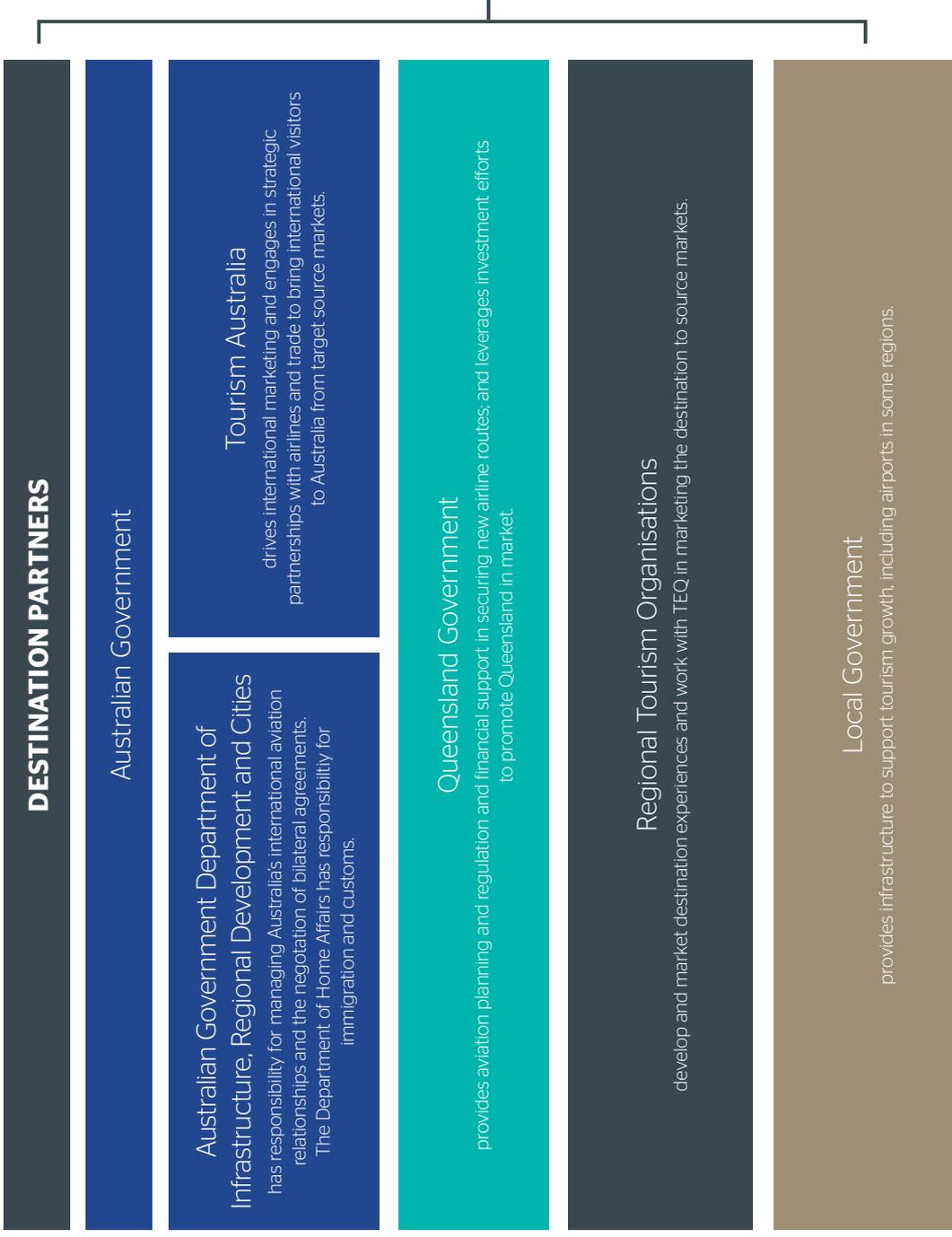


Tourism and Events
Queensland's
Aviation Framework
2018 - 2025

Executive Summary

Key Stakeholders and their Responsibilities



The world urban population is likely to reach five billion by 2030, with the global middle class predicted to more than double.¹ More people with more wealth and a growing global economy will drive increasing demand for air travel worldwide. The Asia-Pacific region is expected to lead the world in aircraft traffic as countries/regions such as South Korea, Taiwan, Malaysia, India, Indonesia and most notably China, experience rapid economic growth. Travel demand from mature markets such as the United Kingdom, Europe, the United States, New Zealand and domestically is expected to grow steadily.

The Queensland tourism industry is seeking growth in line with Tourism Research Australia's (TRA) forecasts of \$33.1 billion² in Overnight Visitor Expenditure (OVE) by 2025, contributing towards 77,000 additional jobs (direct and indirect) in the State's economy.³ The strategic development of Queensland's air services is fundamental to reaching this growth target.⁴ The attraction of new air services to Queensland and the sustainable development of existing routes will position the tourism industry to capitalise on the global growth in outbound visitor markets and increase Queensland's competitiveness.⁵

Tourism and Events Queensland's Aviation Framework 2018-2025 (the Framework) will inform decision making in Queensland's negotiations with airlines and airports on new air services and route development and provide a reference point for Tourism and Events Queensland's (TEQ) international and domestic market priorities. The market priorities and route considerations outlined in the Framework will also guide assessments of applications to the aviation route development programs.

The Framework will support the implementation of TEQ's 2025 market strategies (Western, Asian and Australia). The Framework's focus on identifying markets where direct air access is pivotal to stimulating demand will assist TEQ's actions in growing priority markets.

The Framework has been developed based on third party analysis and insights and is a key deliverable for TEQ under the Queensland Government's *Advancing Tourism 2016-20 Strategy*.

Our Goal

TEQ's vision is to inspire the world to experience the best address on earth. The goal and objective for the Framework will support delivery of this vision.

Goal

To support the Queensland tourism industry to reach the 2025 expenditure target of \$33.1 billion, contributing towards 77,000 additional direct and indirect jobs.

Objective

Attract and support increased aviation access to Queensland from priority markets that have exceptional strategic merit for Queensland tourism market development.

Roles and Responsibilities

Queensland's effectiveness in securing new airlines and sustainable route development is a collaborative process between airports, airlines, destination partners, government and industry stakeholders working together to utilise their collective resources.

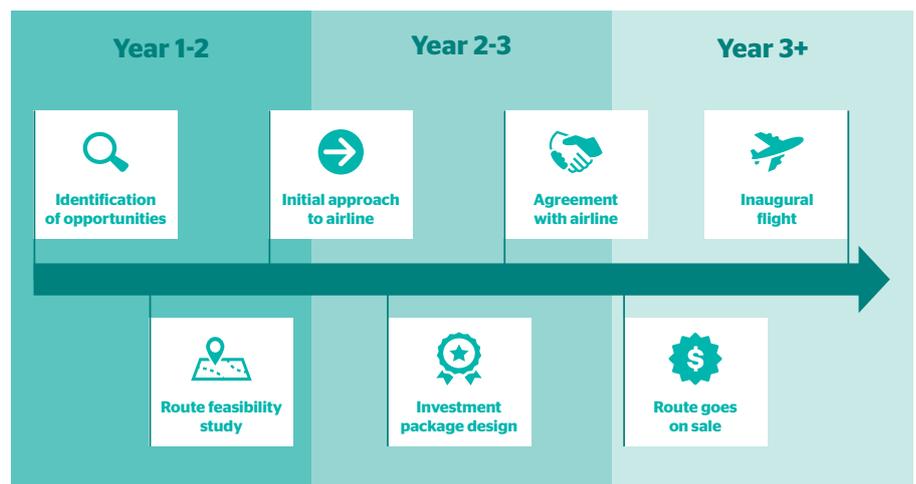
Airline Marketing Support Negotiation Process

Aviation route development is the process of encouraging an airline to launch new routes at an airport. Route development requires engaging with airline decision-makers and providing credible analysis to prove that there is a profitable opportunity to launch a new route or expand existing services.

The process of identifying and securing new routes has changed over time from the airlines taking the lead in identifying destinations and establishing feasibility. Now alongside the activity of airlines, destinations and their airports are proactively identifying airlines and partnering with them in implementation.

As competition increases for air services and source markets, the future of route development will become increasingly competitive, time and resource intensive and demanding of compelling business cases for investment. Queensland has the potential to significantly increase its linkages with key markets within Australia and around the world if the industry is effective in navigating this new model of route development.

Route Development Timeframe



Implications for Queensland



¹ Airbus (2013) Future Journeys Global Market Forecast 2013-2032

² This target was developed based on Tourism Forecasts 2017 published by TRA. Note: TRA reviews and revises the Forecasts on an annual basis. Accordingly, TEQ will review the target annually. All targets are based on existing data sources at the time of publication. Measurement of these is subject to the availability and consistency of these data sources.

³ Estimate based on expenditure forecasts in Tourism Forecasts 2017 published by TRA and job creation data in TRA's Tourism State Satellite Accounts 2015-16.

⁴ Strategic is defined as 'carefully planned in order to achieve a particular goal', Macmillian Dictionary (2017)

⁵ Sustainable is defined as 'able to continue over a period of time', Cambridge Dictionary (2017)

A Dynamic Environment

More than most industries, commercial aviation is buffeted by economic and political forces from economic liberalisation and political volatility to terrorism. In decision making, airlines and airports must reflect not only how this impacts their home country/ region but also those of the foreign markets they serve. With maturing domestic markets, intense competition for outbound growth from emerging markets and fluctuating fuel prices, continuous improvements and innovation are fundamental for a sustainable industry.

The aviation industry has developed 'game changing' technologies with manufacturers building new, more efficient aircraft models that employ lighter composite materials, improved aerodynamics and technical systems. The new breed of smaller, more efficient aircraft will open up routes previously beyond the range of mid-size aircraft and those that were unviable with larger, older aircraft. Aircraft such as the Boeing 787-9 and the Airbus A350 can connect cities in TEQ's Asia-Pacific and west coast North America priority markets with Queensland international airports.

Rapid economic growth in Asian countries/ regions such as South Korea, Taiwan, Malaysia, India and most notably, China has created a dramatic increase in demand for air travel. Compared with the more mature visitor markets, this rise in demand in developing Asian economies is a significant source of aviation growth for Queensland and its competitors.

The Organisation for Economic Co-operation and Development estimates that Asia accounts for approximately 30% of global middle class demand in 2016, with this share expected to reach 45% by 2025, and exceed 60% by 2050.

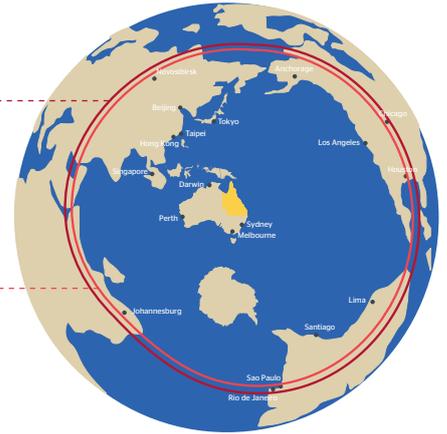
Game Changing Technologies



787-9
254,000-kg (560,000-lb) MTOW
290 two-class passengers
Range at typical seating (14,140km)



787-8
227,950-kg (502,500-lb) MTOW
242 two-class passengers
Range at typical seating (13,621km)



Investment in Queensland's Airport Capacity and Services

Alongside the technological advances in aircraft, Queensland's aviation network is undergoing change. Strategic airport investments will expand capacity and air services. Major infrastructure investment is underway in Queensland's international and domestic airports including new runways and terminal upgrades.

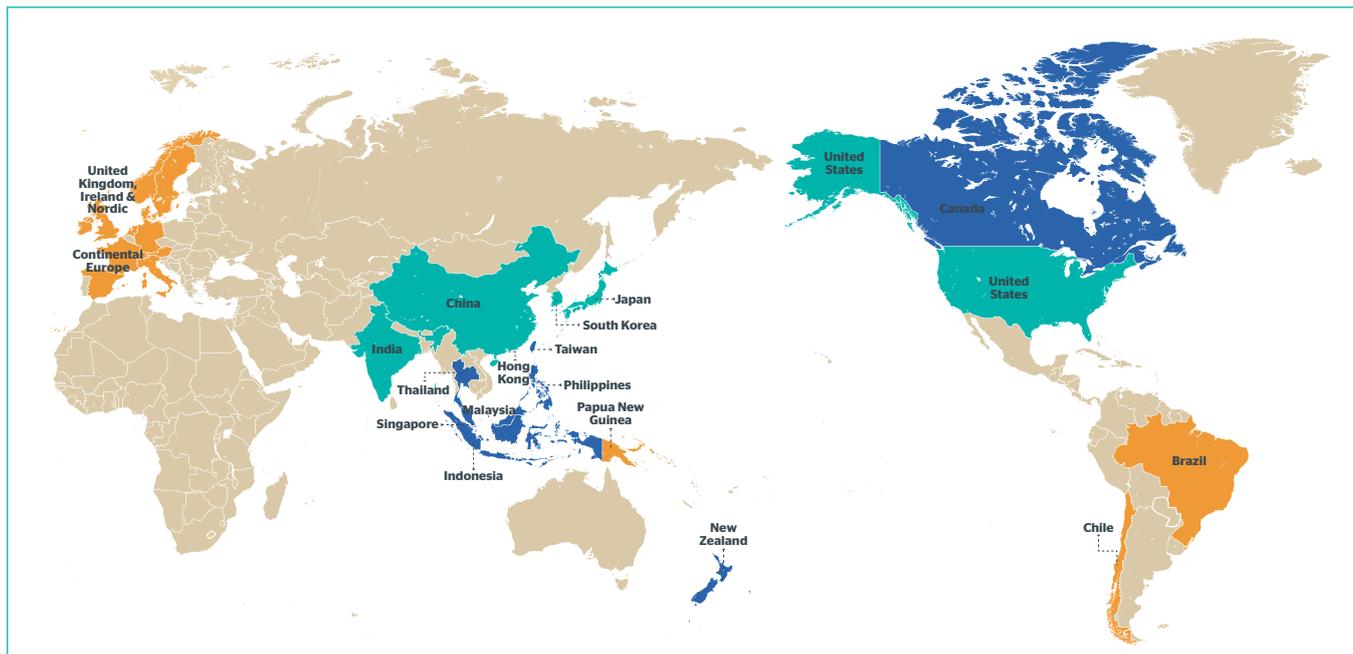
Opportunities and Challenges

Across Australia the states and territories are competing to attract international airlines. Those with one major airport have the advantage of focusing their resources in securing new air services. Whereas Queensland's multiple gateways offer the benefit of direct access to destinations for visitors. Alongside interstate competition, Queensland has a number of other opportunities and challenges in the strategic development of air services.

Opportunities	Challenges
 High growth in Asian middle classes is generating strong demand for Queensland's tourism products.	 Queensland must compete for Asian middle class travellers with other leisure destinations (Hawaii, South East Asia, Maldives, Guam).
 Open skies access with most major markets allows for unrestricted capacity growth into Queensland.	 Airports and destinations are competing for new airlines entering the market and expansion of services from existing airlines.
 Low oil prices allow airlines to expand services and launch more marginal routes.	 Queensland's extensive regional air network includes many small airports.
 Technological advancements in aircraft models offer more economical services, routes and greater frequencies to Queensland.	 Technological advancements enable 'overflying' Queensland. ⁷
 Rapidly growing Queensland population and stable economic environment are conducive to increased outbound demand.	 Queensland's high yielding resources travel markets are rarely combined with tourism markets, creating potential for yield disparities.
 Australia remains associated with (and promoted using) key Queensland hero experiences.	 States with single gateways and larger population bases attract more airline attention and generate more outbound demand.
 Queensland's direct international airport links attract a diverse mix of international students.	 Global competition for international students is intensifying.
 Conferences, events and premium leisure products are drivers for business class travel.	 Premium cabin demand to Queensland currently lags behind other Australian states.

⁷ Flying beyond Queensland to another Australian destination

Aviation Market Priorities for Queensland Tourism



Keep in View

Markets that due to their distance, connect with Queensland via hubs and smaller, emerging markets with some potential to support direct services to Queensland⁸

United Kingdom⁹
Continental Europe⁹
Brazil
Papua New Guinea
Chile

Grow

Core markets with forecast sufficient capacity to Queensland by 2025

New Zealand
Indonesia
Singapore
Hong Kong
Malaysia
Canada
Taiwan
Thailand
Philippines

Accelerate

Highest priority markets with forecast no or insufficient capacity to Queensland by 2025

China
United States
India¹⁰
South Korea
Japan

These international aviation markets offer growth potential for Queensland if managed to minimise risks and maximise outcomes. Domestic demand is expected to continue driving airports' passenger numbers across the State.

International Markets

Based on forecast passenger demand from source markets to 2025, international market priorities are ranked as above. This ranking considers the aviation priorities and international airlines capabilities, with rankings specific to the aviation context.

Domestic Markets

Domestic markets are highly structured and currently well served. Future opportunities for growth are the linkages between Australian capital cities and Queensland gateways. Aspirational connections should be considered towards 2025 such as Ayers Rock (Uluru) to Cairns and Brisbane as they provide a strong linkage for international visitors to extend their length of stay.

⁸ Although not showing sufficient demand to clearly warrant new services, these markets have growth potential and therefore merit careful attention.

⁹ United Kingdom and Europe were not identified as having potential for direct routes to Queensland at this stage. They are currently serviced with indirect flights through major hubs in the Middle East and Asia.

¹⁰ Potential strong growth in education and VFR.

Delivering Queensland's Aviation Priorities for Tourism

Four strategic directions with critical success factors outline how route capacity will be increased and viable new routes secured to reach the 2025 expenditure target. Underpinning these strategic directions is a focus on maximising the significant growth potential the international aviation markets offer Queensland and ensuring domestic demand continues driving airports' passenger numbers across the State.

The Framework and its priorities will be reviewed biennially and where appropriate updated in partnership with Queensland's international and domestic gateway airports.



Critical Success Factors

Building Demand



- This Framework will inform TEQ's international and domestic market priorities and also respond and adapt as markets change and TEQ's priorities with them.
- Build sustainable demand through marketing, experience and destination development and securing major, destination and business events in Queensland.

Strategic Partnerships



- Provide a partnership approach (at the destination level) to airports and airlines to aid their efforts in establishing and sustaining air services.
- Align with aviation, trade and industry on targeted marketing, promotional and trade initiatives to optimise the value of new and existing routes.

Investment Programs



- Acknowledge the need to support air access on low volume domestic routes.
- Ensure the ongoing success of multi-year aviation route development funding programs to demonstrate TEQ's commitment to sustainable international long-term air services from priority visitor markets.

Route Sustainability



- Increase demand from high yielding markets.
- Acknowledge the importance of the balance of outbound/inbound passengers and the mix in travel class (first, business and economy) in achieving sustainable air services.
- Support growth in air freight.

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