

Aviation: Business of business travel booming in China, India and other emerging countries



From Asia to Africa to the Middle East and the Americas, the business of business travel is booming in emerging countries. And it shows.

Dubai, an emirate with global ambitions to diversify, expanded its airport recently with a new terminal paved with white marble, devoted to its growing fleet of Airbus A380s double-deckers. Similarly, Beijing and Shanghai both greet foreign travelers with gleaming and spacious new international terminals. Istanbul, ancient capital of empires, is successfully refashioning itself as a modern transportation hub with better connections to Asia than rivals in the United States or Europe. And Brazil, a rising oil power, is pouring billions into infrastructure as it prepares to host the soccer World Cup next year and the Olympic Games in 2016.

Business travelers are expected to spend about \$1.16 trillion on airfare, accommodations and other travel this year, according to the Global Business Travel Association, up from \$1.07 trillion last year. Much of that growth is coming from developing nations, prompting a boom in new construction in emerging markets while business travel in the US recovers at a slow pace and Europe, mired in the euro crisis, remains stagnant.

"What we've seen in terms of infrastructure in recent years recalls the old baseball adage - if you build it, they will come," said Tony Davis, a partner at Irelandia Aviation, an investor in low-cost airlines like VivaAerobus in Mexico and Tiger Airways in Singapore.

The growth in passenger travel tells the story. Global traffic rose 4 per cent last year, according to the Airports Council International, a trade group that represents more than 1,700 airports in 170 countries. In North America and Europe, airports had only modest gains. But air transportation in emerging economies has been buoyant - a testament to their dynamism and growth prospects in time of low interest rates, and their opportunities in raw materials, commodities and trade.

Traffic last year grew by 7.5 per cent in Asia, 7.3 per cent in Latin America, 6.4 per cent in Africa and 13 per cent in the Middle East, according to the airport trade group, outpacing Western airports by a wide margin. Five airports in emerging markets, each with more than 40 million annual passengers, reported double-digit growth - Istanbul, Dubai, Jakarta, Bangkok and Singapore - according to a report released last month by the airport group.

Atlanta, currently home to the world's busiest airport, grew 3.3 per cent. Chicago O'Hare International Airport, the second-busiest in the US, actually shrank slightly, according to the report. Nowhere has the growth in business travel been more robust and prolonged than in China. Passengers at Beijing Capital International Airport tripled in the last decade and most travel experts expect that it will jump ahead of Atlanta's Hartsfield-Jackson International Airport as the world's top airport by passenger traffic next year.

China's business travel spending has grown an average of 15.5 per cent each year from 2000 to 2013 and is set to reach \$226 billion this year, according to the Global Business Travel Association. Remarkably, that figure is growing even as China's export-led economy begins to slow down and make the transition to a consumer-oriented one.

Chinese business travel is forecast to increase nearly 17 per cent next year and China is set to overtake the US as the world's top business travel market by then.

Shanghai built a new terminal at the Hongqiao International Airport as part of a \$9 billion investment program that also included a transportation hub linking the airport to city buses, subways and a new high-speed rail network. The airport, which opened three years ago and can handle 300,000 flights a year, has high-end shops like Armani and chains like Starbucks.

To cater to China's rising middle class and fulfill the leadership's desire to reduce the economy's reliance on exports, businesses will need a better travel infrastructure across the vast Chinese interior.

To that end, the Chinese government has outlined plans to build another 100 airports throughout the country over the next couple of years.

"You really have a changing landscape throughout the developing economies," said Michael W. McCormick, the executive director of the Global Business Traveler Association, a group whose members include corporate travel managers. "The infrastructure is clearly racing to catch up with demand."

Of course, travel off the beaten path holds its share of perils and inconveniences. Hotel infrastructure is often inadequate. Roads can be hazardous. Sometimes vaccines and antimalarial medication may be necessary.

Climate is another challenge. Summer temperatures in Qatar, which won its bid to host the 2022 soccer World Cup, exceed 100 degrees Fahrenheit on average from May through September and can reach highs of 120 degrees. (Rest assured, there are plans for high-end cooling technology at match venues or, alternatively, to hold the tournament in the winter.)

There are other hazards presented by a rise in global travel, notably a greater risk of rapid disease transmission and pandemics. The latest threat emerged in China, where a previously unknown influenza virus infected dozens and killed at least 17 people recently. Another virus, similar to the one that caused severe acute respiratory syndrome, or SARS, was also recently identified in the Middle East.

Security issues are another consideration. In some places, the risk of kidnapping cannot be ruled out. Business travel suffered throughout the Middle East in recent years during the Arab uprisings, though they have also created new opportunities in the region. The Libyan economy had one of the world's fastest growth rates last year, according to the International Monetary Fund, reflecting a strong recovery after its collapse during the uprising that toppled Moammar Gadhafi.

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