

Prospect of The Asia-Pacific Aviation Market in The 21St Century

Richard Stirland*

We live in an age of people who make their living by predicting the future: we are bombarded every day by books, articles and T.V. programmes which tell us, alternatively, that we live in the Pacific century, or that the bubble of endless growth in this region has burst, and its destiny is mediocrity and obscurity. Given this background, and the fact that few if any observers predicted the recent economic crisis in the region, who has the temerity to speak with confidence on the future?

Personally, I would agree with the 19th Century German philosopher, who said that any serious attempt to predict the future must result in two questions where only one existed before: I also believe that the term "Pacific" is now a concept word rather than a strictly defined geographic entity. And, lastly, I am convinced that airline managers are only rivalled in their shortsightedness by Mr Magoo. Please bear all this in mind when listening to what I have to say.

What is indisputable is that the development of air services is a faithful mirror of economic and sociological development: for example,

- 본고는 1999년 10월 서울에서 "새 천년의 항공우주법 및 정책의 주요 과제와 방향"이라는 주제로 개최된 제9회 항공우주법 국제학술세미나대회에서 발표된 논문임

* Association of Asia Pacific Airlines 사무총장

during much of the century which is now ending, the routes across the North Atlantic, linking the growing economies of Europe and North America, were the focus of the aviation world. The fortunes of airlines waxed and waned according to their success in that market, while the manufacturers of aircraft devoted their efforts to designing aircraft optimised for these routes. In the sense that the North Atlantic was the "Blue Riband" route of that era, I don't think anybody would disagree that Transpacific routes now hold that title, and will do for the foreseeable future.

But of course, the traffic flows in the Pacific region are much more complex than those in the Atlantic area, for at least three reasons: the distances involved, the burgeoning intra-regional traffic along the Pacific rim of Asia, and the very different stages of development at which the countries of the Pacific find themselves. And it is these three aspects of the area which I wish to take as the general headings for what I intend to focus on today.

The distances between the three continents which form the boundaries of the Pacific region - Asia, North America and Australasia - are vast: the distance between some countries within Asia is almost equally daunting. Until comparatively recently, these distances have been beyond the non-stop range of any aircraft, and even today it is only the biggest aircraft which are able to serve the longer routes. This comparatively simple fact of technology has had an enormous influence on the shape and size of airline route networks, on the negotiation of traffic rights and the relative importance of gateways such as Tokyo, Seoul, Los Angeles and San Francisco. All of this is about to change, albeit perhaps more slowly than the aircraft manufacturers would wish.

It will change because of a conjunction of factors, all pushing in the

same direction: a further step upwards in the payload/range capability of both Boeing and Airbus aircraft; the progressive opening up of air routes over the Arctic, Russia and China; a further extension of ETOPS or even a radical rethink of the whole concept of ETOPS; and most importantly, the establishment of CNS/ATM operations combined with real time, continuous weather updating from the ground to the cockpit of aircraft. All of these will make many of the conventional routes across the Pacific obsolete: they will increase the range of even relatively small aircraft, blurring the distinction between regional and inter continental operations, and they will potentially reduce the significance of gateways.

I say "potentially" because the reality in Europe, at least, is that ETOPS operations across the Atlantic have done little either to diminish the significance of Heathrow or Frankfurt as gateways, or to boost the significance as international points of Lyons, Munich, Copenhagen or other secondary airports. Major centres of, financial, economic and political activity will always be the primary focus of international aviation, regardless of aircraft range. Alliances and hubs militate against the spread of non stop direct flights between secondary points.

Let us consider, secondly, the intra regional traffic along the Pacific rim. While the Transpacific routes may be dramatic in terms of range, the volume of traffic between Asian cities, even at today's slightly depressed levels, dwarfs that on Transpacific city pairs. As economies in this region re-establish themselves, as confidence increases, so growth will resume. But the most significant element, in future regional growth of traffic in this region will be the progressive opening up of China for outbound travel, combined with the inevitable establishment of direct air links between the Chinese mainland and Taiwan. When we consider the growth of traffic in the past from Taiwan itself and Korea, when travel in those places was liberalised, we can only hazard a guess at the volume

which will be generated by China in the opening decades of the 21st Century. And, we can confidently say that the first hesitant expeditions of these passengers will be along the routes followed by other first time Asian travellers, to Hong Kong, Bangkok, Kuala Lumpur, Singapore and Taiwan, before they ultimately follow other Asian travellers across the Pacific.

Regardless of improvements in infrastructure such as new airports in Kuala Lumpur, Hong Kong, Bangkok and Seoul, or a second runway in Narita, I believe that the constraints the airlines face, as well as simple economics, dictate that aircraft larger than any currently in use will be an absolute necessity for the airlines of this region early in the next century. Thus the current debate between Airbus and Boeing as to whether the future lies with aircraft bigger than the 747, or with more aircraft of the current size or smaller than the 747, is essentially an artificial one. For the Pacific region, both will be needed, providing range and frequency for long, comparatively thin routes and volume for the intra-regional routes.

Are we also to assume that a massive increase in regional travel will lead to more international services to secondary airports in Asia? I think not. For a variety of economic and socio-political reasons, which are fascinating but which time does not permit us to explore, I believe that the window of opportunity for airports such as Pusan, Cheju, Kaohsiung, Cebu, Chiang Mai, Penang, Surabaya and many others was open, but has now closed, perhaps for good. Suffice it to say that the major regional carriers have shown little inclination to develop international services from secondary points in their home markets, and that experience in Europe, as well as this region, gives little support to the idea that long haul services will increasingly focus on points other than the major hubs in the future.

The only exception to this general rule (and I do not regard it as a true exception) is China, where the three major centres of Beijing, Shanghai and Guangzhou should develop more or less in parallel as international markets and destinations for obvious reasons.

This brings me back to my third major theme, the varying stages of development in the Pacific region, and the implications for the airlines, specifically those airlines based in Asia. On the one hand these airlines, either individually or in conjunction with their codeshare partners, will seek to expand and develop their services to the most sophisticated market in the world, the United States. This will require not just the obvious attributes of modern equipment and highly professional marketing, but a much greater awareness of, and sensitivity to, the non-commercial aspects of air transport.

I refer to the issues of safety, the environment and consumer rights, or wrongs real or imagined. The proliferation of alliances between U.S. carriers on the one hand, and airlines in the Asian region on the other, has coincided with a blizzard of politically inspired initiatives in the U.S.A. to improve safety and enhance the rights of passengers. As night follows day these will be extended to codeshare partners and even carriers who serve the U.S. without a codeshare. I regret to say that the management of many airlines in this region are either unaware or apparently unconcerned about the extent to which they will be affected in the future by these trends in their major market.

At the other extreme, airlines of the Pacific will need to cope with the growth of international travel originating in some of the least sophisticated markets of the world: passengers who have the economic means to go overseas, but who lack basic knowledge of the ways of international travel. These travellers will be an essential element of the

future growth and financial well being of the airlines, but will be immune to sophisticated marketing, to refinements in in-flight service or the attractions of frequency and convenient departure times. The creation of low cost subsidiary airlines to handle this traffic is a distinct possibility, not just for reasons of economics, but also for true product differentiation.

The relationship between the airlines and the airports in the Asia Pacific region will continue to be a difficult one, and it may well be exacerbated rather than improved by the demands placed on airports by the requirements of alliances. The airlines are fortunate to the extent that at least in this region, new airports are being built, new terminals are under construction and public opinion is not opposed to such development. The airlines are unfortunate to the degree that many developments take place with little or no consultation with the airlines, and that once operating to and through these facilities, airlines have little control over their own destiny on the ground.

An optimistic vision of the future would include the emergence of a much more symbiotic relationship between airlines and airports: a realistic vision would take account of the fact that the geography of Asia is such that most airports enjoy a natural as well as political monopoly and are tempted to behave accordingly.

Evolution, particularly the evolution of technological and economic development, never proceeds along an even course. It advances in fits and starts through an unpredictable sequence of stagnation and acceleration. The chronological turn of the century is an irrelevancy to this process, but I do believe that we are on the verge, in the Asia-Pacific region, of a major evolutionary step, a grand climacteric, in the development of air services and air transport markets, reaching into the furthest recesses of the region as yet untouched by past progress.

The airlines of this region must be ready to fulfill their role in this evolution, which means that they must achieve levels of sophistication in technical and operational matters which match their undoubted commercial abilities.

Only when they demonstrated this by earning a reputation for safety and security equal to those of U.S. and European carriers, can we truly say that, in aviation terms, we have entered the Pacific century.