

5th Airport Chief Executives' Symposium Athens 24.11.2017

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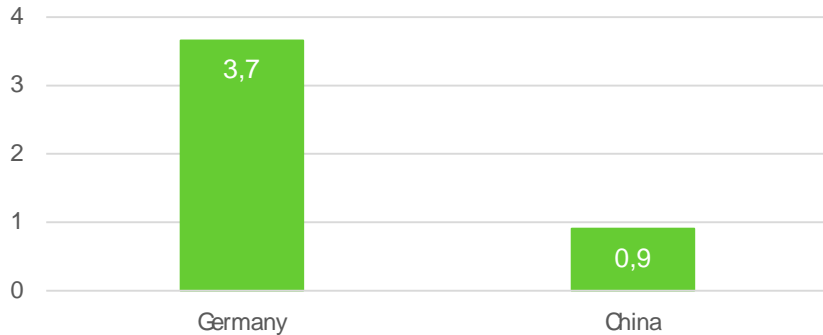
Dr. Michael Kerkloh – November 2017



The Chinese Market – An untapped potential?

- The Chinese Market has grown significantly in the last decades, however, it remains one of the largest untapped potentials in the world.
- In 2016, the Chinese Market has offered more than around 1.3 billion seats, roundabout one seat per inhabitant. By contrast, the German market alone has offered 300 million seats, meaning almost four seats per inhabitant.
- The Chinese economy has been pushing – and will keep pushing – growth of the aviation sector.

Seats per inhabitant (2016)



GDP per capita (PPP) comparison

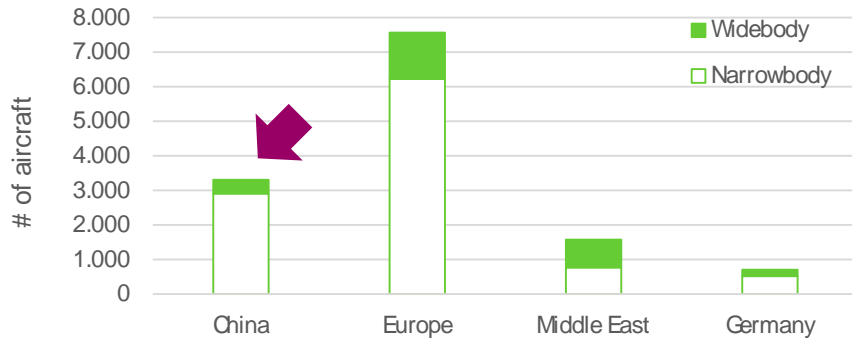
20 years ago:	Today:
Germany – China	Germany – China
12 : 1	3 : 1

Sources: IMF, SRS

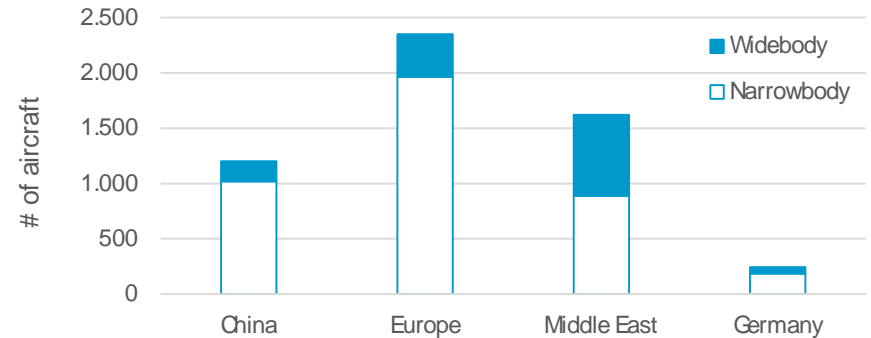
Growth will be happening – but where?

- Despite significant growth in the last decades, Chinese capacity is still directed towards Asian markets, particularly domestic traffic.
- Only 1% of flights are connecting China to Europe or North America, respectively. This has hardly changed in recent years.
- The current fleet as well as the fleet orders suggest that the Chinese airlines see a lot of potential, but are far less aggressive in their capacity expansion than the Middle East (particularly on long-haul flights).

Current operating fleet (November 2017)



Current fleet orders (November 2017)

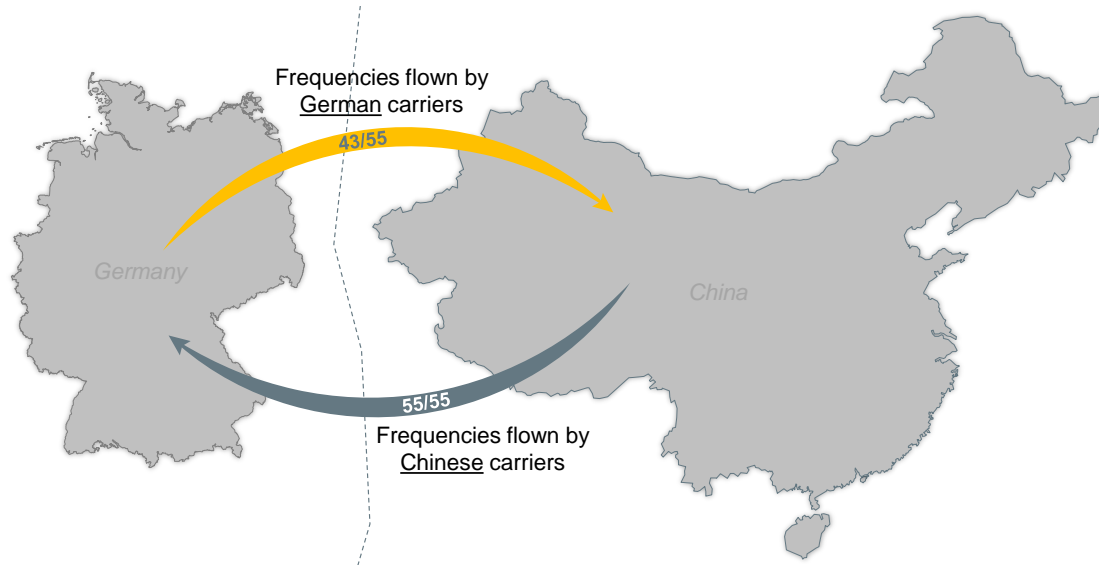


Source: CAPA



German-Chinese market: Restrictions to growth

- In spite of the significant potential, growth is impeded by two major restrictions: Air Service Agreements and airport capacity.
- Around 80% of capacity is provided by the Lufthansa / Air China Joint Venture signed in 2016.



Source: FMG

Approaches to airport capacity shortages

- Key airports in Germany and China face a similar problem: Access to airport slots is increasingly scarce.
- Munich Airport has been heavily constrained for years and is pushing for an airport expansion with a third runway since 2005 (best case: operational in 2023).

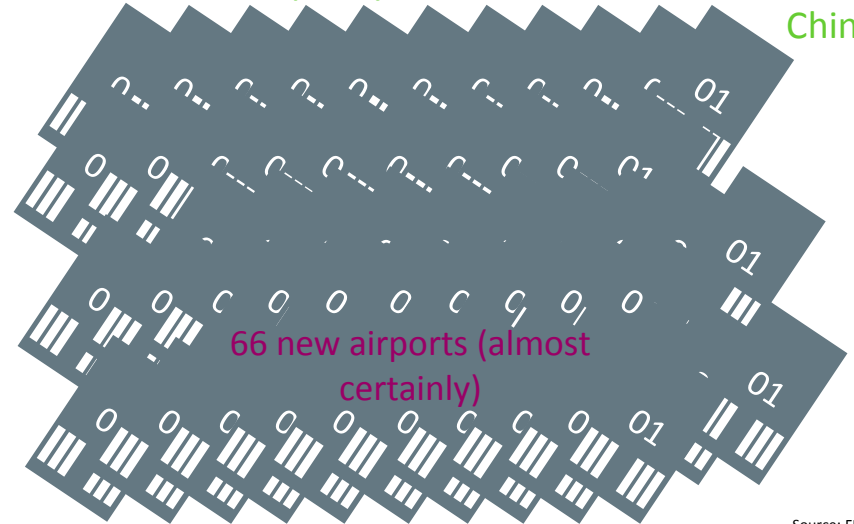
Airport politics – Projects to increase movement capacity

Germany



Up to one new runway
(possibly)

China



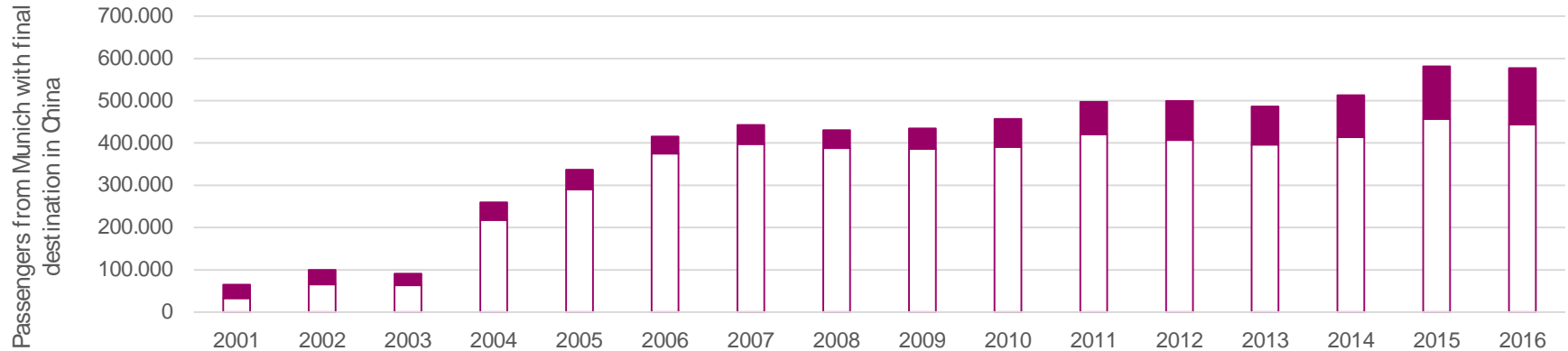
66 new airports (almost
certainly)

Source: FMG

German-Chinese market: Growth through indirect traffic

- The limitations set by the ASA have caused direct traffic to stagnate since 2006, whereas indirect traffic has continued to grow.
- Countries with more liberal ASAs with China will manage to capture significant demand in coming years.

Munich to China - Direct and indirect traffic flows



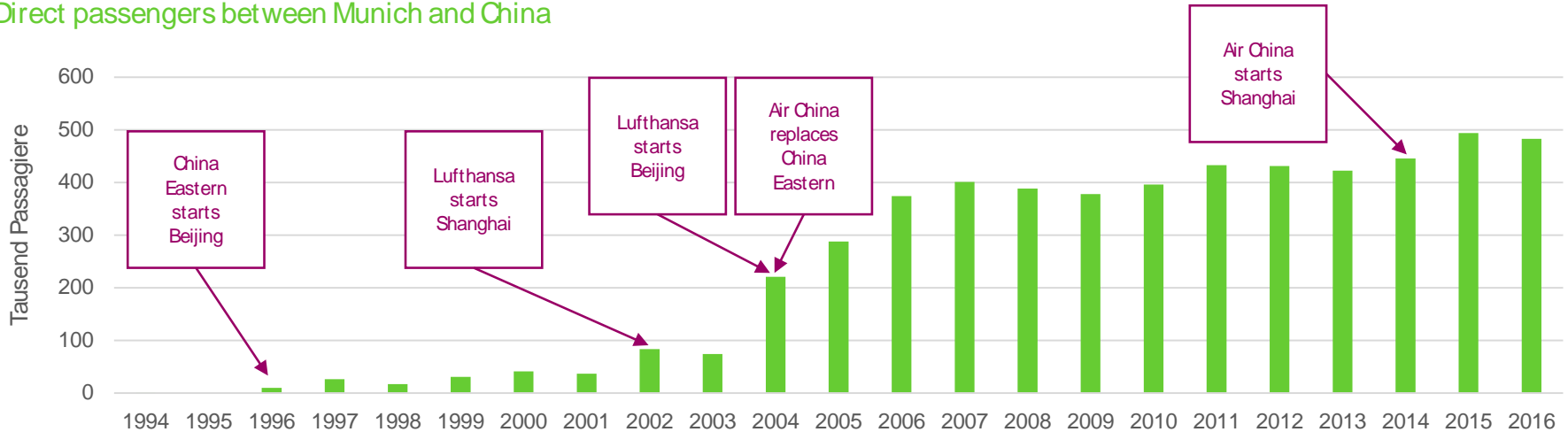
Source: FMG



Munich-China: Direct traffic

- The level of passengers flying directly between Munich and China has been very much driven by the supply provided by Lufthansa and Chinese airlines.
- Munich Airport is working with airlines and authorities to support an expansion of the current ASA regime. Increased traffic between Germany and China holds significant opportunities for both business and (incoming) tourism.

Direct passengers between Munich and China



Source: FMG

Munich Airport: Experience with Chinese tourists



Length of trip: Typically 1-2 weeks across Europe

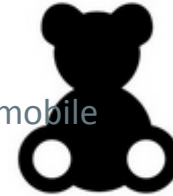
Typical roundtrip includes: Paris, Switzerland, Italy, Germany

Favorite region in Germany: Bavaria



Favorite activities: Sightseeing & Shopping

High dependence on online services (e.g. booking) and mobile payment services (e.g. Alipay)



Most common complaint: Lack of guidance & services for Chinese travelers

Most travelers use their mobile devices to get around and are surprised by some of Germany's 'antiquated' solutions (payment, navigation...)

Thank you!

