

قمة العرب للطيران والإعلام 2015

Arab Aviation & Media Summit 2015

State of the industry

white paper



Under the patronage and presence of

His Excellency Engineer

Kamal Bin Ahmed Mohammed

Minister of Transportation and Telecommunication

Kingdom of Bahrain

Arab Aviation & Media Summit

Manama

December 7-8, 2015

Industry initiative endorsed and supported by



Ministry of Transportation
and Telecommunications



شركة مطار البحرين
bahrain airport company

العربية للطيران
airarabia.com



THE POWER
OF FLIGHT



Alpha Aviation
Academy

UNITED ARAB EMIRATES

MGH



WINGS ACADEMY
AVIATION & HOSPITALITY

amadeus

ITP PUBLISHING
GROUP

ISA
Accelerate Your Growth



Organized by

wize
communications

Tel: +971 4 368 8219, Email: info@wize.ae, Web: www.aamsummit.com

Background - Voice of the industry	01
Execution	02
Eminent panelists	02
Topics of discussion	03
Event wins	03
Media Analysis	04
White Paper – key outcome from the Arab Aviation & Media Summit 2015	06
Overview Arab Aviation and Media Summit (AAMS) 2015	06
Growth of the aviation sector – a global success story	06
The vanguard of Middle Eastern diversification efforts	07
Overcoming obstacles to growth	10
Significance of Aviation to Bahrain – strong foundations for future success	11
Investing in Arab aviation & tourism and the role of the private sector	11
Airbus “The Little Engineer” Initiative	11
Living in the age of airplane	11
Summary	12
Press Coverage report	13

Background - Voice of the industry

The Arab Aviation & Media Summit is an industry initiative committed to improving the state of travel and tourism in the Arab world by facilitating a constructive dialogue for public-private cooperation.

The summit which started in 2011 has grown to become the largest assembly of Arab media together with top executives from the aviation and tourism sector.

Commitment to the cause

Arab Aviation & Media Summit takes place in a different Arab city every year and is considered an ideal partnership of the three key parties of our industry: Public sector, Private sector and the Media community. The summit has become a catalyst for destination awareness of the host city highlighting its travel and tourism experience while debating the challenges and opportunities that exists in the wider Arab world.

AAMS is by invitation only summit. A bidding process is followed every year to choose the host city. A white paper is drafted by the organizing committee following the conclusion of the summit summing up the action point agreed upon by all stakeholders. White paper is submitted to regulators and decision makers from both public and private sector followed up by a course action throughout the year.

Summit History

- Arab Aviation and Media Summit started in 2011 as an industry initiative aimed at engaging the media community in shedding light on current challenges and opportunities facing Arab travel and tourism. The initiative grabbed large attention and was soon supported by a group of leading organizations namely, Airbus Group, Air Arabia Group and CFM.
- The summit has grown since then to become largest assembly of of Arab media together with top executives from the aviation & tourism industry.
- Many Governmental and private organizations have then joined as a supporting partner making this annual event a unique platform to discuss ways of improving the state of the industry.
- In 2015 – AAMS was held in Bahrain under the patronage and presence of H.E Mr. Kamal bin Mohamed Ahmed, Minister of Transport and Telecommunications, Kingdome of Bahrain.
- In 2014, AAMS was endorsed by and held under the patronage and presence of H.H Sheikh Mohammed Bin Saud Bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah.
- In 2013, AAMS took place in Salalah, Oman under the patronage and presence of H.E Maitha bint Saif Al-Mahrouqi, the Undersecretary of the Sultanate of Oman Ministry of Tourism.

Execution

Eminent panelists at AAMS 2015

His Excellency Engineer Kamal bin Ahmed Mohammed

Minister of Transportation and Telecommunications- Kingdom of Bahrain

Adel Al. Ali

Group Chief Executive Officer – Air Arabia

Hussain Dabbas

Regional Vice President, IATA

Abdelwahab Teffaha

Secretary General -Arab Air Carriers Organization (AACO)

Fouad Attar

Managing Director - Airbus Middle East

Ahmed Al Nemah

Ministry of Transportation and Telecommunication's Acting Under Secretary for Civil Aviation Affairs, Kingdom of Bahrain

Mohamed Yousif Al Binfalah

Chief Executive Officer - Bahrain Airport Company

Jerad Bachar

Executive Director Tourism & Leisure – Bahrain Economic Development Board

Omer Kaddouri

Chief Executive Officer & President – Rotana (UAE)

Kapil Kaul

CEO South Asia - CAPA (India)

Haitham Mattar

Chief Executive Officer - Ras Al Khaimah Tourism Development Authority (UAE)

Andrew Gordon

Director Strategic Marketing & Analysis – Airbus

Mario Segovia Sman

Head of Business Development MENA - Amadeus

Topics of Discussion

Opening key remarks on the region's and Bahrain's travel and transport industry was given by H.E Engineer Kamal bin Ahmed Mohammed, Minister of Transportation and Telecommunications- Kingdom of Bahrain followed by a Keynote on the "The status of Arab Travel and Tourism" delivered by Hussain Dabbas, Regional Vice President, IATA. The minister then inaugurated The Little Engineer workshop as well as exhibition space on the side lines of the summit followed by an interactive panel about the "Arab markets untapped potential and current geo-political pressure" by panelists Hussain Dabbas, Regional Vice President, IATA, Abdelwahab Teffaha, Secretary General -Arab Air Carriers Organization (AACO) and Fouad Attar, Managing Director - Airbus Middle East.

Opening panel was followed Regional case study about Bahrain Travel & Tourism discussing " The Primary impact of Avia-tourism on the economy" by panelists Ahmed Al Nemah, Ministry of Transportation and Telecommunication's Acting Under Secretary for Civil Aviation Affairs, Kingdom of Bahrain, Mohamed Yousif Al Binfalah, Chief Executive Officer - Bahrain Airport Company and Jerad Bachar, Executive Director Tourism & Leisure - Bahrain Economic Development Board.

The second half of the day continued with an interactive panel on "Investing in Arab aviation & tourism and the role of the Private Sector" by panelists Omer Kaddouri, Chief Executive Officer & President - Rotana (UAE), Kapil Kaul, CEO South Asia - CAPA (India) and Haitham Mattar, Chief Executive Officer - Ras Al Khaimah Tourism Development Authority (UAE). This panel was followed by an expert presentation on "The age of airlines - Future growth, Future innovations and technologies" by Andrew Gordon, Director Strategic Marketing & Analysis - Airbus. The last case study of the day was given by Mario Segovia Sman, Head of Business Development MENA - Amadeus talking about "Understanding Tomorrow's Traveler" and discussing an Amadeus report unveiling a research based white paper on the demographic, economic and consumer landscape of future travelers.

The closing session was an interview panel for both Andrew and Mario talking about "Enabling Transformational Innovation" mainly discussing innovation versus leadership and the changing climate of the industry.

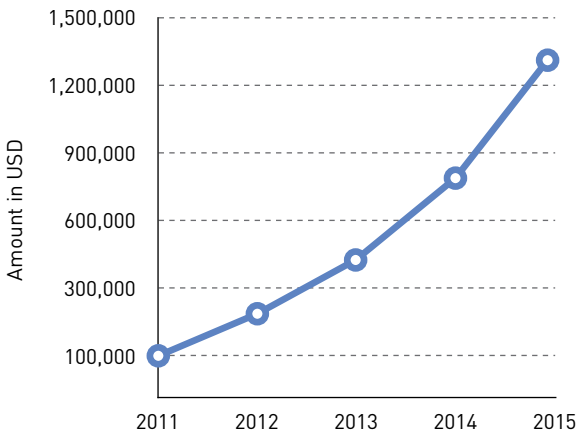
The second day of the summit was an open invitation to all guests for a special IMAX premier screening of "LIVING IN THE AGE OF AIRPLANES" a National Geographic production documentary film, brought exclusively by the summit organizers.

Event wins

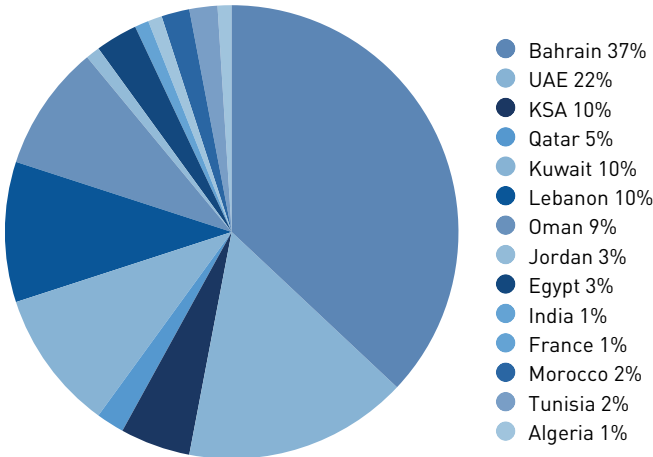
- Over 150 senior journalist in attendance from the UAE, Saudi, Bahrain, Oman, Kuwait, Qatar in addition to Lebanon, Jordan, Egypt, Morocco, Tunis, Algeria, Sudan, and India.
- 80% of journalist who attended the 2014 edition have signed up for the 2015 one.
- Over 100 interviews given by speakers in print, online, TV and radio.
- Over 300 pieces of print coverage and broadcast coverage generated.
- Media coverage value worth US1.3 million was generated.

Media analysis

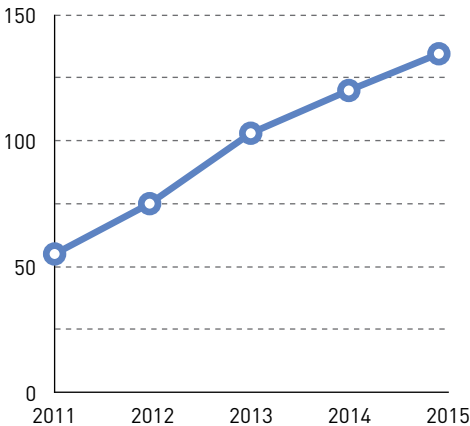
Advertising value equivalent to media coverage



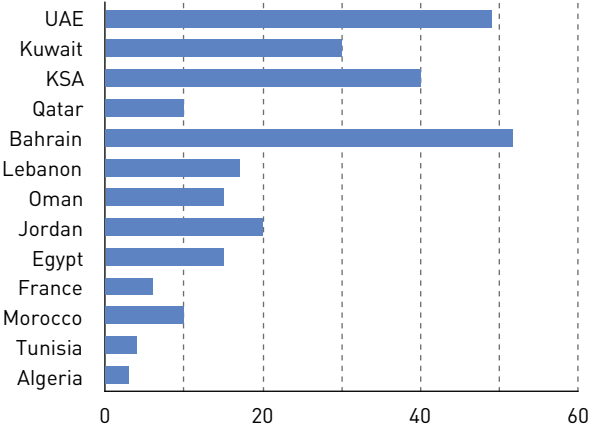
Coverage distribution

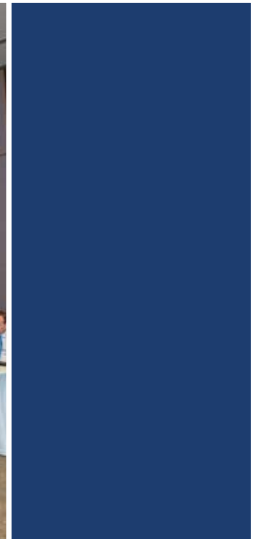


Media attendance



Regional media participation





White Paper

Overview Arab Aviation and Media Summit (AAMS) 2015

The Middle East's aviation and tourism industry is anticipated to remain a key driver of the region's economy in 2016, despite the potential impact from a number of existing and emerging challenges.

Aviation and tourism continues to play a key strategic role in the ongoing development of Arab economies, creating employment opportunities, attracting visitors and helping to market cities and countries to overseas investors and consumers. By 2025, travel & tourism in the Middle East will account for 3,202,000 jobs directly, an increase of 3.1% per annum over the next ten years.

Both sectors are set for a period of sustained growth in the Middle East, driven particularly by internal demand and the growing importance of the neighbouring regions of Africa and Asia. The growth potential for the Middle East aviation sector is highlighted by the fact that 40% of the world's population live within four hours of the Middle East; 87% within eight hours; 100% within 16 hours.

The strength of the region's aviation sector has already been critical to the GCC's wider development and the increase in overall economic prosperity, and this is only expected to grow in importance in future as countries aim to diversify their economies.

However, there is widespread belief that growth in these critical sectors will be significantly higher across the Arab world if key issues such as infrastructure and regulatory constraints, environmental concerns, the slowdown in world trade, and the need to recruit tens of thousands of skilled professionals, are dealt with effectively.

More than 200 industry leaders, government officials and journalists attended the 2015 conference, which this year was held in Manama under the Patronage and Presence of H.E Minister of Transport & Telecommunications in partnership with Bahrain's Ministry of Transportation & Telecommunications and Bahrain Airport Company.

Growth of the aviation sector –a global success story

In 2015, the global aviation sector continued to evolve and expand at pace. Today, globally, 280 million jobs are supported by travel and tourism; 58.1m by the aviation sector alone. There is also a multiplier effect with one job in the aviation sector creating six other jobs in the supply chain, demonstrating the widespread trickle down affect a strong aviation industry can have within the national economy.

Every year, 3.5 billion passengers are carried by airlines and 35% of world trade by value carried by air. Today there are around 1,400 airlines serving 3,864 airports. In terms of total GDP, the sector is worth \$2.4 trillion, which would make it the 19th largest country in the world. The vision to create value is being achieved, yet there is still more to come. However, the airline industry does not only create economic benefits, but invaluable emotional benefits in terms of uniting families, enabling voyages of discovery and connecting cultures.

The three key pillars which underpin the aviation sector, and which will ensure its long-term success can be defined as the following; that the sector remains: Safe, Sustainable and Profitable. In the current climate, safety and security is, of course, a priority and remains a constant challenge and objective for every airline worldwide to seek continual improvement.

In the longer term, and following the United Nations Climate Change Conference in Paris in December 2015, improving fuel efficiency and reaching carbon neutral growth by 2020 and -50% by 2050 is what underpins the sustainable theme, and will be crucial to control man-made climate change for future generations.

In terms of profit, for the past six years, the aviation industry has reported a profit, although there are a number of refinements and advancements that airlines will continue to seek to enhance this – a sustained lower price of oil will help this, as well as providing lower fares for consumers. In 2015, the industry is expected to reach net profit of \$29.3bn on revenues of \$727bn.

Since the 1950s, airline yields (defined as the average fare paid by a passenger per kilometer) have consistently dropped, but the current growth phase in most markets, coupled with evolving technology and customer preferences, offers a real opportunity for sustainable, long-term growth.

The vanguard of Middle Eastern diversification efforts

The strength of the Arab aviation sector has been critical to the MENA region’s wider development and the increase in overall economic prosperity. The role of commercial carriers has boosted the wider economy, providing employment opportunities and increasing foreign investment. This, in conjunction with increasing levels of prosperity, has the potential to create long-term peace.

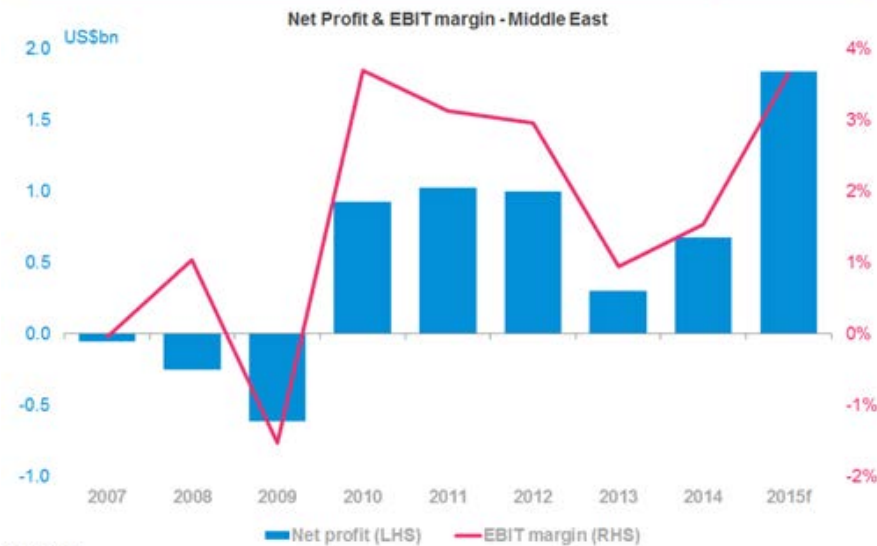
There is still huge appetite for growth in the aviation sector across the Arab World. The market is huge, and the potential is great. There isn’t a single person in the world who doesn’t want to travel, yet airlines still haven’t fully tapped into this market in the Arab world and it is the case that no investment is wasted in this industry; it always pays back. Despite issues that have existed in the world over the past century, itinerant people have always continued to travel.

Certain countries in the Arab world are suffering from high unemployment, particularly amongst the younger generation, yet the airline industry is growing and can provide employment opportunities for millions of people. The biggest obstacle is shortage of skills. Skills and talent are a continuous challenge facing this industry in the region, for example airlines need to source and train 10,000 pilots in the region in the next five years.

Encouragingly, the financial position of Middle East airlines is forecast to step up again in 2015, continuing the improvement since 2013. The region is expected to generate a net profit of US\$1.8bn in 2015, more than doubling the \$700mn result of 2014. Middle Eastern airlines, the net profit per passenger is US\$9.61, above the industry average (\$8.27) and second only to North America (\$18.12).

However, of course there are challenges and potential hurdles to overcome, with world trade slowing, and business confidence remaining stable at best. However, the increase of passengers in the next 10 years is extremely healthy with growth of around 5% per annum in the GCC; outpacing the global average. In fact, according to data from IATA, the Middle East’s aviation industry is one of the fastest growing regions in the world, with the need for 50,000 skilled people to be trained and recruited in the sector in the next decade.

Middle East: industry finances are healthy...



Certain countries in the Arab world are suffering from high unemployment, particularly amongst the younger generation, yet the airline industry is growing and can provide employment opportunities for millions of people. The biggest obstacle is shortage of skills. Skills and talent are a continuous challenge facing this industry in the region, for example airlines need to source and train 10,000 pilots in the region in the next five years.

Encouragingly, the financial position of Middle East airlines is forecast to step up again in 2015, continuing the improvement since 2013. The region is expected to generate a net profit of US\$1.8bn in 2015, more than doubling the \$700mn result of 2014. Middle Eastern airlines, the net profit per passenger is US\$9.61, above the industry average (\$8.27) and second only to North America (\$18.12).

However, of course there are challenges and potential hurdles to overcome, with world trade slowing, and business confidence remaining stable at best. However, the increase of passengers in the next 10 years is extremely healthy with growth of around 5% per annum in the GCC; outpacing the global average. In fact, according to data from IATA, the Middle East's aviation industry is one of the

fastest growing regions in the world, with the need for 50,000 skilled people to be trained and recruited in the sector in the next decade.

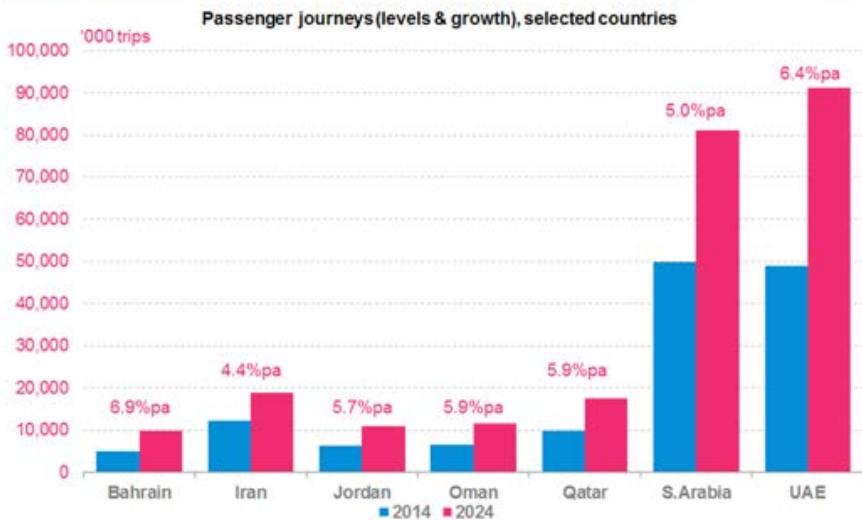
Significant growth is expected in passenger traffic between the Arab World and other global regions including EU, Sub-Saharan Africa, Asia, North America, Latin America and within the Arab World itself.

Safety and security, followed by health scares and infrastructure constraints (including poor ground- and air-traffic management), remain a key risks to aviation sector growth in the Middle East, and is issue that will need to be carefully managed by carriers and airports across the region.

Regulatory frameworks are also constraining growth and IATA is working very hard with governments on taxes and charges to ensure that the sector doesn't become a cash cow for national budgets.

The halving of oil prices in the last year is expected to have implications on the oil-exporting nations of the Gulf, putting pressure on the countries' finances, but the aviation sector has had a remarkable year despite the macroeconomic challenges.

IATA's pax forecasts show strong growth



According to estimates, the region's carriers generated \$1.8 billion in net profit in 2015, which is more than a doubling of the approximately \$700 million figure of 2014. Middle Eastern carriers also continue to outpace the global average on net profit (\$9.61 vs \$8 per passenger globally), volumes and passenger load factors, which have risen to surpass 80 percent.

Nonetheless, experts expressed their concerns on the divergence in the sector's performance between "Gulf super connectors" and "poor North African performers" and, with not all countries viewing aviation as a pillar of growth, there remains a large disparity in the percentage of GDP the aviation industry contributes to each nation's economy. This can vary from between 3 percent of GDP to 15 percent of GDP depending on the development level and focus of a particular country across the world; in the Gulf this is towards the higher end of the spectrum.

What aviation in the Arab World has done more than anything else is successfully promote countries in the Middle East themselves – as an attractive place for expats, business, finance and tourists. It is important to engender passion within young people in the Middle East for the aviation sector as they represent the future of the industry. There is no doubt that the aviation sector will continue to grow, as everyone knows. However the key element is to ensure that infrastructure and training is provided to harness and develop talent to support this.

Arab Aviation has been over the largest drivers of the region's economy. Capitalising on the region's central location and favourable time-zone, aviation opened up more than just the skies– it has connected people and businesses to markets and brought together friends and families, as never seen before.

Projects publically announced

Bahrain: An expansion project aimed at boosting capacity by 50% to 13.5 million by 2015. The project addresses all aspects of the terminal operations and passenger facilities.

Kuwait: Kuwait International Airport has unveiled US\$2.1bn expansion plans, which will more than double its annual passenger capacity.

Oman: About RO2.0967 billion has been approved for the massive expansion of Muscat and Salalah airports and the building of four regional airports during the five years of the plan period.

Qatar: A brand new airport called the New Doha International Airport (NDIA) is being constructed 4km from the existing facility and is estimated to be 12 times larger than the current airport.

The Kingdom of Saudi Arabia: The General Authority of Civil Aviation (GACA) has disclosed plans to expand and build around 28 airports in the coming twenty years.

United Arab Emirates: UAE airports are investing up to US\$50 billion in new and expanded projects over the next 15 years, which will provide capacity for an additional 200 million passengers per annum.

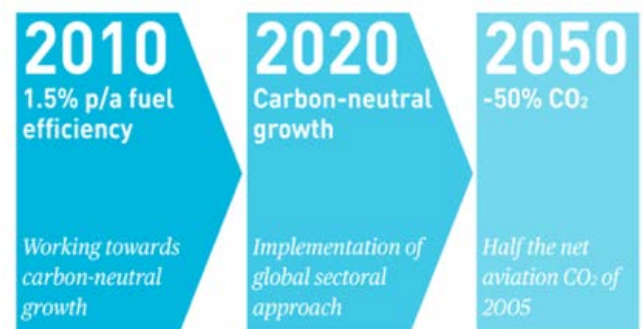
Overcoming obstacles to growth

Overcoming airspace congestion and aligning with the global industry strategy for reducing aviation's climate change impact for the further successful development of aviation in the Middle East, are two key obstacles which were recognized at the AAMS. The Middle East region's success is a testament to the tremendous investment in people, infrastructure and aircraft that has transformed air connectivity in the Gulf. But the growth brings challenges that must be met.

Chief among them at the present time is cooperation to bring greater efficiency to air traffic management. The challenge is to look beyond merely national issues and focus on an even bigger picture – the strategic development of aviation across the entire Middle East,

Security is of utmost importance, but it can't be allowed to become an issue which is a hindrance to travel. Aviation has become more secure in recent years. However, we need to be transparent about security issues and stringent to support aims which ensure that travelers and tourists feel safe when boarding planes. The industry continues to work with regulators on initiatives to enhance and optimize air transport security, such as risk-based approach to passenger security, mutual recognition of security measures which leads to one-stop security for transiting passengers, and supply-chain cargo security.

Access to markets, and fighting against protectionism in more developed markets, is going to be crucial for the success of airlines in the Middle East. The more the aviation sector is allowed to flourish the greater the benefit to the overall region. Singapore is a prime example of this. Its development was predicated on a first class airport and first class airline.



With passenger numbers set to double over the next 20 years, the industry is facing greater pressure to implement environmental solutions. The aviation industry is committed to achieving carbon-neutral growth from 2020, and cutting emissions 50% by 2050 compared to 2005. It has a credible four-pillar strategy to do so. The first three pillars - new technology, improved operations, and better use of infrastructure – have already brought results.

Growth into Africa is tremendous, although most of this is carried by non-African airlines. There is amazing potential and without the road infrastructure in place, airlines will continue to play the critical difference.

There remains a balance between passenger growth and air traffic. In parts of the Arab world, passenger growth has been exponential and it is tricky to balance this against carrier capacity. One option is to follow what has been achieved in Europe where they have developed a shared flexible structure with military airspace. Regional traffic flow management is going to be critical in the next few years as the number of planes increases - Arab Airlines are expected to carry at least 238.5 million passengers to, from and within the region by 2026. This will require a cross-border approach from governments across the Middle East.

Arab airlines share of this Trans-Arab transport market is expected to grow from 12% to 16%, accounting for another 61 million passengers.

Significance of Aviation to Bahrain – strong foundations for future success

It is appropriate that the AAMS summit took place in Bahrain, where the aviation sector was introduced to the region, with the first flight arriving in Bahrain in 1932. It was also the destination of Concorde's first commercial flight in 1976.

Aviation has played a significant role in Bahrain development and its continuing growth represents a key issue for our future so it is important that we have such a distinguished audience here today. Travel and tourism represents a crucial part within Bahrain's overall economy and we have bold plans to increase the size of the industry in coming years. This will include infrastructure investment, development of the workforce and harnessing human talent, as well as supporting other key initiatives within the aviation sector which can have important positive outcomes for Bahrain's economy.

Investing in Arab aviation & tourism and the role of the private sector

Many people benefit from successful hotels and airlines. Employment of local talent in key destinations across the Middle East has been hugely rewarding and valuable, and this is only going to increase. Governments across the Arab world have a vitally important role in providing long-term clarity and support of private companies. Transfer traffic is good, but India and other countries experiencing rapid growth, have the potential to bring huge amounts of tourists to the region so the need to be prepared is critical. There needs to be more education of people in India and China about the tourist products on offer in the Arab world to entice the burgeoning class of world travelers.

If someone is going to invest into a new destination, they need confidence and comfort. This is clearly evident in Dubai, but not so much in other areas of the Middle East at present. A successful relationship with a tourism authority can really help foster new tourist assets. Travel and tourism sector is scheduled to grow, but this can be augmented by the support of government. Encouraging global talent is a challenge but is also important to catalyze growth.

Today's travelers are constantly looking for more. The Middle East has great potential based on its climate, natural beauty, historic sites, and man-made assets to become one of the world's fastest growing regions for tourism. It's important that Middle Eastern countries maintain their identity to avoid conflation with other beach-resort destinations.

Hotels in the Middle East region are successful because of the airlines. Hoteliers should thank the aviation industry for their support and for bringing tourists. Without their expansionary nature the hotel industry would not be in the position of strength it currently finds itself.

Airbus The Little Engineer Initiative

At the event, His Excellency Engineer Kamal bin Ahmed Mohammed was briefed on Airbus Middle East's <Little Engineer> workshop, an edutainment workshop that aims to instill a passion for science, technology and engineering among young nationals across the region. Through the Young Engineer programme, students learn to be team players, working to reach a common goal by using their creativity and imagination to solve problems and celebrate their achievements. By channeling students' potential through the use of modern technology and innovative thinking, the Little Engineer workshop encourages students to consider a career in the aerospace industry. This initiative has become an accompanying workshop run at the sidelines of the summit every year and is a reflection on the importance of investing in local and regional talents so the future need for human capital is there.

Living in the age of airplane

To conclude the 2015 edition of AAMS, attendees were treated to a special IMAX screening of 'Living in the age of airplanes' a National Geographic production documentary film, narrated by Harrison Ford. The film, which was shown to an enthralled audience, takes viewers on an epic journey through 18 countries and across all seven continents as it presents a unique perspective on how the airplane has changed the world; an exemplar of human achievement.

In summary

At the 2016 edition of the Arab Aviation and Media Summit, a number of key topics were raised and discussed that will have a critical influence on the future of the aviation and tourism industry in the region. Furthermore, due to the strength of the sector in the Middle East as a proportion of GDP, aviation will have a significant impact on the wider macroeconomic picture, particularly as Middle East countries continue to diversify their economies.

The conclusions which can be drawn from the successful Summit include:

- Aviation and tourism continues to play a key strategic role in the ongoing development of Arab economies and, by 2025, will account for 3,202,000 jobs directly.
- The growth potential for the Middle East aviation sector is huge due to the number of people, living in developing nations, which are located within eight hours flight.
- The aviation sector is worth \$2.4 trillion, which would make it the 19th largest country in the world - yet there is still more to come.
- The correlation between aviation and tourism remains very dependent on each other.
- Carriers in the Middle East are expected to generate a net profit of US\$1.8bn in 2015, more than doubling the \$700mn result of 2014.
- Overcoming airspace congestion, security, sky liberalization, human capital and climate change are all challenges for the Arab aviation industry – but obstacles which can be overcome.
- Technology will further influence consumers travel patterns. It is a fast changing climate and a major contributor to the industry evolution.
- Middle East airlines are in good health – they are profitable, provide a wider range of destinations than ever before, support the wider economy and create jobs, provide a globally-leading service to travelers and yet there is still more to come.
- It is by increased private investments and cooperation from public sector that Arab aviation can move in leaps and maintain sustainable growth.

Press Coverage Report

(Print report only)