



Impact of COVID-19 on the Aviation Sector

Aviation Session, CAREC 19th TSCC Meeting, 20 October 2022

Brendan Sobie
Independent Analyst and Consultant
Senior Aviation Specialist for CAREC



The CAREC Aviation Program

- Established in 2017 following an initial workshop in Singapore
- Initial scoping study on CAREC Aviation sector published in 2018
- Missions to Kyrgyz Republic and Mongolia completed in 2019
- Aviation adopted as a new pillar in CAREC Transport Strategy in 2019
- Study on the impact on COVID-19 published in 2020
- Silk Road Air Pass proposal presented to airlines/DMCs in 2020
- Series of three CAREC Aviation webinars held in 2021
- Supported ADB airport projects in Georgia and Kazakhstan in 2021
- Mission to five countries completed in September 2022 (Azerbaijan, Kazakhstan, Kyrgyz Republic, Mongolia and Uzbekistan)
- Studies on LCCs and air cargo/logistics now being prepared
- Another series of webinars and second workshop planned for 2023
- The CAREC Aviation program is here to assist member countries and reply to requests as they consider further reforms and development of the air transport sector

CAREC Air Pass Sample Itinerary

1. Ulaanbaatar-Almaty*



2. Almaty-Ashgabat



3. Ashgabat-Tashkent

4. Tashkent-Dushanbe



5. Dushanbe-Bishek



6. Bishek-Astana



7. Astana-Tbilisi



8. Tbilisi-Baku



9. Baku-Karachi*



* New CAREC route

New intra-CAREC routes since COVID

9 airlines and 16 routes!

1. Aktau-Baku *Buta Airways*
2. Almaty-Batumi *Air Astana*
3. Almaty-Samarkand *Uzbekistan Air*
4. Almaty-Ulaanbaatar *Hunnu Air*
5. Aktau-Nukus *SCAT*
6. Aktau-Urgench *SCAT*
7. Aktobe-Tbilisi *SCAT*
8. Aktobe-Baku *Qazaq Air*
9. Atyrau -Kutaisi *FlyArystan*
10. Astana-Kutaisi *FlyArystan*
11. Baku-Islamabad *PIA*
12. Baku-Karachi *PIA*
13. Baku-Lahore *PIA*
14. Baku-Samarkand *AZAL*
15. Batumi-Tashkent *Uzbekistan Air*
16. Kutaisi-Shymkent *FlyArystan*



View of western Mongolia on Almaty-Ulaanbaatar route
Hunnu Air #412, 15 September 2022

Note: Other routes such as Bishkek-Turkistan and Tashkent-Turkistan were also launched during the pandemic but were only temporarily operated during a period land borders were still closed

COVID impact study recommendations

- CAREC countries should consider implementing a visa free policy to further facilitate travel and tourism within CAREC
- CAREC should promote improved air connectivity between CAREC countries during the pandemic and after this crisis.
- CAREC should consider providing incentives to support the launch of new routes connecting major cities with tourist destinations in other CAREC countries
- CAREC should invest in boosting air cargo capabilities, leveraging its strategic location between Asia and Europe, and driving increased cargo revenues for the aviation industry
- CAREC should promote contactless air travel and invest in technologies to support digital procedures at airports

**2020 impact from COVID:
40 million passengers
\$7 billion in revenue**

COVID Impact Study: Possible new routes for CAREC



Source: Table 12 (page 25) of Impact of COVID-19 on CAREC Aviation and Tourism

Route	Initial Frequency
Almaty-Batumi	3 per week
Almaty-Bukhara	2 per week
Almaty-Karachi	3 per week
Almaty-Osh	3 per week
Almaty-Samarkand	2 per week
Almaty-Ulaanbaatar	2 per week
Ashgabat-Baku	2 per week
Baku-Bishkek	2 per week
Baku-Dushanbe	2 per week
Bishkek-Karachi	2 per week
Bishkek-Tbilisi	3 per week
Dushanbe-Tbilisi	2 per week
Kabul-Samarkand	2 per week
Karachi-Osh	2 per week
Karachi-Samarkand	2 per week
Karachi-Tashkent	3 per week
Lahore-Bukhara	2 per week
Lahore-Samarkand	2 per week
Nur Sultan-Issy Kul	2 per week
Tbilisi-Ulaanbaatar	2 per week

COVID Impact Study: CAREC routes that could support more frequency

Route	Frequencies prior to COVID-19	Potential Frequencies	Operating Airline(s) Prior to COVID-19
Aktau-Tbilisi	5 per week	1 daily	SCAT Airlines
Almaty-Ashgabat	3 per week	1 daily	Turkmenistan Airlines
Almaty-Baku	5 per week	1 daily	Air Astana, Buta Airways
Baku-Nur Sultan	4 per week	1 daily	Air Astana
Baku-Tashkent	5 per week	1 daily	Buta Airways, Uzbekistan Airways
Batumi-Nur Sultan	2 per week	1 daily	SCAT Airlines
Bishkek-Dushanbe	1 per week	1 daily	Somon Air
Bishkek-Nur Sultan	3 per week	1 daily	Air Astana
Dushanbe-Tashkent	3 per week	1 daily	Somon Air, Uzbekistan Airways
Kabul-Tbilisi	2 per week	1 daily	Kam Air
Lahore-Tashkent	2 per week	1 daily	Uzbekistan Airways
Nur Sultan-Ulaanbaatar	2 per week	1 daily	SCAT Airlines
Tashkent-Tbilisi	2 per week	1 daily	Uzbekistan Airways

Source: Table 11 (page 24) of Impact of COVID-19 on CAREC Aviation and Tourism

Intra-CAREC one-way weekly seat capacity

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

Prior to COVID, only 18 or 44% of all CAREC country pairs (excluding PRC) had nonstop flights

Of these 18 country pairs, only six or one third had at least seven weekly frequencies (equivalent of a daily service)

Source: Table 10 (page 23) of Impact of COVID-19 on CAREC Aviation and Tourism

Based on OAG schedules data for first two months of 2020

Post-COVID: International recovery

CAREC Country	Recovery rate (%)
Kyrgyz Republic	151%
Tajikistan	151%
Uzbekistan	113%
Azerbaijan	104%
CAREC (excluding PRC)	102%
Pakistan	100%
Georgia	92%
Kazakhstan	86%
Mongolia	60%
Turkmenistan	18%

- International seat capacity for October 2022 vs October 2019 (based on OAG schedule data)
- The CAREC international air transport market (excluding PRC) has already achieved a full recovery, a remarkable achievement
- CAREC is well ahead of the Asia Pacific average recovery rate of 45%
- CAREC is also ahead of the global average recovery rate of 75%
- Five of the seven ADB countries that have fully recovered their international air transport markets are in CAREC

Part 2

Low Cost Carrier (LCC) Potential in CAREC

Aviation Session, CAREC 19th TSCC Meeting, 20 October 2022

Brendan Sobie
Independent Analyst and Consultant
Senior Aviation Specialist for CAREC

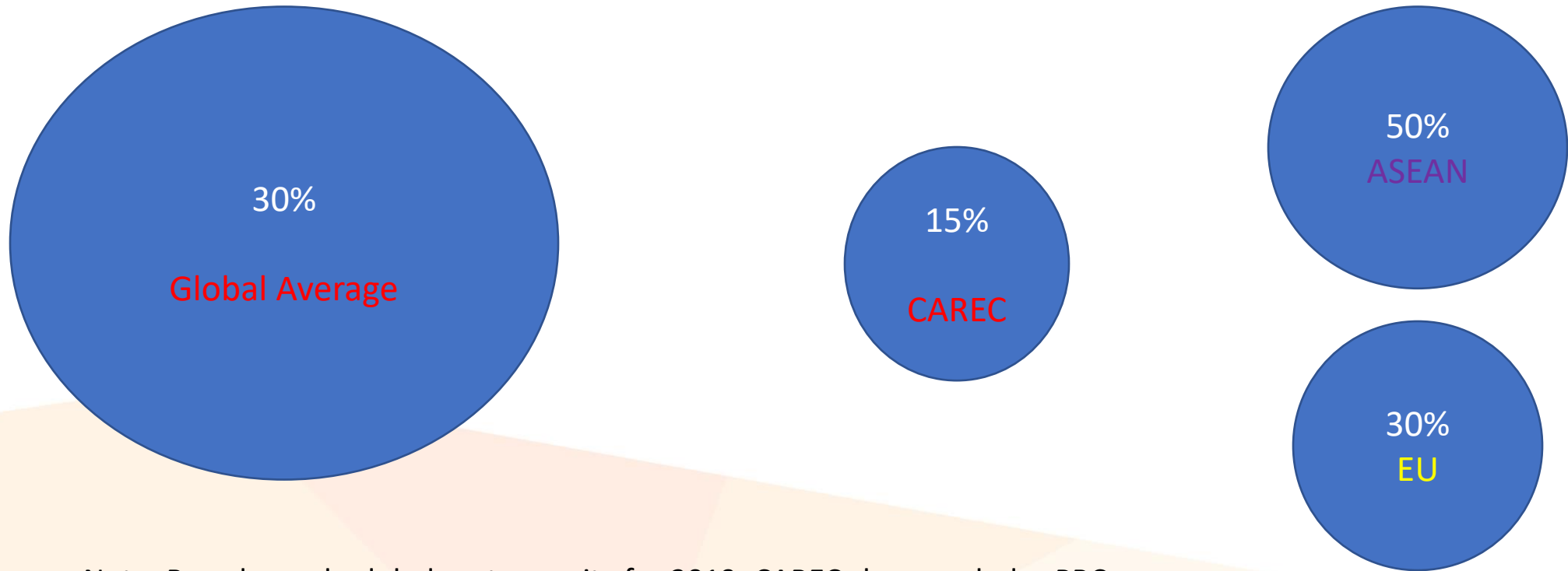
What is a low-cost carrier (LCC)?

- Focus on keeping costs to a minimum and operating as efficiently as possible, enabling lower fares than full-service carriers (FSCs)
- Usually charges separately for all in-flight services (meals, drinks, entertainment), checked luggage and seat assignments
- Typically operates only one aircraft type and outsources most functions including maintenance, cargo and handling
- Pursues very high aircraft utilization levels by quickly turning around aircraft after every flight and operating overnight when possible
- Typically configures its aircraft only with economy class with a higher density than FSCs, enabling it to fly more passengers per flight
- Focus on point-to-point routes and often do not offer connections

Why are LCCs important?

- By offering significantly lower fares than FSCs, demand is stimulated resulting in an accelerated rate of growth
- LCCs make flying affordable for a large portion of the population, particularly in emerging markets with a growing middle class
- LCCs facilitate tourism, leading to significant increases in visitor numbers. LCCs open up new routes and help create new source markets and increase visitor numbers in established source markets as fares are reduced
- The LCC impact is well established in North America (from the 1980s), Europe (from the 1990s) – more recently (since 2001) - in South Asia, East Asia, the Middle East and Latin America. **Now it is Central Asia's turn to benefit from LCC proliferation!**

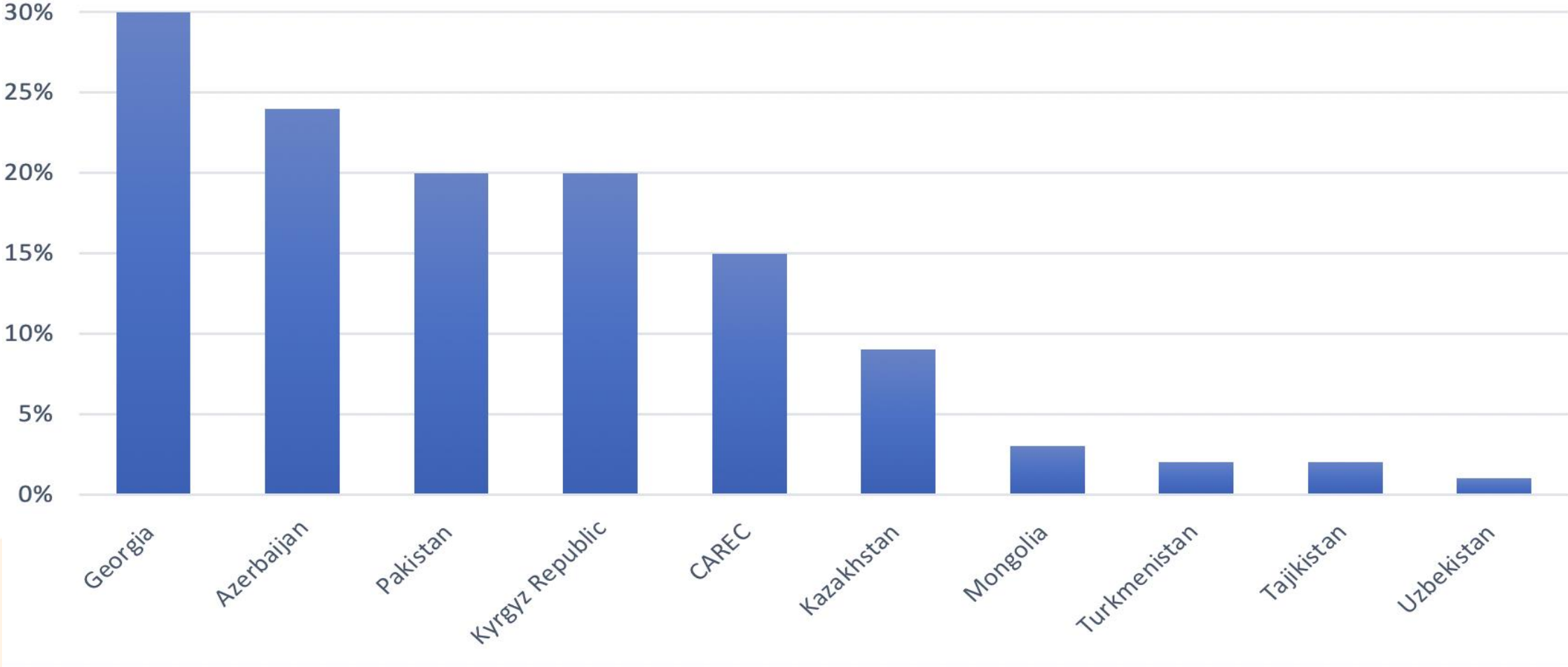
LCC market share, 2019: CAREC lags behind rest of world



Note: Based on scheduled seat capacity for 2019; CAREC share excludes PRC

Source: OAG

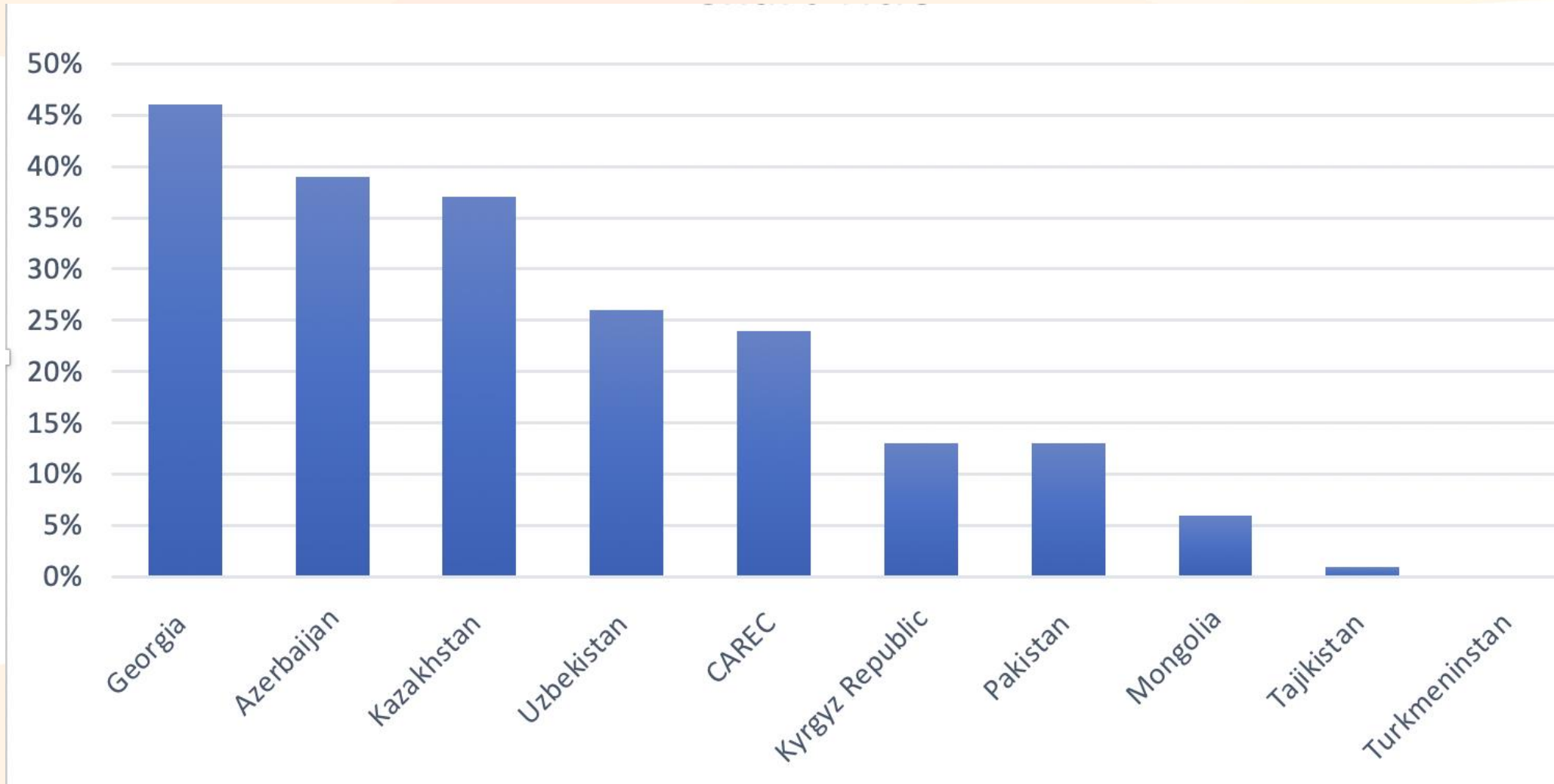
LCC market share in CAREC: pre-COVID



Based on scheduled seat capacity for 2019, excludes PRC

Source: OAG and Sobie Aviation

LCC market share in CAREC: post-COVID



Based on scheduled seat capacity for first 10 months of 2022, excludes China

Source: OAG and Sobie Aviation

LCCs in CAREC: current state of play

- Georgia, Azerbaijan and Kazakhstan now have LCC penetration rates which are close to the global average
- Kazakhstan and Uzbekistan have seen rapid LCC growth since 2019 but this is just the beginning for LCC growth in CAREC
- There are now six LCCs based in CAREC (excluding PRC). Three are brands/virtual airlines without their own airline operating certificate (AOC) and two currently do not have any scheduled flights
- Over 10 foreign LCCs also serve CAREC, mostly from the Middle East and Europe. Some are not true LCCs and follow hybrid models
- Flydubai is the largest LCC in CAREC, serving all countries except China and Mongolia. Air Arabia is the second largest

Local LCCs in CAREC*

airM**NAS**



air**blue**SM



FlyJinnah



Notes: *excludes PRC

FlyJinnah (Pakistan) has taken delivery of its first aircraft but has not yet commenced operations

LCCs in CAREC: small but growing

Airline	Country	Year launched	# of aircraft	# of destinations
airblue	Pakistan	2004	12	11
Air Manas	Kyrgyz Republic	2013	1	0*
Buta Airways	Azerbaijan	2017	8	16
FlyArystan	Kazakhstan	2019	12	19
Eznis Airways	Mongolia	2019	2	0*
Uzbekistan Express	Uzbekistan	2021	4	21
<i>TOTAL</i>			39	56

*Air Manas and Eznis Airways do not currently operate any scheduled flights

Eznis relaunched in 2019 as an LCC under new ownership; it operated from 2006 to 2014 as full-service airline

Air Manas was established initially as Pegasus Asia in 2013 and adopted the Air Manas brand in 2015; Turkish LCC Pegasus sold its 49% stake in Air Manas in late 2019

Source: Sobie Aviation, CAPA, OAG

LCCs in CAREC: current limitations

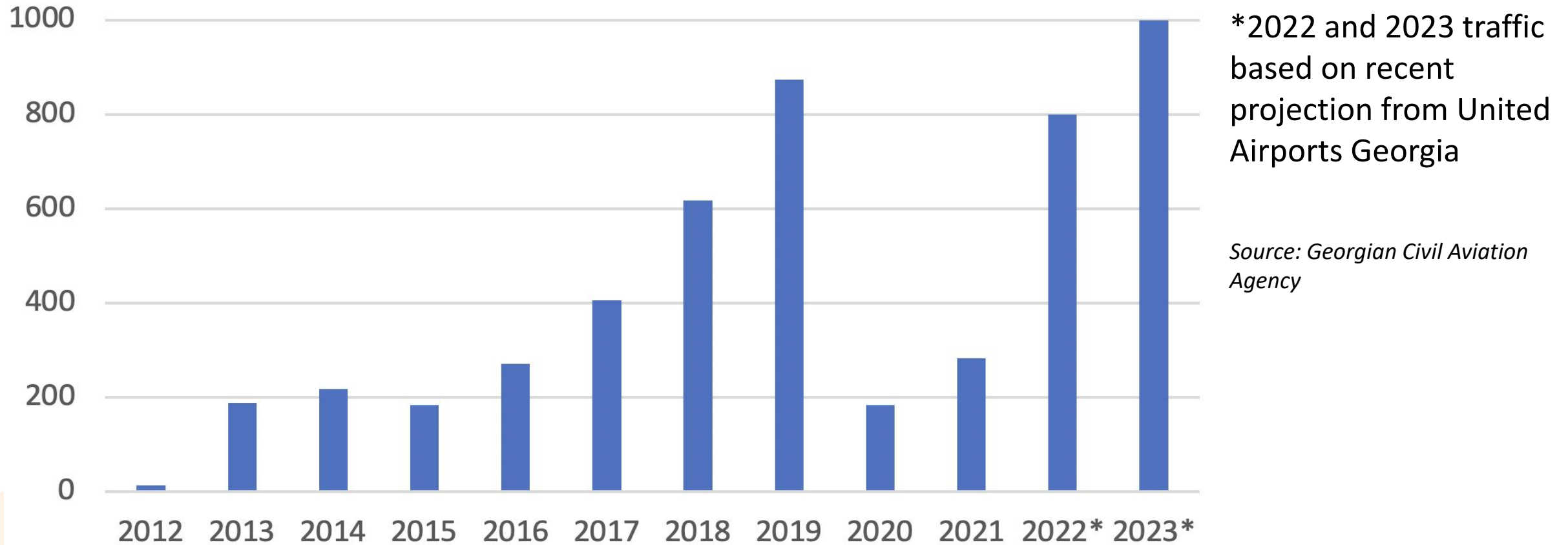
- There are only a handful of LCC routes within CAREC
- FlyArystan is mainly a domestic airline
- Uzbekistan Express mainly serves Russia
- Buta Airways focuses on international services outside CAREC
- Air Manas and Eznis are not currently operating scheduled services
- All five of these LCCs were recently visited and will be case studies in the upcoming study; most do not follow traditional LCC models
- CAREC LCCs continue to face several challenges and obstacles inhibiting their development
- Foreign LCCs have somewhat of an advantage but also face obstacles from launching or growing in many CAREC countries

LCCs in CAREC: opportunities

- LCCs could drive improved international connectivity between CAREC countries, facilitating tourism and boosting travel along the Silk Road
- LCCs can also drive domestic growth in the largest CAREC countries and facilitate Silk Road tourism as well as local travel
- CAREC can clearly support more LCCs and benefit from LCC growth - from both local and foreign carriers
- But the regulatory environment needs to improve to support LCC expansion and proliferation
- High airport costs and taxes are among many impediments
- A study investigating LCC opportunities and challenges in CAREC is now being prepared and will be published early next year

LCCs in CAREC: opportunities

Kutaisi Airport annual passenger traffic (thousands)



- CAREC's only LCC airport has grown rapidly since opening in 2012
- Wizz Air base (the only foreign airline base in CAREC) since 2016

LCCs in CAREC: opportunities

- Foreign LCCs can drive growth in CAREC by opening bases & new JVs
- Air Arabia, Pegasus, Ryanair & Wizz are all keen to expand in CAREC
- FlyArystan could also become a platform for LCC expansion as it expands and considers establishing franchises in other countries
- Scale is critical in establishing a successful LCC; the partnership model could be attractive in CAREC given the small size of individual markets
- There are opportunities to open other LCC airports or LCC terminals following the Kutaisi model; Astana Airport is planning to open an LCC terminal in 2023

Thank you!



*FlyArystan has driven 60% growth in Kazakhstan's domestic market since its launch
FlyArystan has carried over 7 million passengers since launching in May 2019*

Brendan Sobie, Senior Aviation Specialist for CAREC, brendan@sobieaviation.com