

# Data point [to point]

## Landmark study shows air travel liberalization helps global economies

By DEBBY ARKELL

Free trade in aviation is becoming more widely accepted. Government regulation of the air travel markets must be a thing of the past, right?

Not so. It's true that the trend towards reducing regulation of air travel markets is becoming more prevalent. Yet thousands of country-pair markets continue to operate under restrictive, bilateral air service agreements that keep people from going where they want to go, when they want to go.

That may be changing, as a recent, first-of-its-kind study indicates. It provides solid, quantifiable data confirming the benefits of liberalizing air travel markets. The Economic Impact of Air Service Liberalization study (<http://www.boeing.com/commercial/liberalization>), cosponsored by Boeing and 11 industry groups, demonstrates that liberalizing air service agreements increases air travel, which in turn directly—and substantially—boosts economies. The study also underscores why liberalization and point-to-point travel are important to Boeing Commercial Airplanes' strategies.

"Many studies have been done by many

firms about the contribution of aviation to individual world economies. What's been produced here is a massively complex computer model that predicts the economic impact of air service changes between countries," said Jon Ash, president of Inter/ISTAS-ga<sup>2</sup>, the firm that authored the study.

According to the study, deregulating just 320 of the 2,000 country pairs in the database is estimated to result in 24.1 million new jobs worldwide and to generate an additional \$490 billion in gross domestic product. In addition, the study estimates liberalization of bilateral air service agreements between countries typically results in traffic growth of 12 to 50 percent or more.

"The data substantiating this [economic gain] is a powerful tool for government agencies around the world as they negotiate new agreements," said Kathryn Scott, BCA's International Policy director.

Scott said feedback from the study so far has been positive. The U.S. Department of Transportation said the study is a "benchmark."

The study's message also is encouraging for Boeing. Liberalization is at the heart of Commercial Airplanes' strategy, which is based on the premise that industry growth historically has been achieved by offering greater frequencies and more nonstop routes. And that's exactly what the study validates: Liberalization increases demand for greater frequencies to more locales.

The interactive tools that emerged as a

result of the study will help Boeing better understand how liberalization affects regional air travel markets as well. The information also may be useful as Boeing updates its current market outlook, said Ricky Mack, BCA Future Market director.

"The results have validated our past and current data and trends," he said. "With these new tools, we will now be able to get better forecasts going forward. And with better forecast data, we can better understand future market forces and design and market our products accordingly as liberalization continues."

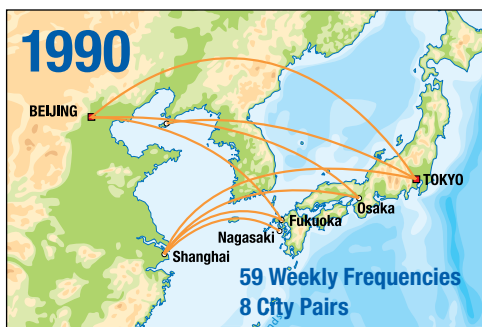
Boeing now can predict aviation trends as well as trade and other global factors, quantifying country by country. This affords even greater detailed customer knowledge and the ability to anticipate and understand changing customer needs worldwide.

The study also provides an important takeaway for Boeing employees, Scott said. In the past, people have always believed the economics related to gross domestic product drive demand for air travel. "But we're trying to let people see the other side of the picture," she said. "Air travel can—and does—drive GDP. So what we do here at Boeing every day is more than just selling or building airplanes. What we do at Commercial Airplanes is crucial to the global economy."

Ultimately, Boeing hopes the study will drive more liberalization, economic expansion and jobs around the globe.

"Ideally, the end result would be that we'd see more air service liberalized," Scott said. "This study by itself won't do that, but it is a valuable part of shaping the market, and it is adding voices to the call to change government policies worldwide." ■

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Here's an example of the air service liberalization trend. As shown above, only eight city pairs had nonstop service between China and Japan in 1990. By 2006, because of increased air travel and competition—and a subsequent liberalized air services agreement—the number of city pairs served has increased more than six times. At the same time, weekly frequencies increased nearly ninefold, from 59 to 522.

