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# POSITION PAPER: THE IMPORTANCE OF CONNECTIVITY BETWEEN EUROPE AND CHINA

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April 2019

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**EUROPEAN  
TRAVEL  
COMMISSION**

## INTRODUCTION

Over the last twelve months, a range of events and activities have celebrated the links between Europe and China as part of the 2018 EU-China Tourism Year. Throughout this period a strong consensus emerged regarding the importance of air connectivity between Europe and China, and its role in developing the growing number of tourists travelling in both directions.

The European market continues to be a key destination for Chinese tourists. In 2017 Europe accounted for 14% of all Chinese outbound travellers the largest region outside of Asia. In total there were almost 13 million tourist arrivals into Europe from China, a figure which is set to increase by approximately 7% annually for the next three years.<sup>1</sup>

Accessibility and air connectivity are both fundamental factors in promoting and supporting the development of tourism and have the potential for immediate impacts. A direct daily long-haul flight can potentially have a €65m annual impact on a regional economy, through tourism growth, direct effects on businesses, and improved productivity.<sup>2</sup>

However, it is important to look at the wider picture to address significant challenges and to gain a more comprehensive understanding in which areas to invest. In this regard strategies for development must be based on a broad spectrum of objectives covering infrastructure and facilities, alongside the ultimate goal of enhancing air connectivity.



## PRESSURE ON AIRPORT AND AIRSPACE CAPACITY

As global growth in air travel continues, capacity constraints at airports and within airspace infrastructure will become increasingly pertinent issues. Airport and airspace capacity limitations are already impacting on efficiencies within the industry, through delays, additional costs, or restricting growth at major airports.

Based on Eurocontrol figures, over 40% of flight delays in Europe were a result of capacity pressures on air traffic control and airport capacity.<sup>3</sup> Eurocontrol's long term forecast also indicates that by 2040, in their 'most likely' scenario, around 1.5 million flights would not be accommodated due to capacity constraints – meaning almost 160 million passengers would be unable to fly.<sup>4</sup>

Currently, supply of capacity is not keeping pace with demand for travel, leading these capacity constraints to inhibit potential opportunities from the growing Chinese tourism market through increased delays, higher fares, and restriction in flight choices. These outcomes in turn, have a detrimental effect on the attractiveness of Europe as a tourist destination.

### Recommendations:

-  EU-wide guidelines that support a streamlined process for planning and approving major investments in airport infrastructure.
-  A review of existing procedures on slot regulations to ensure the efficient use of existing airport capacity.

Various barriers exist to the development of airport and airspace capacity whether from regulation, planning processes or financial challenges. Given the importance of efficient air transport to the European economy, facilitating growth is key for European mobility and in maximising the benefits of tourism. Therefore, support for an efficient planning and approval process for major investments must be provided from the EU to national governments.

As airport and airspace expansion requires long-term investment, the effective use of existing capacity in the short term must also be a priority, whether this is through enhancements to slot regulations or political pressure to lift en-route restrictions for flights to China.

<sup>1</sup> ETC Trends and Prospects Q3 2018

<sup>2</sup> York Aviation: The West Midlands Aviation Opportunity, Oct 2015. £58m impact on the Gross Value Added measure of contribution to the economy

<sup>3</sup> CAPA Centre for Aviation Jun18 and Eurocontrol delay reports

<sup>4</sup> Eurocontrol: European Aviation in 2040, Challenges of Growth 2018

## OPEN SKIES AND FREE MARKET ACCESS

Air service agreements are the enabling factor for air connectivity and as such are fundamental to future growth in Chinese tourism to Europe. The benefits to tourism are clear from a more liberal approach that allows increased frequencies for a greater range of airlines from both parties, with the subsequent positive impact on tourism and the wider economy.

Recent agreements signed by both France and the UK with China will bring additional Chinese tourists into these markets, and the continued movement across Europe towards more liberalised air service agreements with China is essential to support the growth of tourism.

EU and national government support for improving air connectivity is needed to promote free market access to both European and Chinese airlines and remove restrictions on frequencies, airlines and destinations. This will allow for services from additional destinations in both Europe and China, outside of the main points, allowing for further economic and tourism benefits, and for the short-term benefit of alleviating capacity issues at the main hubs.

Alongside this, cooperation between European and Chinese carriers should be supported where relevant, as partnerships such as joint ventures, or alliance memberships, increase the ability of European carriers to access a greater range of cities in China via their partners' network. Such cooperation additionally provides travellers on Chinese carriers with a greater choice of connecting European destinations through partner airlines, bringing Chinese tourists to a broader range of markets.

### Recommendations:

- ✈ A more liberalised relationship with China aimed at a Europe-wide Open Skies agreement, allowing free market access for airlines from both sides operating between Europe and China.
- ✈ Ensure airline access to secondary airports in Europe and China is a priority within future bilateral discussions.

## AN ENHANCED APPROACH TO VISAS

The visa requirements to enter European countries continues to be a barrier to the growth of tourism. The process of applying for a visa is often seen as a constraint by travellers, either through the additional cost required, or the time taken to complete the formal procedures.

At present China represents the second highest amount of applications for a Schengen visa, a figure which has not increased since 2015 despite the sustained growth in overall Chinese outbound tourism.<sup>5</sup>

As Chinese visitors often see Europe as a single destination, the ability to obtain a Schengen visa builds on this perception and supports the multi-destination travel itineraries that are a fundamental part of Chinese tourism.

It is estimated that a full visa liberalisation scenario between the EU and China would increase the average growth in Chinese arrivals from 7% to 18% per year through to 2023. This in turn would generate additional inbound spend of €12.5bn per annum, create 237,000 additional jobs, and add 1% to the EU's GDP.<sup>6</sup>

### Recommendation:

- ✈ Further enhance and simplify the visa application process with the ultimate objective to provide visa-free access for Chinese visitors to the EU.

It is vital that European countries now reassess their visa policy towards Chinese visitors given the continued growth in outbound tourism from China. Positive changes in visa policy will generate significant amount of tourism demand and will support efforts to maximise the associated economic impacts from one of the largest tourism markets.

<sup>5</sup> European Commission statistics on short stay visas issued by Schengen States

<sup>6</sup> ETC report: Visa Policy and Chinese Travel to Europe, November 2018

## IMPROVED GROUND CONNECTIVITY AND SEAMLESS TRAVEL

Multi-destination itineraries are a key aspect for travellers from long-haul markets looking for a pan-European experience. In recent ETC research, over 75% of Chinese travellers indicated that they have visited, or intend to visit, more than one country in Europe during a single trip.<sup>7</sup> This statistic highlights the importance of cross-border travel within Europe for Chinese visitors, which has been facilitated in recent years through improved and cheaper air connectivity, online trip planning tools, the emergence of the peer-to-peer economy, as well as the ability to travel freely in the Schengen area.

Ground connectivity is also often a barrier in certain areas of Europe, where there is a less developed road and rail network. Therefore, investment in surface transport infrastructure must be a long-term priority, enhancing

mobility across the region and reducing travel times, through efficient ground transportation between cities and tourism markets. This will encourage the movement of visitors away from the primary tourist areas towards lesser-known destinations

### Recommendations:

-  A clear long-term strategy to encourage and support investment in road and rail to enhance tourism mobility across Europe.
-  A Europe-wide approach to providing seamless travel for tourists through multi-modal ticketing – air, rail and coach.
-  Development of a framework to encourage cross-border partnerships between tourism authorities and with the private sector.

In the shorter term, options must be explored to develop a seamless multi-modal travel experience for Chinese visitors to capitalise on the importance of Europe as a single destination. Rail and coach operators and airlines must be encouraged to develop multi-modal ticketing services allowing a single booking to be made for multi-destination itineraries across Europe.

Understanding the dynamics of multi-destination travel allows smaller markets to become more relevant and ensures that the benefits of tourism are spread more widely. Partnerships between tourism authorities and the private sector should also be encouraged, as this will be key in providing a positive visitor experience, through enhancing and supporting the ease and convenience of travel across the region.

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<sup>7</sup> ETC Long-haul Travel Sentiment Index. May-August 2018