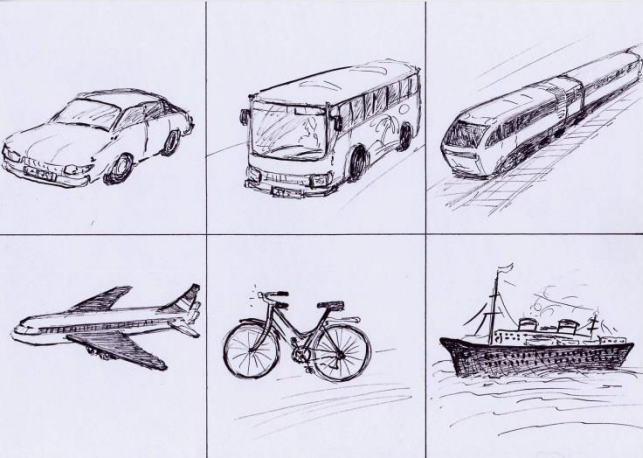




Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
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Strategic Travel and Tourism Management



3: How did we get here? / Air Travel Context

Transport in Wales



- <https://youtu.be/VqkyhSkR7c8>

Hub updates

- Updated memberships
- Appoint members to key roles to ensure tasks are completed
- Select a preferred mode of travel for later analysis
- Consider how you will engage with the topic in the delivery of your session
- Negotiate a date for delivery

Revised dates

Visit to Fishguard ferryport 29 October 2018 tbc

ABTA Talk on Brexit 19/26 November 2018

A1 Submission date now 3 December 2018

Field Trip Visit 29 October

- Provisional date
- Day trip to Fishguard ferry port
- Depart Swansea train station 8.15am
- Arrive Fishguard 9.45am; depart 12.50pm
- Back in Swansea 2.45pm

Need numbers to confirm please

A1: Brexit travel & tourism impacts

- See module handbook on moodle

Produce a report containing an assessment of the possible impact of a no agreement decision on tourists travelling to and from the UK and Northern Ireland in the period following the UK's exit. Analyse this by selecting two of the following modes of tourism transport:

- Air
- Channel Tunnel
- Ferries
- Car (via land – Northern Ireland only)

Make strategic recommendations to politicians and transport planners as to what could be done to mitigate these possible impacts.

<https://youtu.be/7eoDwvl0QGk>

How many have you used?



- <https://youtu.be/hVJOyy-ooH8>

Update: Tourism & Transport in the news this week?

What's been going on?



So what did you find?



Welsh railways

<https://www.bbc.co.uk/news/uk-wales-45786582>

- <https://www.bbc.co.uk/news/av/uk-wales-45839482/a-15-year-journey-to-transform-welsh-railway>
- <https://youtu.be/3YKGqTBEAkQ>

Long haul air

<https://www.bbc.co.uk/news/business-45834964>

Cars

<https://www.bbc.co.uk/news/business-45831150>

Space

<https://www.theguardian.com/science/2018/oct/09/virgin-galactic-space-flight-vss-unity-go-weeks-not-months>

Sustainability

<https://www.bbc.co.uk/news/science-environment-45827068>

Bolivia

<https://www.telegraph.co.uk/travel/destinations/south-america/bolivia/articles/la-paz-cable-cars/>

Today's Objectives

- How did we get here?
- What was planned?
- What just happened?
- What's next?
- The context of air travel

Activity (20m)

- Work in hubs to produce a **timeline** of the development of modes of transport
- How did they impact on the growth of tourism?
- How are they evolving?
- Start with the horse and cart, finish with space tourism



- <https://youtu.be/y23MtdGNNN0>

The Post-war UK 1950s & 60s

- <https://youtu.be/xH6MXQUGU-k>
- What was different back then in terms of how we viewed travel and transport?
- What were the main transport strategies used in this period?
- What hasn't really changed even today?



Podcast

- UK post-war transport policy discussed and critiqued:

<https://www.londonreconnections.com/2016/line-3-british-transport-policy-since-ww2/>

And what's next?



What is strategic management?

- Strategic management is a field of study that includes a process through which a firm is able to set its mission, vision, goals, and objectives as well as craft and execute strategies at various levels of its hierarchy in order to create and sustain competitive advantage.

What is strategy?

- Strategy entails futuristic thinking and developing a course of action to meet goals and objectives
- A strategy should be able to define and address the following:
 - Our current position (where are we now?)
 - Our intended future position (where do we want to go?)
 - Our growth from the current position to the future position (how do we get there?)

THE STRATEGIC MANAGEMENT FRAMEWORK



Hub break

- Meet your team members
- Assign key roles /divide up the work
- Discuss your strategy
- Fix your topic and date

Report back please

Travel & Tourism

- Tourism = subset of travel
- Movement of people outside their normal environment for person/business/professional purposes (WTO, 2014)
- Transport = key connection between tourist's origin and their destination
- Needed to facilitate movement of tourists
- Tourism relies on, causes and is affected by transportation issues

- Historical development of new transport modes has opened up mass market tourism
- Tourism depends more on transport than vice versa
- Can be seen as a marketplace
- Tourist = buyers/consumers
- Providers = suppliers/owners of transport services

- = Tourism transport marketplace
- Demand (tourists) & Supply (Providers)

A tourist (UNWTO, 2010a:10)

“A visitor is a traveller taking a trip to a main destination outside his/her usual environment, for less than a year, for any main purpose (business, leisure or other personal purpose) other than to be employed as a resident entity in the country or place visited. These trips taken by visitors qualify as tourism trips. Tourism refers to the activity of visitors.”

3 key factors

- Change of environment
- Length of stay
- Purpose

Types of tourism (UNWTO)

- Domestic tourism (by residents)
- Incoming/inbound tourism (by non-residents)
- Outgoing/outbound tourism (by residents outside normal environment)

So.....

- Internal tourism (domestic + inbound – by residents & visitors – within a country)
- National tourism (domestic + outbound – activities by residents at home & abroad)
- International tourism (residents overseas or visitors to the country)

Transportation definition

- The activity of travelling from one place to another

Transport infrastructure

- Material conditions e.g. routes (roads, tracks, runways, etc)
- The means (e.g. vehicles)
- Control systems (e.g. air traffic control)
- Handling facilities (e.g. bus depots, stations, terminals)
- Transfer facilities

Mode of transport

- The environment/how transport takes place
- Air
- Ground
- Water

Vehicles using the same environment belong to the same transport mode

Transportation routes

- Are used by the various means of transport

Transportation means/type/carrier

- The actual means of mobility used within a mode

e.g. plane, boat, car

These, with the transport infrastructure, allow transport to take place

Tourism transport

- Can be functional (getting you there) /within a destination (e.g. bus trip) / key part of holiday itself
- Can be a tourist attraction in own right (e.g. heritage railway, steam train/ship)
- Part of a recreational experience (e.g. hot air ballooning, hiking, biking)
- Can be part of the tourism product (e.g. cruise ships, scenic drives)

Types: Transport *for* tourism

- Very utilitarian/functional
- Cost/value/speed of travel factors
- Mode has no intrinsic value in itself

WATER

- **CRUISE SHIPS (OPEN SEA/RIVER)**
- **FERRIES (INLAND/OPEN SEA)**
- **EXCURSION BOATS**
- **CARGO BOATS (TOURISM RELATED)**
- **BOATS: SAILING/SPORT; YACHTS; HOUSEBOATS; GONDOLAS**
- **RAFTS; CANOES/KAYAKS; ROWING BOATS; SURFBOARDS**
- **SUBMARINES**

AIR:

- **AIRCRAFT (PASSENGER)**
- **HELICOPTERS**
- **SPORTS AIRCRAFT/SAILPLANES**
- **BALLOONS/AIRSHIPS**
- **SPACECRAFT**
- **SEAPLANES**
- **HANG GLIDERS/PARAGLIDERS**

LAND:

- **CARS / BICYCLES / SEGWAYS**
- **MOTORCYCLES / MOPEDS/ QUADS/ TRIKES**
- **COACHES (MINI / PUB SERVICE/ TRAVEL)**
- **CARAVANS / CAMPERVANS**
- **LOCAL PUBLIC RAIL (SUBWAYS; CITY TRAINS; TRAMS)**
- **LONG DISTANCE PUBLIC RAIL (ICE/TGV)**
- **LUXURY TRAINS**

- **MUSEUM/HERITAGE RAILWAYS**
- **AIR/CABLE CARS; SKI/CHAIR LIFTS; MOUNTAIN RAIL**
- **OVERHEAD RAILWAYS**
- **LEISURE RAILWAYS**
- **CABLE CARS**
- **RAIL TROLLEYS**
- **RICKSHAWS**
- **HORSE-DRAWN CARRIAGES/SLEIGHS**

Types: Transport *as* Tourism

- The mode contains the travel
e.g. cruise ships - this is the basis of the tourist experience

The cost factor not as important; the mode is the main benefit.

But.....

- Modes are used by tourist and non-tourist travellers alike

e.g. leisure/charter flights, cruise ships,
sightseeing buses = mainly tourists;

city buses/trams/scheduled flights = used by
both

Breaktime



Air Transportation Briefing

- Key part of the tourist system
- 52% of inbound tourism is by air (UNWTO, 2013)

Define 'the aviation industry'

- Aerospace industry
 - Manufacture of aircraft & associated facilities
e.g. airports, air traffic control
- Aviation organisations
 - They make it happen
- Air transportation
 - persons/objects

Framework for air transportation

- Complicated national and international framework of laws, agreements, policies and by-laws
- International code of regulations developed as popularity grew
- International codification of commercial aviation law

Key points

- Each state has sovereign control over its own airspace (Paris agreement 1919)
- Chicago Convention 1944
- Scheduled/unscheduled traffic
- Article 6: scheduled flights may only take place over a country once it has granted a permit by that country
- Local rules/regulations also

- 9 freedoms of the air
- Other bilateral and multi-lateral agreements in place
- Open skies agreement between USA and EU (2008)
- European airlines can fly from any point within the EU to any point within the USA (same for US airlines to EU)

- More destinations for Europeans
- Plus security/safety/environmental issues
- But US domestic market is closed to non-US airlines (same in EU for US airlines)
- Airline ownership restrictions in place for overseas entities

Strategic questions

- Which airlines can fly between countries?
- Which airports can handle international flights?
- How often can they fly?
- Which tariffs are allowed?

European air law

- EU operates air travel rules binding on all member states
- Brexit debate is causing this to be reassessed

Key body

International Air Transport Association (IATA)

- Air transport industry's global trade association
- Founded in Cuba in 1945
- Today 240 members from 126 countries
- Sets clearly defined rules for travel

Plus many more

Demand for air travel

Long term increasing trend in passengers taking international flights

= 62% of all international transport by volume
(DLR, 2012)

Largest flows = US/European transatlantic routes

Then Europe to Far East

Then Middle to Far East

Europe (2011 data)

821.6 million passengers in the EU 27 states
(up 5.8% on 2010)

3 main elements:

- Domestic flights (20% of volume)
- Transnational intra-European (43%)
- Transnational extra-European (37%)

By country

UK (202 million)

Germany (177m)

Spain (166m)

France (133m)

Italy (118m)

Busiest route: UK to Spain (31m)

The US is different

- 90% of all air travel there is domestic
639.4 million passenger journeys

Forecast

- 6 billion passenger journeys per year by 2030

Supply

- The number of airlines operating worldwide?
- 1600 globally active
- 20,300 aircraft

(Harz University, Germany & Boeing)

Types of airline: Network Carrier

- Full service/flag carrier
- BA/Quantas/Air France-KLM etc
- Originally state owned (some still are)
- Global operator: short/medium/long haul
- Strategic alliances with others for coverage
- Hub and spoke (e.g. Heathrow, Amsterdam)
- Mixed fleet of aircraft (for range/flexibility)
- Differentiated product/service (levels of service)
- Direct and indirect sales distribution
- Frequent flyer programmes
- Sophisticated yield management systems

Activity: British Airways

- Identify BA's ownership structure
- Where are its main hubs?
- How does it differentiate itself?
- Number of destinations?
- Fleet consists of?

Types of airline: Leisure Carrier

- charter/tourist/holiday airline
- Were exclusively package holidays only
- Now more like scheduled carriers
- Tour operator dependent
- Mainly one class of cabin (some have two)
- Mainly same continent tourist destinations
- Fleet small/medium planes mainly
- High load factor (set durations)
- Tour operator and direct sales

Types of airline: **Low-Cost Carrier**

- discount/budget airlines
- Use cost-reduction strategies (such as?)
- Smaller airports, more seats, charge for extras
e.g. easyjet, flybe, ryanair
- Major expansion since 1990s driven increased demand for air travel
- Mainly direct distribution via internet
- Lean operations; basic employment T&Cs
- Competition with network carrier routes
- Cost advantage of 60% in comparison

Types of airline: **Regional Carrier**

- commuter/feeder airlines
- Connect hubs to outer locations
- 19-120 seat planes, often propellor
- Medium/small (and some large airports)
- Business traveller appeal
- Higher costs > higher prices

Types of airline: **Business/charters**

- Private planes/jets
- Time saving for customer

<https://www.netjets.com/en-gb/access>

Strategic Alliances

- Star Alliance / One World / Sky Team
- Co-operation to achieve competitive synergies
- Horizontal (same product/market)
- Vertical (link with other companies in L&T sector e.g. hotels, car hire, tour operators)
- Diagonal (link with companies in other industries e.g. credit card providers)

<https://youtu.be/p8fBgM-gl3g>

Code sharing

- Example of horizontal integration
- Two airlines market the same flights under their own codes to expand route network

Strategic alliance benefits

- Marketing benefits of large scale & scope
- Cost reductions and synergies
- Reduced competition
- Bypassing regulatory barriers

(Doganis, 2006)

Specialty air transportation

- Ballooning
- Airships
- Helicopters
- Gliding
- Space tourism

Activity: Strategic Planning

- Consider the strategic challenges of dealing with the expansion of air travel now and in the future
- What methods are available to planners/regulators to attempt to manage these?

The Airport/Airline Relationship

- Symbiotic relationship/mutual dependency
- Why do airports depend on airlines?
 - Without them, no passengers/freight
 - No means of realising their market potential
- Why do airlines need airports?
 - For safe and secure facilities for their passengers and planes
 - At a convenient location
 - At the required time
 - At the right price

A highly competitive relationship

- Both aim to enhance customer satisfaction & the passenger experience
- Different commercial objectives & priorities not always aligned
- Airports = optimise use of their assets and maximise revenues from airlines/passengers
- Airlines – highly mobile so can relocate elsewhere for better financial terms/charges (NB low cost carriers)

How does the relationship differ?

- Depends on the following contexts:
 - Geographic
 - Political
 - Commercial

Different ownership patterns/local competition can also skew this

Main factors

- The extent of privatisation & commercialisation of individual airports & airlines
- Relative strengths, scale and market power of individual airports/airlines
- The deregulation of airline routes, growing passenger demand and growth forecasts
- New airline business models with more focus on cost and service

Airport charges

- The fees levied on airline operators by the airport.
- They include landing fees and passenger handling charges

Privatisation

- The full or part change of ownership from the public to the private sector

Commercialisation

- The imposition of commercial objectives on an organisation.
- Can occur under public or private ownership

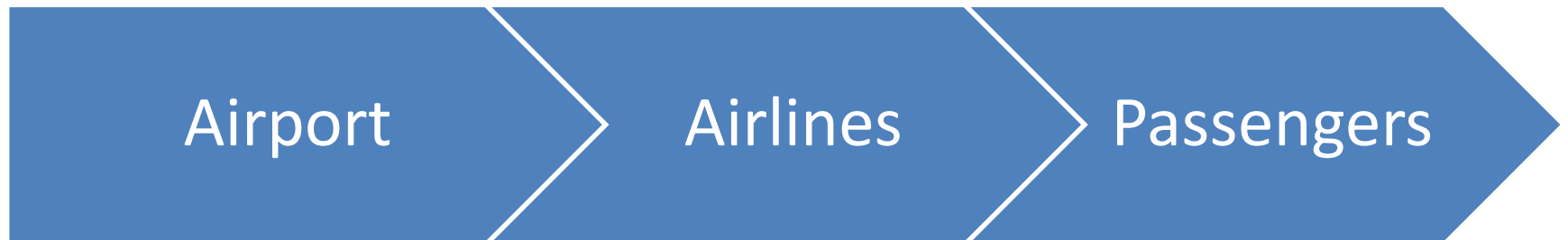
In the past.....

- The state owned airports and operated airlines so the relationship was close and worked in joint interests

e.g. BA and the BAA

- Meant policy developed to support the national airline
- However deregulation dissolved this in the 1990s creating a newly competitive environment for custom/new business

Traditional relationship



Today

Airport

- Property services
- Retail concessions
- Parking revenues

Airlines

Passengers

Airports are big business

- Commercialised themselves
- Developed their land
- Hotels/logistics/freight companies
- Retail
- Car parking
- Airlines

Management must manage these diverse income streams

Airport perspectives on relationship with airlines

- Balance between commercial revenue gain and keeping customers satisfied
- Does the airport view the airline as:
 - A resource (provides passengers & revenue)
 - An opportunity (to grow the business)
 - A consumer (of the airport product)
 - A service provider (to passengers)
 - A problem/liability (social/environmental impacts or market position/dominance)

Needs to be managed

How does the airport do this?

- By understanding its market, passenger catchment area and promotion of the facility to passengers
- By showing flexibility in meeting the needs of different airline users
- Joint working to develop new routes e.g. marketing
- Define transparent airline user charges
- Benefit all airline users equally
- Liaise/consult/inform of changes
- Invest in new facilities/infrastructure in line with passenger mix/growth forecasts
- Respond to changing market conditions/passenger needs
- Keep existing customers satisfied whilst seeking more
- Work with regulators/government agencies/partners/communities to promote inward investment, job creation and economic benefits

Challenges facing airports

- High fixed costs mean a lack of flexibility
- Tension between existing customers and new entrants
- Meeting diverse airline needs
- Supporting new route development
- Competition from neighbouring airports trying to poach business
- Vulnerable to economic shocks affecting demand
- Changing government policy re airport ownership/operations/route competition/security directives

- Slot congestion at major hubs (e.g. LHR)
- Barrier to entry to new carriers generally developed at secondary airports
- Dependent on small number of large carriers

Gatwick Airport

- <https://www.bbc.co.uk/news/uk-england-sussex-44468175>

Home base

- Different relationship
- Airline's HQ and centre of operations
- Major user of airport capacity
- BA – Heathrow
- Easyjet – Luton

Social/political impacts

- Will shape market access/volatility
- Subsidies to routes e.g. Cardiff – Anglesey
- Public Service Obligation routes providing community ‘lifelines’
- Externalities – effects created by airport/airline operations
- Noise pollution/wake vortices/jet fuel odour/surface access congestion
- Makes expansion problematic e.g. LHR – T5 took 15 years to open from planning approval

Airline perspectives re airports

- Do full service airlines and low cost carriers want the same things from airports?
- Full service – high level of passenger facilities
- Low cost – pay for what they use only – quick turnaround, short taxi times, low fees, basic facilities

Key points

- Airport-airline relationship is complex, dynamic, competitive and co-dependent
- Airlines were the airport's main customer, but now one of many diverse groups
- Deregulation has created a competitive business relationship
- Airports are now seeking wider commercial opportunities
- Each relationship is unique and depends on local context
- Wider factors such as market power, the regulatory environment, alliances, low cost airlines, etc
- Needs managing
- Not all relationships will survive longer term



Preparation – Travel by Road

- Current issues in road transportation
- Tourism impacts
- Environmental aspects
- Role of Government & public policy
- Case studies/examples

Topics to be covered:

1. Congestion charging; Low Emissions Zones; T-charges;
2. Car clubs; parking; park & ride schemes
3. Road pricing/toll roads/smart motorways/all lane running
4. Taxi and private hire sector – Uber/gig economy
5. Bus and coach sector; Metro schemes

The future?

- <https://youtu.be/VqkyhSkR7c8>

'No Deal' Brexit Planning: Government Impact Papers

- <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal#driving-and-transport>
- <https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal#travelling-between-the-uk-and-the-eu>