

Air transport development, the tool to achieve good harvest seasons

How aviation can play a key role in the prosperity of a post COVID-19 Mediterranean

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It is hard to write an article on travel and tourism these days. We are only a few weeks from finishing 2020, the year in which travel stopped. In the midst of COVID-19, airlines and airports struggle to survive in the hardest crisis that the air transport industry has seen in its entire history. Yet, there is consensus that, once the pandemic is controlled, travel and tourism will resume, and we will again be able to enjoy such an important aspect of our lives, and of course, of our economies.

If we go back to 2019, we can get an idea of the dimension of air transport between countries in the Mediterranean area. The seats put on sale by airlines that flew internationally between two points of the region was around 130 Million in 2019. This is certainly not a small figure.

How was this figure achieved? We can be certain that the liberalization process that allows for open markets, in which airlines make decisions on where to fly based on the profitability of the routes they operate, has played a key role. In this sense, the policy promoted by the European Union to sign open skies agreements with its neighbouring countries, has proved to be extremely fruitful.

The Common Aviation Area, designed to allow a gradual opening of the market between the EU and its neighbours, has offered opportunities for airlines and a wider choice for passengers. At the same time, it has allowed a regulatory convergence on safety, security, environmental and other areas of the industry.

A good example of the efficiency of this policy is the agreement signed between the EU and Morocco in 2006. The number of passengers that flew between Spain and Morocco, as a reference, grew more than 50% in only one year, and in 2019, it was 4 times higher than that of 2006. Other agreements have been signed since then with Jordan and Israel, and negotiations are on-going with Lebanon and Tunisia. If the Common Aviation Area reached its goals, it could encompass up to 50-55 states and a total population of 1 Billion inhabitants. The opportunity this brings for the Mediterranean area has to be properly valued by the air transport and tourism stakeholders and by policy makers.

This opportunity may seem just an illusion in 2020, when the entire world has nearly stopped and travel and tourism are far from being a priority. Health authorities are focused in controlling the pandemic and restrictions in mobility are an essential part of the strategy to fight against it. In fact, in the Mediterranean area, the 130 million seats mentioned before, were reduced by more than 60% in 2020, and given the extremely low load factors

experienced this year, we can estimate that passengers are only around 20% of those in 2019. However, it is not an illusion.

Air transport is a key element for the development of the regions it serves. For every million passengers, the study carried out by Intervistas for ACI Europe estimates that around 950 direct jobs are created¹, and if we count the indirect and induced ones, this figure can easily be 3 times higher. The analysis also found that every 10% increase in connectivity was associated with an increase in GDP per capita of 0.5%. Air transport is a clear catalyst for economic growth. But, although being extremely important, not only the economy counts. Air transport also ties cultural bonds and brings understanding between regions and societies, which is the foundation of a peaceful and sustainable development, with the direct effect this has in the lives of their citizens. Only with a proper and balanced policy that gradually opens the market, we will seed the plants that eventually will allow us to harvest the fruit of a developed and peaceful Mediterranean area.

But, what are those seeds? Where can we get them? What are the drivers for growth and prosperity in our region in a post COVID-19 era? Being from the Mediterranean, I am sure that we all feel familiar with the basic ingredients of our ancient agricultural tradition. Wheat, grapevine, olives. Allow me to use this metaphor to describe how we can use the air transport sector to develop our land.

First, we need a fertile land. In our sector, a fertile land means an attractive destination. No one doubts that the Mediterranean, from Greece or Turkey to Spain, from Croatia or Albania to Morocco or Egypt, and including all the rest of the countries in the region, is a privileged one. Mild weather, amazing cultural sites that show the birth of human civilization, and a rich gastronomy, are the essential elements of a highly attractive destination. We do not only have an extremely fertile land, but also the right seeds ready to be planted.

However, we have work to do. We cannot just sit and wait that this fertile land gives us the fruit it can develop. We have to plough the land. Investment in infrastructure, good and price-competitive hotels, and high safety and security standards, are essential to build a destination to which passengers and tourists are willing to travel. And also, efficient airports, from the operational and economic points of view for the airlines. All these infrastructure and conditions combined allow for the next step: to prepare the soil with mineral and nutrients.

Once we have the land in the right conditions, it is necessary to provide the adequate nutrients and to water the soil. In the air transport sector, the combination of nutrients and water comes in the form of an open market. Open skies agreements allow airlines to properly develop their activity in a healthy and sustainable manner. As mentioned before, the policy the European Union fosters in its Common Aviation Area, allows for market opening

¹ At airports between 1 and 10 Million Air Traffic Units. For more complete information at airports with different traffic levels, see Intervistas: *“Economic Impact of European Airports”*

and regulatory convergence, which gives confidence to airlines to explore and develop new routes. New routes that allow passengers to fly and discover destinations, with the correspondent benefit for the regions they visit.

With our fertile land, the seeds properly planted, and the nutrients and water of an open market, we will be ready to collect the results of the harvest and to take them to the marketplace.

As in any marketplace, in the air transport sector, you have to sell your product. Airports and destinations play a key role in “*selling the destination*” to airlines and tour operators. The best way to do it is by joining efforts and coordinating messages. Airport operators and tourism authorities, both, have the right pieces of information to convince an airline, or a tour operator, that if they fly to their region, the result from the economic point of view will be positive. And not only positive, but also more profitable than alternative options. A way to work together is by creating the so-called “*Route Development Committees*” (RDC). In these Committees, tourism authorities, city councils, chambers of commerce and airports, each one in the area of their competence, offer market information, promotion and incentives in a joint package that facilitates the decision making process by the airlines. The RDC created in Barcelona is a good example and a reference of this kind of approach.

Aviation events like *Routes*, or Tourism ones like the World Travel Market or Fitur, are the right ones for these RDCs to meet with airlines and offer the products of their harvest. They do not differentiate too much from the ancient markets in which bread, wine or olive oil were sold in the different cities of the Mediterranean shore. Market intelligence with personalized and detailed business cases, incentives and promotion proposals are explained in detailed and exchanged with the network developers of the airlines, to finally be able to celebrate the opening of a new route. Patience and consistency are also essential elements of this marketplace, as the decision making process in the air transport sector can take long periods. Not too different from the wise strategy of the farmers in our countries.

Nevertheless, the plan, as explained before, is easy to draft, but difficult to achieve. We have extremely relevant challenges to overcome. The economy in the Mediterranean area, as in the rest of the world, will be seriously damaged by COVID-19. To what extent the evolution of the pandemic will improve with the vaccines that have become available from early 2021, and the recovery pace of the economy, remains to be seen. Health experts agree that in 2021 the combination of the vaccination process, the development of new and more accurate tests, the discovery of an early treatment and the natural evolution of the virus will result in a significant decrease of the pandemic. On the other hand, we have seen that when mobility restrictions are lifted, demand for travel recovers extraordinarily fast. It is human nature. We all want to be close to our beloved ones, and to enjoy a few days under the sun and close to the sea. And we all want to know more of our ancient culture, the pyramids, the amphitheatres, the music, the architecture, the gastronomy... We have plenty of this in the Mediterranean. Therefore, travel and tourism will recover; there is no doubt about it.

In any case, it is true that COVID-19 will change the world, even once the pandemic is controlled. We have to be aware of the challenges and learn the lessons that it has brought. Sustainability is already, but it will be even more in the future, the backbone of any strategy in the air transport industry. This is especially true in the Mediterranean, a sea that is suffering the consequences of climate change and CO₂ emissions, with its coral and posidonia disappearing, or the invading tropical species colonizing our coasts. Therefore, the use of Sustainable Aviation Fuels and hydrogen, and a more efficient air navigation design are key elements to achieve the commitment towards net zero CO₂ emissions in European aviation in 2050. Aviation, in the future, will be sustainable or it will not be.

Another relevant challenge in the roadmap to develop the region is the digitalization process. Certainly, the world is already digital. Our smartphones can every day do more and more things, and the decision to buy a plane ticket or to make a hotel reservation after having searched for the things to do, or the quality of the beaches at a particular destination, is not an exception. Hotels, natural parks, historic sites, scuba diving resorts, museums, they all form part of the potential experience of a tourist. To make this potential experience in a real one, paradoxically, they have to be digital.

On the other hand, in the market place that the aviation industry is, it is essential to prepare the business cases with the most accurate and personalized information possible, to allow the airlines make the right decisions. Internet travel searching tools, credit cards utilization, mobile phones roaming are only a few examples of the kind of information the airlines need to finally be in a position to decide the opening of a new route. Another example of how important it is to count with state of the art digital tools.

Finally, safety and security are aspects without which travel and tourism simply do not exist. Unfortunately, we are experiencing it these days. The travel industry has already very demanding safety and security standards in place, and is continuously adapting them to new challenges. Safety, with all its different perspectives, and now especially the health related one, is a prerequisite for any trip. The same happens with security. We are aware of how fragile demand to a destination can be if security is not guaranteed. Therefore, to allocate the adequate resources to safety and security is an investment that cannot be underestimated to achieve the expected return by means of travel demand. And after COVID-19 health protection related measures during flights and at airports, or later in hotel, resorts, theatres or museums, have become a priority to ensure a safe travel experience. It is not difficult to foresee that they will continue to be in the future.

Let me finish these lines by saying that long haul traffic will be more challenging in the years to come. Passengers will be looking for shorter trips to places in which it may be easier to get back home if there was the need to. In this environment, the Mediterranean area has an opportunity to offer within the region, and in the whole of Europe, all its potential.

The Common Aviation Area the EU promotes, with its common skies agreements, and its regulatory harmonization that brings certainty for passengers and airlines, can be the path towards a sustainable development of the Mediterranean, and one of the tools to strengthen the links between the countries that share such a privileged region. Following this path, I am convinced that sooner than later, we will see those 130 Million seats offered again for travellers to visit their beloved ones, or to enrich themselves by discovering a different culture. Moreover, I am convinced that this figure can grow significantly with the positive results it means for the jobs and economies, and therefore for the people, of the whole Mediterranean area.

There is nothing more common and closer to us in the Mediterranean than bread, wine and olive oil. Let us work together as if we were farmers to be able to collect the harvest our land offers.