



CREATING A TOURISM DESTINATION FROM AN AIRPORT HUB

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Amsterdam Airport Schiphol

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Countries and destinations looking to develop their economies and create employment for their residents often see tourism as a key source of foreign investment income. Not only does Travel & Tourism, directly and through its supply chains, support 10.4% of global GDP and one in every ten jobs across the world, but the growth of Travel & Tourism has been sustained at a level above that of the global economy for each of the past seven years.

Whether to visit family, take holidays or have business meetings face-to-face, 55% of all overnight visitors travelled to their destination by air in 2016¹. Aviation route development is a key factor in Travel & Tourism's success.

Over time and through a strategic approach, some aviation hub cities have been able to extend the stays of transit visitors into multi-day stopovers and to encourage visits to the city as a final destination in its own right. Developing this move from transit hub to destination relies on a number of key factors. The destinations that have had greatest success in making this transition have benefitted from a combination of:

- A strong national airline that is both financially and reputationally strong,
- Solid destination appeal with robust inbound tourism,
- Excellent airline connectivity, sufficient infrastructure, and favourable regulatory frameworks developed through established stakeholder partnerships,
- Vertical or central integration and long-term vision of both aviation and the destination.

STRENGTH OF NATIONAL AIRLINE

To be a compelling and viable hub, a destination must have strong national airline with a solid international reputation.

Dubai, Hong Kong and Singapore are three cities that have been particularly successful at developing beyond their airport hubs.

WTTC's research on the economic impact of Travel & Tourism to cities² shows that the direct contribution from the sector to their economies is significant. In 2017, Travel & Tourism's direct contribution in Dubai represented 10.1% of the city's GDP - a near doubling of its contribution just a decade earlier (6.1%). Strong growth in Hong Kong has meant that the sector now provides 4.5% of its GDP, up from 3.4% in 2007. For Singapore, it is an interesting indication of the strength of its overall economy that despite a significant increase of Travel & Tourism's direct contribution from US\$8.3 billion to US\$12.8 billion in the decade to 2017, the city-state has managed to keep Travel & Tourism's contribution at a steady level. At 4.1% of Singapore's economy in 2017, the share of the sector's direct contribution to GDP is almost equal to the 2007 level (4.0%).

Other cities such as Mumbai and Delhi are strategically very well placed and have reasonable connectivity, however neither Air India nor Jet Airways have yet developed the financial or reputational strength that creates sufficient demand from an international market. While they have a much stronger

¹ UNWTO Tourism Highlights 2017 Edition

² <https://www.wttc.org/economic-impact/city-analysis/>

position in their domestic market, there, Indian low cost carriers tend to dominate.

Lisbon and Helsinki are successful medium-sized hubs with niche strategies (Lisbon for traffic from Europe to Brazil, and Helsinki as the fastest hub connecting Europe with China, Japan and Korea) and examples of best practice for their size. Both airports have strong cooperation with the national airlines, TAP and Finnair, and the local tourism authorities have put in place a very successful overnight stopover program using collaborative strategies to increase tourism.

DESTINATION APPEAL

Clearly, having a favourable geography, a strong base of business demand and tourism products that are attractive to the markets it serves are essential for any destination from a tourism perspective, and especially so for a hub that is looking to encourage stopovers.

IATA forecasts that the number of air passengers will double from 4 billion in 2017 to 8.2 billion by 2037. Certain parts of the world will be better placed than others to capitalise on the opportunities from airline growth. Areas of the world with populations that have a high propensity to fly or cities that are nestled between these areas, such as those between Europe and South-East Asia, are likely to fare best from an international hub perspective. A number of North America airport hubs may be less well positioned for some inter-continental transit, however, they all benefit from a large flying population. The product mix and marketing development for these destinations may be more influenced towards the regional or domestic markets.

PWC³ points out, however, that even with a favourable geography, there are limits to hub development in areas with a limited home market. Their analysis shows that the largest Middle Eastern hubs fall behind those in Europe in terms of overall hub connectivity or hub connectivity from their region to other specific global regions. PWC recognises that direct origin-destination demand was unlikely to have ever supported the degree of connectivity that is enjoyed today in the Gulf States and that the development of intercontinental hub connectivity has allowed ‘the creation of something out of nothing’.

The prime focus for transit visitors will be convenient flight and connection times and the airport experience. Hubs looking to extend may have opportunities to provide new and increased competition for connectivity and a niche positioning of the destination, taking advantage of new aircraft technology, open skies agreements, low cost developments and airline network restructuring⁴. A staying visitor will also want a positive airport experience after a simple connection from their home airport. Indeed, academic research has shown that the arrival airport is the first place that tourists evaluate the service quality of a destination and significantly influences its image⁵. Stayover tourists will also be looking for a location that has an established and unique sense of place with interesting attractions and supportive visitor infrastructure.

The extent to which a hub could develop itself as a destination with attractions that encourage visitors to stay longer depends on this ability to extend reach beyond the airport. Novel and interesting tourism products are created constantly to position destinations such as Singapore, Hong Kong and Dubai as attractive tourist destinations, while all three cities have also worked to position themselves as global shopping destinations.

CONNECTIVITY, INFRASTRUCTURE AND REGULATORY FRAMEWORKS

Global travel revolves around access which in turn relies on both supportive infrastructure and favourable regulatory, economic and legislative frameworks. A well-connected hub airport helps to support wider regional development as networks are built to support the linkages a country has with the rest of the world and destinations become more accessible.

Of course, receiving and processing visitors arriving from the newly connected cities requires investment in building and maintaining well-designed transport and security infrastructure with sufficient capacity to accommodate both current and future demand.

Regulatory and economic frameworks which reflect the needs of the country and support air transport growth are key to connectivity. Since the 1990’s, deregulation and the introduction of open-skies agreements have resulted in the growth of global aviation and increased competition.

Icelandic aviation has taken full advantage of deregulation which has facilitated the tourism boom to the island. While admittedly a niche

3 <https://www.pwc.com/gx/en/capital-projects-infrastructure/publications/assets/pwc-connectivity-growth.pdf>

4 http://www.seo.nl/uploads/media/2016-50_ACI_2016_Connectivity_Report.pdf

5 Tang, C, Weaver, D and Lawton, L. 2017. Can Stopovers be induced to revisit transit hubs as stayovers? A new perspective on the relationship between air transportation and tourism. *Journal of Air Transport Management*. 62 (2017) 54-64

player, with a small share of transatlantic traffic, the 2016 masterplan of the Icelandic aviation authority (ISAVIA) is to invest in the country’s main airport, Keflavík, to support the tripling of passenger traffic before 2040. It aspires to become for the North Atlantic, what Dubai is for the Middle East and create an aerotropolis in the surrounding area. Airlines are being actively attracted to the island through ISAVIA incentives, such as lowering air passenger duties during off-peak hours which contributes to the growth of inbound tourism⁶. Indeed, in a new report on airport connectivity, published by Airports Council International, Keflavík Airport is named among the airports with the greatest increase in connectivity since 2008. It is now a significant player when it comes to transatlantic hub connectivity and has the potential for being a centre for intercontinental flight⁷. With a population of only 330,000, its overall potential is likely to remain limited due to a small Origin and Demand (O&D) market⁸.

Fiscal and visa incentives can also be used to encourage visitors to extend their stays:

- In June this year, the Cabinet of the UAE approved a decision to exempt transit passengers from all entry fees for the first 48 hours⁹. Transit visas can be extended for up to 96 hours for a fee of AED50 (US\$13.60). These new transit visas will be facilitated through express counters at passport control across UAE airports.
- From 2013, China started allowing citizens from selected countries who hold both a valid passport and a confirmed ticket (and visa where required) to their final destination, a 72-hour visa-free transit when arriving into selected airports¹⁰. Under the same requirements for transiting passengers, this policy has since been extended to 144 hours with a greater number of airports included in the scheme.

VERTICAL OR CENTRAL INTEGRATION AND LONG-TERM VISION

A number of destinations have used vertically or centrally integrated strategies to transform their aviation hubs.

This is particularly the case for Singapore and Dubai which, through their ownership structures, have been able to coordinate the integration and governance of airlines, airports, government authorities and the wider tourism industry and supply chains in the destinations. A coordinated programme of activity provides incentives for transit passengers to extend their visits beyond the airport.

For Singapore, building the impressions of the city as a destination worth staying longer in has been a long-term plan involving the airline, the airport and central government. Changi Airport has been established as a ‘destination in itself’¹¹ and has not only set up attractions, commercial activities with a strong emphasis on local produce, food and culture, and differently zoned recreation areas. Supporting travellers’ ease of access to the city a mass transit system directly links the airport to the city centre. In cooperation with both the Singapore Tourist Board and Singapore Airlines, Changi also offers transit passengers with more than five hours between flights, a free two-hour tour of the city’s sights.

Beneficial strategies at other hub airports include:

- Istanbul’s Ataturk Airport, the home hub of Turkish Airlines is also following a similar strategy to Singapore, ensuring sales of traditional Turkish food and goods within the airport and offering free tours for visitors with long connections between their flights¹².
- Amsterdam’s Schiphol airport benefits from celebrating the country’s culture within the terminals. The airport was the first in the world to open a branch of a museum when the country’s famous Rijksmuseum opened a gallery to showcase the Dutch Masters. A newly renovated area of the airport reflects Dutch design and supports commerce and culture - complete with a library. From an arriving or departing passenger perspective, direct rail links to the city centre facilitate easy trans-modal travel.

In both Singapore and Dubai, the strategy to encourage stopovers has been aided by having central authority control over operations and production with well-designed and well-implemented air transport policies and strategies to develop tourism. Significant government investment and integration has also supported the transformation – in Dubai, for example, the owners of Emirates airline also own Dubai Airport and govern its regional aviation policy¹³.

In addition to the dominance of the state-owned airline within the respective airports, many of the companies operating at Changi and Dubai airports are subsidiaries of their respective airlines which, in turn, have strong links with the tourism organisations.

6 Gil-Alana, L and Huijbens, E. 2018. Tourism in Iceland: Persistence and Seasonality. *Annals of Tourism Research* 68 (2018) 20-29.

7 <https://centreforaviation.com/members/direct-news/isavia-more-connectivity--increased-prosperity-424200>

8 Communications with David Feldman, Managing Partner, Exambela Consulting

9 <https://gulfnews.com/news/uae/government/major-changes-in-uae-visa-rules-1.2236712>

10 <https://www.travelchinaguide.com/embassy/visa/free-72hour/>

11 <http://www.changiairport.com/en/airport-experience.html>

12 <https://www.turkishairlines.com/en-gb/flights/fly-different/touristanbul/>

13 Lohmann, G. et al. 2009. From hub to tourist destination – An explorative study of Singapore and Dubai’s aviation-based transformation. *Journal of Air Transport Management* 15 (2009) 205-211.

Emirates provides additional consolidation through owning hotels, adventure travel agencies and tourist attractions. This central control has allowed both Dubai and Singapore to create the linkages and complex network systems between aviation, attractions, accommodation and public transport systems to plan the longer-term development of a tourism product offering that includes high quality shopping and leisure facilities.

The trend to airport privatisation is growing¹⁴ however, and the governance structures that support the Travel & Tourism in Singapore and Dubai are not replicable in many places around the world.

While privately owned airports may have an operations strategy that may not immediately lend itself to promote the city or destination it represents, they tend to be more pragmatic and less political, and typically have more money to invest than a government-owned airport if the case for sufficient financial returns for developing tourism can be made. Toronto's Pearson's 2017-37 Master Plan places important emphasis on how airports are shaping land use in the metropolitan areas around them and the opportunities that could arise from stronger coordination of off and on-airport planning¹⁵.

For private investors in airports where the traffic mix is more "D" (destination) than "O" (origin), it is very much in their interest to develop tourism to their city or region. A good example is Athens, which is partially privatised. The airport has invested very actively to develop Athens as a "cool" tourist destination, not just a transit stop for the Greek islands. Other examples of privatised airports investing to increase tourism include Lisbon (part of ANA, the Portuguese national airport company owned by the French concession company Vinci), Budapest and Bologna.

Again, while niche, Iceland is another interesting example of a less vertically integrated approach, but one with a clear vision. The central focus to support tourism was generated through need for the country to rebuild after the collapse of the island's banking sector in the 2008 financial crisis and the 2010 eruption of Eyjafjallajökull volcano. The 2008 collapse was the impetus for industry diversification and the subsequent devaluation of the currency supported a move to Travel & Tourism. In 2010, however, the global media spotlight fell on the island for many days while airspace was closed across Europe. Capitalising on the timing, the government and tourism stakeholders came together to invest in the biggest ever marketing campaign for Icelandic tourism: Inspired by Iceland. The innovative campaign was wildly engaging for the international travel and media community and was supported by the flag-carrier, Icelandair, which expanded its route network to capture the cross-Atlantic air traffic and developed and heavily promoted a consumer-friendly stopover programme to encourage visits to the island.

The exponential growth of tourism in Iceland since 2010 however, has meant that, unlike in Singapore and Dubai which have been planned incrementally, issues brought about by a lack of long-term planning mean that over-crowding is rife in certain hotspot locations and the management of tourist numbers are creating management challenges for the island authorities.

CONCLUSION

The examples above help to illustrate that the potential for extending tourism beyond an airport hub requires a coordinated destination strategy, bringing together not only the natural partners of airline and airport, but the wider Travel & Tourism industry players.

Strong airline connectivity from a national airline that is strong both financially and reputationally, and sufficient infrastructure to support the growth of passengers that arise from an increase in point to point services are also key. These rely on a favourable regulatory framework in both aviation and in visa facilitation to allow visitors to freely cross borders and for market competition to build new and competitively-priced routes.

Extending beyond the hub also relies on there being something beyond the hub for people to see and do – tourism cannot operate without supporting attractions and infrastructure to suit the market it is appealing to. Coordination here with local industry and destination authorities is essential. Joint marketing plans and stopover packages can be created to cater to a market of travellers looking for new destinations to experience.

Building attractiveness of a destination can start with the hub as research shows that the national carrier and home airport can function as extensions of the wider destination by showcasing the culture and service of the wider destination. Satisfying these attentive passengers is crucial for encouraging stayover traffic.

WTTC would like to thank David Feldman, Managing Partner, Exambela, for his additional contribution.

¹⁴ <https://www.pwc.com/gx/en/capital-projects-infrastructure/publications/assets/pwc-connectivity-growth.pdf>

¹⁵ https://www.torontopearson.com/uploadedFiles/Pearson/Content/About_Pearson/Community_Relations/Committees/Consultative_Committee/Master%20Plan%20Update%20-%20Toronto%20Pearson.pdf





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