combination of their own flights, possible codeshare flights operated by other CAREC airlines and the Silk Road Air Pass for flights within CAREC could lead to a new competitive advantage for CAREC airlines. Competition from foreign airlines will still be intense but the Air Pass could help local airlines close the gap and secure more market share.

Turkish Airlines is the largest foreign airline in CAREC, serving 21 CAREC destinations (excluding China). Turkish Airlines is the only airline – foreign or local – that serves every CAREC country.

flydubai also has a large presence in CAREC, serving 16 destinations in nine countries. Mongolia is the only CAREC country not served by flydubai.

Silk Road visitors often buy open jaw itineraries on Turkish Airlines and flydubai, enabling them to fly to and from different destinations at the beginning and end of their trips. These visitors will still be able to buy the Air Pass separately to fly between multiple Silk Road destinations.

flydubai and Turkish Airlines do not currently offer any fifth freedom routes between CAREC countries. Turkish Airlines operated from Bishkek to Ulaanbaatar until January 2020, when it upgraded its Istanbul-Ulaanbaatar service from one-stop via Bishkek to nonstop.

Lufthansa operated a fifth freedom route from Baku to Ashgabat until October 2019, when it dropped Ashgabat entirely. Qatar Airways operated a fifth freedom route from Baku to Tbilisi until 2018.

While in future foreign airlines could operate between CAREC countries using fifth freedom rights, such routes are likely to be very limited in number. The idea of the Air Pass is to promote and stimulate traffic on routes between CAREC countries that are operated by CAREC airlines. CAREC airlines may also benefit from increased traffic to and from CAREC as the Air Pass improves their distribution network and attracts more visitors to the Silk Road.

Silk Road Air Pass: Sample Itineraries and Fares

This study proposes a minimum of three sectors and maximum of 15 sectors for the Silk Road Air Pass. The idea is to cover all visitors to CAREC who seek to visit multiple countries. Offering only two sectors is not practical as this would open up to potential abuse by passengers seeking a simple return ticket.

Silk Road Air Pass customers should also be required to fly on at least two airlines, ensuring any itinerary with all flights operated by one airline continue to be purchased directly from that airline.

Fares should be standardized by offering a small number of fares for all Silk Road Air Pass flights. Ideally, there should be one fare for all domestic flights and one or two fares for international flights.

The objective is to combine into a single package several one-way flights that would be more expensive if purchased separately. Silk Road Air Pass fares are intended to be reasonable and fixed, making multi-sector itineraries more feasible. The discount is made possible by participating airlines filing special fares which are only available to air pass customers purchasing several sectors.

The fares for the Silk Road Air Pass can be discussed and agreed to later. However, a reasonable price would be USD100 for a domestic flight and USD150 for an international flight.

The following image shows a sample itinerary featuring stops in all 11 CAREC countries (including China) and flights on 12 different airlines. The itinerary below would have a combined fare (excluding taxes) of USD1,850, assuming a fare of USD150 for each international sector and USD100 for each domestic sector.

Silk Road Air Pass Itinerary: Sample 1

CAREC
Central Asia Regional Economic Cooperation Program

1. Ulaanbaatar-Dalanzadgad (Gobi)  **AERO MONGOLIA**
The Leading National Airline
2. Dalanzadgad-Ulaanbaatar  **HUNNU AIR**
Wings of Mongolia
3. Ulaanbaatar-Nur Sultan  **SCAT AIRLINES**
4. Nur Sultan-Bishkek  **air astana**
5. Bishkek-Dushanbe  **SOMON AIR**
6. Dushanbe-Tashkent  **UZBEKISTAN**
airways
7. Tashkent-Baku  **AZERBAIJAN**
AIRLINES
8. Baku-Tbilisi  **Buta Airways**
9. Tbilisi-Almaty  **air astana**
10. Almaty-Ashgabat  **Turkmenistan**
Airlines
11. Ashgabat-Urumqi  **中国南方航空**
CHINA SOUTHERN
12. Urumqi-Islamabad  **PAKISTAN**
International Airlines
Great People to Fly With
13. Islamabad-Kabul  **Kam Air**
Trustable Wings

Source: Author

The next image shows a shorter and more realistic sample itinerary focusing on some of the major Silk Road tourist destinations. This itinerary would have a combined fare (excluding taxes) of USD900, assuming a fare of USD150 for each international sector, USD100 for each domestic flight and USD50 for each train sector. This itinerary assumes the inclusion of Uzbekistan Railways in the Silk Road Air Pass.

Silk Road Air Pass Itinerary: Sample 2



1. Almaty-Nur Sultan  air astana

2. Nur Sultan-Dushanbe  SCAT AIRLINES

3. Dushanbe-Tashkent  SOMON AIR

4. Tashkent-Samarkand

5. Samarkand-Bukhara

6. Bukhara-Tashkent

7. Tashkent-Bishkek

8. Bishkek-Osh  AVIA TRAFFIC COMPANY

Source: Author

Taxes are calculated based on the routing and would be additional. As previously explained, CAREC countries are encouraged to reduce international taxes on all international flights within CAREC to help stimulate demand for multi-stop itineraries.

High taxes and fees on international flights are now a major impediment to travel within CAREC – for both locals and visitors. A short international flight to another CAREC country generally has the same amount of taxes and airport fees than a long international flight to another region.

All Silk Road Air Pass fares would be for economy class and should include at least 20kg of checked bags. For those airlines charging extra for checked bags or seat assignments, the Silk Road Air Pass fare should include these ancillary items to ensure a consistent product.

CAREC airlines offering a business class product can offer Silk Road Air Pass customers an upgrade option. Having a business class fare for the Silk Road Air Pass is not feasible as several CAREC airlines only offer economy class.

Conclusion: Why Now?

An air pass could help promote and stimulate tourism in CAREC by providing an affordable option for travelling between tourist destinations. It could help airlines generate more traffic, leading to new routes between CAREC countries and more frequencies on existing routes. It could help countries generate more visitors by driving an increase in the average number of countries included in a Silk Road itinerary and an increase in overall number of visitors to CAREC.

The air pass could help facilitate partnerships between CAREC airlines and tourism authorities. CAREC airlines currently do not currently work with each other in a meaningful way. Tourism authorities have regular meetings with each other but much more can be done to jointly promote CAREC.

Promoting tourism cooperation is a priority under the 2030 CAREC strategy. The Silk Road Air Pass could help bolster cooperation in the tourism sector as well as in the aviation sector. Incorporating aviation in the ongoing initiative to bolster tourism cooperation is sensible given that connectivity within CAREC needs to be improved for CAREC to achieve its tourism aspirations. Aviation is also a pillar of the CAREC Transportation Strategy 2030 and improving connectivity has been identified as a priority.

Tourism authorities will need to take the lead in developing and promoting the Silk Road Air Pass. However, close coordination with aviation authorities and airlines will be required. The biggest step will be selecting or developing a platform for selling the air pass that enables airlines to participate without incurring significant cost (see addendum).

Once an air pass is launched, multiple marketing campaigns will be required to raise awareness. Tourism authorities will need to fund these campaigns and decide on source markets to target. Tourism authorities may also consider partially subsidizing air pass fares or covering some of the taxes in order to help drive down the overall cost to passengers and appeal.

This is an incredibly challenging time for the aviation and tourism sectors due to the COVID-19 pandemic. The first draft of a recent study by CAREC highlighted the huge impact on aviation and tourism revenues, jobs, passenger traffic and visitor numbers that the pandemic will have in 2020.

<https://www.carecprogram.org/uploads/2020-COVID-Impact-CAREC-Aviation.pdf>

While this may seem like an odd time to be investing in an air pass, the Silk Road Air Pass could help the aviation and tourism industries recover. Competition for foreign tourists will be fierce as international travel resumes. Jointly promoting the region and offering products such as an air pass should help woo more visitors.

The Silk Road has become popular and is now commonly on bucket lists. However, CAREC suffers from a lack of connectivity, deterring potential visitors. There is a risk connectivity will further erode with fewer flights after the pandemic compared to prior. The Silk Road Air Pass along with other initiatives could help avoid a reduction in connectivity – or at least a prolonged reduction – while improving the position of CAREC’s tourism and aviation sectors in these difficult times.

This crisis can be turned into an opportunity. CAREC tourism has a lot to offer even in a pandemic environment given its uncrowded heritage sites, ecotourism and remote resorts. CAREC can potentially benefit from the expected trend of tourists prioritizing uncrowded destinations and less densely populated areas. Work on marketing Silk Road destinations as safe destinations during the pandemic and afterwards will be critical to unlock this potential and the air pass could help facilitate such marketing efforts by making it easier to travel between uncrowded heritage sites.

Achieving the desired post-COVID recovery and return to growth will be very difficult without improved connectivity and affordable fares. Now is time to put in place strategies and products that could help resolve this critical issue. Successfully implementing an air pass will be challenging but if it is done right could help unlock long term aviation and tourism growth.

Conclusion: Possible Conditions to Facilitate Success

Regulators/Government Sector:

1. Agree to support and promote the air pass
2. Agree to consider tax reductions to facilitate travel within CAREC
3. Agree to consider visa free policies to facilitate travel within CAREC
4. Agree to encourage tourism authorities to cooperate and jointly market the air pass
5. Agree to encourage airlines to participate in the air pass
6. Agree to encourage railway operators to participate in the air pass
7. Agree to pursue regional tourism and aviation cooperation to support the air pass

Airline Sector:

1. Agree to work with the air pass technology provider to maximize distribution
2. Agree to file fares and schedules with the air pass technology provider
3. Agree to the air pass fare structure and minimum inventory levels
4. Agree to cooperate through interlines, codeshares and quasi alliances
5. Agree to receive training to support air pass sales and distribution
6. Agree to encourage and promote multi-country itineraries
7. Agree to work with tourism authorities to promote the overall region

Addendum: Embracing New Technology Options

Most air passes have so far utilized legacy technologies that are limiting, complex and expensive. For any new air passes to succeed a different kind of platform will likely be required. This is probably true for any new air pass in any region but for CAREC there is particularly no point trying to follow the same formula that earlier air passes have used.

Pursing a different approach from a technology perspective will not be easy. Participating airlines will still need to be aligned and properly trained. Tourism authorities can potentially take the lead in promoting the Silk Road Air Pass but inevitably it will not be successful without airlines buying into the concept and adapting.

As part of this proposal/study four technology providers were interviewed – Air Black Box, AeroCRS, Hahn Air and Kiwi.com. These companies all have the ability to support a new generation air pass that does not rely on complex legacy systems.

Using new technologies that support a virtual interline between the airlines is appealing because most of the airlines in CAREC are very small and would not be interested in traditional interline partnerships. Several CAREC airlines do not have existing interline arrangements with each other and are not part of IATA's Billing and Settlement Plan (BSP), a system that facilitates sales between airlines through simplified selling, reporting and remitting.

Of the four providers interviewed, Hahn Air is the most experienced air passes as it provided the platform powering prior programs. Hahn Air is capable of powering the Silk Road Air Pass using its existing products but using the same platforms or approach as previous air passes is not necessary.

Hahn Air is technically an airline, operating small aircraft in Germany which enables it to have an airline code. However, it is essentially a technology company providing specialized distribution and ticketing services to airlines globally.

Hahn Air works with hundreds of smaller airlines, including many in CAREC, through interline agreements. As Hahn Air has its own airline code, it is able to interline and use its code to help airline clients sell and distribute globally.

While small airlines could distribute globally under their own code, the volumes often do not justify the cost and complexity. Hahn Air has the volumes to distribute globally, including to its travel agent and online travel agent partners, as it can leverage all the interline agreements it has with smaller airlines throughout the world.

There are already 15 airlines in CAREC (excluding China) interlining with Hahn Air and using Hahn Air issued tickets: Aero Mongolia, Air Astana, Avia Traffic Company, AZAL Azerbaijan Airlines, Georgia Airways, Hunnu Air, Kam Air, MIAT Mongolian Airlines, Myway Airlines,

Pakistan International Airlines, SCAT, Somon Air, Tajik Air, Turkmenistan Airlines and Uzbekistan Airways.

Under a Hahn Air-powered solution for the Silk Road Air Pass, airlines that are not already partnered with Hahn Air would need to forge an interline ticketing agreement with Hahn Air in order to participate in the air pass. However, there are only a few airlines that are not already interlining with Hahn Air and these airlines could benefit from a Hahn Air partnership regardless.

Hahn Air would not be interested in developing a tailored solution for the Silk Road Air Pass but this would likely not be appealing to CAREC given the cost and risk. Leveraging existing relationships and technologies from Hahn Air would be relatively simple and should be implementable without significant development costs.

An advantage of Hahn Air is its extensive experience helping smaller airlines, including in Central Asia and the CIS, can be leveraged in training CAREC airlines on selling the Silk Road Air Pass. Hahn Air can help airlines implement the program and believes airlines would be eager to tap into new revenue opportunities that an air pass could generate. Hahn Air also has the ability to help promote the air pass, working with travel agents and tourism authorities.

A disadvantage could be the cost as Hahn Air charges a commission for each ticket that goes through its platform that would be more than the fees levied by other technology companies. Airlines must also agree to file special air pass fares or, if the Silk Road Air Pass uses existing rather than new fares, allow Hahn Air to capture existing fares.

While ideally a special fare class would be created for the Silk Road Air Pass, it is possible to launch the pass using existing fares. Special fares would require more work for both the airline and the IT supplier but would help stimulate travel between CAREC countries.

Kiwi.com is a travel industry technology pioneer and disruptor that has developed what it calls the first virtual global super carrier. Kiwi.com has expanded rapidly since it was established in 2012 to offer a new flight search booking engine. It has since pioneered the virtual interline concept, enabling passengers to connect between budget airlines. Prior to COVID-19 Kiwi.com was generating over 10,000 daily bookings.

The Kiwi.com platform could help promote connections between CAREC airlines that do not currently connect with each other. However, the Silk Road Air Pass is more about point to point travel within CAREC, which Kiwi.com would be able to host through its b2b platform Tequila. Kiwi.com would also be able to help Silk Road Air Pass customers build multi-stop itineraries using its innovative Nomad product and market the pass globally.

AeroCRS is a passenger service system (PSS) supplier providing a booking engine for several smaller airlines as well as bus companies and train operators. It also offers an alternative distribution product facilitating interlines and connections to global distribution systems.

To support the Silk Road Air Pass, AeroCRS would place all participating airlines on its AeroCRS network. Airlines would use AeroCRS to file air pass fares, routes and schedules. It is a very simple tool that airlines can implement and be trained for within just a few days.

AeroCRS works with both Hahn Air and Kiwi.com. It recommends the Kiwi.com platform for the Silk Road Air Pass given the lower cost. AeroCRS typically charges 1% on top of the 3% for Kiwi.com while Hahn Air charges a flat mark-up fee. For example, the operating airline would receive USD96 for a USD100 air pass segment (with AeroCRS receiving USD1 and Kiwi.com USD3). On the Hahn Air system, the airline would receive all USD100 but would then be charged a fee that would likely be much higher than USD4.

Kiwi.com also recommends a combination of the Kiwi.com platform and the AeroCRS network. Kiwi.com could build a product specifically for the Silk Road Air Pass that would enable a direct connection without AeroCRS participation. However, Kiwi.com believes such development would be cost prohibitive given the relatively small size of the Central Asian market and would only consider such a project if it was entirely funded by the user.

The advantage of Kiwi.com is its global network and existing widgets. Under a combined Kiwi.com/AeroCRS solution airlines participating in the Silk Road Air Pass would automatically be integrated into the Kiwi.com platform. There could be some differentiation, including a co-branded website dedicated for the air pass and dedicated marketing, but the idea would be to leverage existing Kiwi.com and AeroCRS technology.

Air Black Box (ABB) is another travel technology disruptor that is most known for its virtual connection product. ABB powers the Value Alliance, a collection of budget airlines in Asia that uses ABB to offer connectivity.

The ABB platform provides an alternative for airlines to cross-sell without using legacy systems or relying on their passenger service system supplier. ABB also has an alternative distribution product and can provide a virtual interline option similar to Hahn Air using its sister company WorldTicket.

ABB and WorldTicket could jointly power the Silk Road Air Pass using WorldTicket's W2 airline code to interline with CAREC airlines. A disadvantage would be that, unlike Hahn Air, WorldTicket and ABB do not have existing relationships with CAREC airlines. However, the technology is simple to implement and use.

ABB would also be keen to build a tool for the Silk Road Air Pass optimizing multi-stop itineraries. Existing search tools for multi-stop itineraries have limitations which often result in prohibitively high pricing.

The ABB proposal would require development funding but not much, particularly compared to legacy alternatives. Other new generation technology providers could charge much more for

development or would not be willing to develop anything for the Silk Road Air Pass given its small size and other higher development priorities.

It may be challenging to find a technology solution that is effective from both a cost and product perspective. It would not be realistic to expect airlines to cover any development costs. If the costs can be covered elsewhere the concern becomes making the product good enough to persuade the airlines to participate. Otherwise the effort will be wasted. There will be a risk the Silk Road Air Pass, if launched, will fail to generate significant volumes due to a lack of airline participation or other issues such as fares that are higher than what is available outside the air pass.

This addendum is only meant to provide a brief outline of what may be feasible. A thorough evaluation of the technology options is recommended before proceeding.