



FORESIGHT is a monthly commentary on significant issues within the tourism sector. Each month, "Market Focus" discusses economic, social and political factors that underlie demand for tourism now and in the future. In addition, a spotlight is focused on a significant tourism issue. This month 'Market Focus' looks at some lesser-known, but potentially 'emerging' Asian outbound markets, and 'Issue of the Month' considers the implications of the upcoming opening of Terminal 5 at Heathrow Airport.

Market Focus – Lesser-known Asian markets

We have all read and heard plenty about the growing importance of China and India as outbound tourism markets, but a decade from now will there be a new generation of emerging Asian markets about which everyone is talking?

VisitBritain continues to enhance its presence in Asia, and in recent years has expanded its work in China, India, South Korea, Malaysia and Thailand, while maintaining a presence in more mature Asian markets such as Hong Kong, Singapore and Japan. A wealth of research and statistics relating to all of these markets can be found in the latest edition of VisitBritain's 'Market and Trade Profile', available at www.visitbritain.com/research.

There are a lot of countries in Asia, so in order to decide which markets to cover only those from which Britain welcomed more than 5,000 visitors in 2006 (based on figures from the International Passenger Survey¹) have been analysed. The table sets out the number of visits and amount of visitor spending from Asian markets that meet the 5,000 visits criteria.

Visits (000s)		Spend (£m)	
India	367	India	315
Japan	342	Japan	225
Hong Kong	154	Hong Kong	141
South Korea	153	Pakistan	128
Pakistan	114	China	104
China	107	Singapore	88
Singapore	99	South Korea	81
Malaysia	85	Malaysia	75
Thailand	58	Taiwan	46
Taiwan	35	Thailand	39
Philippines	23	Kazakhstan	37
Sri Lanka	21	Indonesia	29
Indonesia	19	Philippines	24
Kazakhstan	19	Sri Lanka	12
Bangladesh	10	Bangladesh	11
Vietnam	9	Nepal	8
Nepal	7	Brunei	5
Brunei	7	Vietnam	5

Market Profile' series covers this market
This edition of Foresight covers this market

Key facts and figures

Ten Asian markets not covered by the 'Market Profile' series saw outbound visits to Britain in excess of 5,000 during 2006, ranging from Pakistan with 114,000 visits worth £128m, through to Brunei with 7,000 visits worth £5m. In total, these ten markets contributed £307m to the UK visitor economy in 2006 (equivalent to 2% of all inbound visitor spending). It is important to recognise that figures from the International Passenger Survey for many of these markets are based on extremely small sample sizes, ranging from just 13 visitors from Vietnam being interviewed through to 205 from Pakistan. As such these estimates should be treated with considerable caution.

There is insufficient space here to provide a detailed report on each and every market, but the following grid presents information on a number of factors considered relevant to how promising (or not) each market might be for UK tourism in the coming years.

	Scheduled Direct flights / number of stops	Typical Journey time to Britain	Visa Required?	GDP per capita (purchasing power parity, \$)	Population (millions)	Internet penetration	Outbound visits (000s)
Pakistan	Yes/0	9 hrs	Yes	3,131	161.1	7.2%	n/a
Taiwan	Yes/1	18 hrs	Yes	34,015	23.3	63.0%	8,671
Philippines	No	17 hrs	Yes	6,053	90.5	16.0%	2,144
Sri Lanka	Yes/0	12 hrs	Yes	6,277	20.1	2.2%	757
Indonesia	No	18 hrs	Yes	4,991	227.9	8.9%	4,106
Kazakhstan	Yes/0	8 hrs	Yes	11,672	15.1	8.5%	3,004
Bangladesh	Yes/0	11 hrs	Yes	2,405	161.9	0.3%	1,819
Vietnam	No	16 hrs	Yes	4,034	86.8	20.3%	n/a
Nepal	No	16 hrs	Yes	2,063	24.8	1.0%	373
Brunei	Yes/1	18 hrs	No	26,952	0.4	41.0%	n/a

Sources:

- BAA, airlines
- UKvisas
- IMF
- Internet World Stats
- UNWTO

Highlights that we can take from the table include:

- Four of the markets do not have flights operating directly to Britain (with a single flight code), though in all cases it is possible to interline or change aircraft at a major Asian or Middle Eastern hub airport, thereby reaching the UK with a single change of aircraft
- Brunei is the only country among the ten for which a visitor visa is not required in order to holiday in Britain
- The average standard of living (once adjustments are made to allow for 'purchasing power parity') in a number of these countries is extremely low, only citizens of Taiwan and Brunei enjoy a standard of living akin to that which is common in the West
- Indonesia is by far the most populous of the countries, whereas Brunei has a resident population equivalent to that of Dorset
- Taiwan and Brunei stand out as having very high levels of Internet penetration, but once we take into account the size of population Indonesia is the country with the highest absolute number of Internet users (around 20 million)
- The outbound market from Taiwan is by far the largest, and is twice that of Indonesia, despite the population of Taiwan being a tenth of the size
- Although not shown in the table, as estimates are not available for all markets, the number of UK residents born in some of the markets under consideration is significant. According to the Institute for Public Policy Research at the end of 2006 the UK was home to 306,000 Pakistan born residents, 209,000 born in Bangladesh, 103,000 born in Sri Lanka and 100,000 born in the Philippines

Clearly these figures merely represent a 'snap shot' and future changes may make individual markets more or less promising prospects. For example, the establishment of direct air links between Indonesia or Vietnam and Britain could stimulate demand. Nevertheless, if we take a fairly simplistic approach to ranking the information in the table the markets that offer the best prospects in the medium term would appear to be Taiwan, the Philippines and Indonesia.

Some market 'insights'

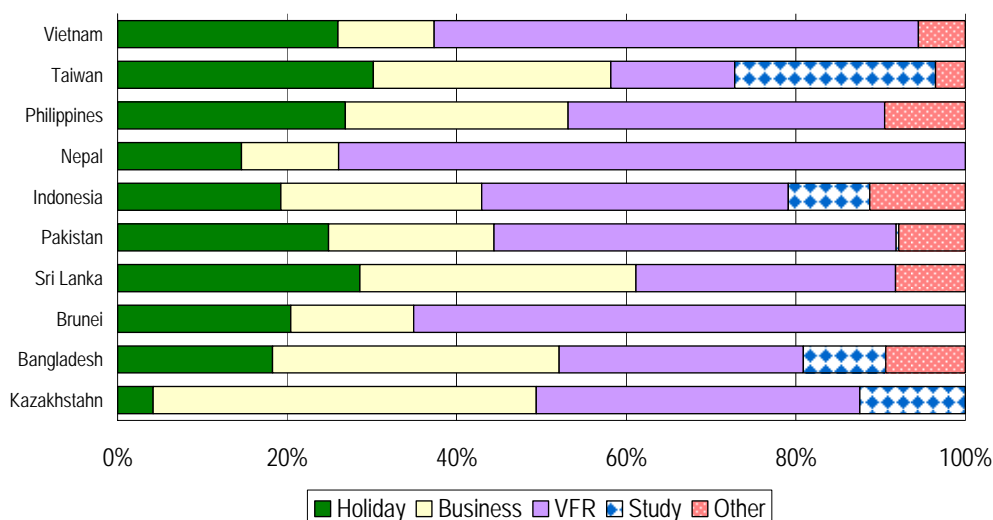
Those factors detailed in the earlier table are certainly important in an assessment of whether or not a market holds potential, but an array of other influences will play a role too. Below are listed just a handful of insights that are of note:

- According to the Vietnam Economic Times, the Vietnamese government expects air passenger traffic to more than double to 32.4 million passenger movements per annum by 2020, with annual growth of 11% to 14% over the next decade – investment plans should see a fourfold increase in airport capacity within the country by 2020.
- According to UCAS figures the UK is a popular destination for university applicants from a number of these markets, with 1,362 of those accepted onto courses in 2006 coming from Pakistan and 652 from Sri Lanka. Demonstrating that there are strong ties between Britain and Brunei, some 381 students from Brunei entered UK universities in 2006
- All Indonesian airlines are banned from European Union airspace on safety grounds
- The political situation in number of these markets can at best be described as 'fluid', and in certain instances 'unstable'. Most of note in this regard is Pakistan with an 8th January election having been postponed due to the assassination of Benazir Bhutto on 27th December 2007. An attempted coup in the Philippines on 29th November 2007 failed to generate a mass uprising and was swiftly dealt with, but the Economist notes that President Macapagal Arroyo's grip on power is fragile, and in Sri Lanka the government has withdrawn from a ceasefire with Tamil Tigers and a roadside bomb recently killed a government minister
- Pakistan and Sri Lanka stand out among the markets being considered as those with which the UK has the strongest sporting ties, indeed the England cricket team has recently been touring in Sri Lanka
- The amount of trade between countries is a crucial driver for business tourism, and in 2006 Taiwan was the UK's 26th most valuable trading partner in terms of imports, Indonesia 37th, Vietnam 40th, Philippines 45th and Bangladesh 46th (none of the other markets made it into the top fifty). In terms of exports from the UK Taiwan again comes top out of the markets being considered and was the UK's 34th most valuable export market, followed by Pakistan in 44th spot – no other markets made it into the top fifty
- Inflation seems to be re-emerging in Kazakhstan, with the World Bank suggesting that it is the global rise in food and commodity prices that has resulted in bread shortages across the country
- Taiwan's economy is thriving and democracy alive and well, but China still considers the island to be a wayward province and governments worldwide do not consider Taiwan to be a state in the international community. Worries remain over how China may react should Taiwan declare independence from China, with Taiwanese elections in March set to coincide with a referendum on whether the island should attempt to join the United Nations under the name 'Taiwan'

Market maturity

One measure for the 'maturity' of markets is to compare the journey purpose mix with that from Britain's traditional inbound markets. From the following chart we can see that those markets for which Britain attracts broadly similar numbers of holiday, business and 'VFR' trips are Taiwan, Sri Lanka and the Philippines. Other points to note are the very high share of visits that are to visit friends and relatives from Vietnam, Nepal and Brunei, and the high proportion of study visits from Taiwan.

Journey purpose mix



Nationality versus country of residence

On a number of occasions *Foresight* has pointed out that the numbers most commonly quoted from the International Passenger Survey are based on a visitors' country of residence, and not their nationality, so it is often informative to look at the data from a nationality perspective. There are two ways in which we can do this, firstly to consider what proportion of visitors from a particular country are nationals of that country, and secondly to look at the number of visitors to Britain based on a particular nationality, regardless of where the visitor happens to be resident.

There are more Pakistani nationals visiting Britain than residents of Pakistan, by a margin of 17,000, but perhaps the more noteworthy fact is that twice as many Sri Lankan nationals visit Britain than do residents of Sri Lanka. At the other end of the scale 6,000 fewer Indonesians than residents of Indonesia visit Britain.

The table indicates the proportion of visitors from each country that has British nationality, nationality that is the same as the country of residence, and the proportion neither British ex-pats nor a national of the country in which they currently reside. So, four in every ten visitors from Brunei to Britain is a Briton. There is also a high proportion of Brits among visitors from Indonesia, the Philippines and Nepal. By contrast only 5% of visitors from Taiwan are Britons. The overwhelming majority of visitors from Pakistan and Bangladesh are nationals of those countries, whereas little over one-in-three visitors from Brunei and Sri Lanka are nationals of these countries.

Country of residence	Nationality =		
	British	'Home' country	Other
Kazakhstan	7%	83%	10%
Bangladesh	6%	92%	2%
Brunei	42%	35%	23%
Sri Lanka	18%	37%	46%
Pakistan	5%	94%	1%
Indonesia	36%	45%	19%
Nepal	22%	78%	0%
Philippines	24%	68%	8%
Taiwan	5%	75%	20%
Vietnam	27%	60%	12%

For the time being the focus for British tourism businesses is unlikely to shift away from mature Asian markets (such as Japan) and those we know to be growing rapidly (for example China and India). Over the next decade however, there is a good chance that at least a couple of the markets dealt with here may be firmly on our radar.

Issue of the Month – Heathrow Terminal 5

A good news story for Heathrow

In the past few years whenever media cameras have been at Heathrow Airport it is to film pictures of anxious travellers queuing inside marquees due to flight disruption caused by strikes, stringent security measures or fog. However, on 27th March cameras will be recording the moment in history when Terminal 5 opens its doors to air passengers for the first time, and what's more, the £4.3bn project is set to be completed on time and on budget. There is no doubt that this new facility, exclusively for the use of British Airways, will mark a step change in the quality of airport experience enjoyed by tens of thousands of visitors to Britain each year, but Terminal 5 will not, on its own, remove all of the constraints that exist at the airport and sometimes result in air passengers getting less than a top-notch experience.

Heathrow Airport handled 67.9 million passengers during 2007, with 475,713 aircraft movements, making it the world's busiest international airport. The airport operates with two runways (by comparison, Frankfurt airport is about to start construction on a fourth runway) and four passenger terminals. The airport is home to 90 airlines bringing visitors to Britain from 180 airports in over 90 countries.

An impressive array of statistics but the airport has been operating with Terminals 1, 2, 3 and 4 since Terminal 4 opened on 12th April 1986. During the first full year in which Heathrow operated with four passenger terminals (1987) annual passenger numbers stood at 34.7 million, so in the past twenty years the four Heathrow Terminals have witnessed a 94% increase in passenger movements.

Inbound visitors using Heathrow

We can take a look at International Passenger Survey figures to get a feel for how important Heathrow airport is to Britain's inbound visitor economy. During 2006 an estimated 9.6 million inbound visitors used Heathrow Airport, equivalent to 29% of all inbound visitors. The importance of Heathrow becomes even clearer once we look at how much visitors passing through Heathrow spent during their visit to Britain, bearing in mind the 'market mix' at Heathrow (significant business traffic and a high proportion of long-haul routes) it is perhaps no surprise that £6.7bn worth (or 42%) of inbound visitor spending in 2006 is attributable to visitors using the airport. One-in-three inbound visitors who passes through Heathrow is travelling on business, slightly more than the proportion using the airport as part of a holiday or to visit friends or relatives in Britain (29% and 26% respectively).

About Terminal 5

Terminal 5 holds many records, one of which is that the public inquiry into whether or not the Terminal should be built was the longest in British planning history, having taken three years and ten months to reach its conclusion. The public inquiry was just part of the 13 year 'planning phase' for Terminal 5, with construction finally starting in September 2002. Not only has the time since 2002 seen construction on the site of the new Terminal, but also to transport infrastructure to ensure that passengers can get to and from Terminal 5 by their preferred means of transport. A milestone was reached in 2004 when tunnelling work for an extension of

the London Underground Piccadilly Line was completed (Heathrow Express trains will also serve Terminal 5).

Terminal 5's construction has necessitated a number of airfield improvements, including the construction of a new control tower which became operational in April 2007 and the introduction of 60 new aircraft stands (14 of which will be capable of handling the Airbus A380 super-jumbo) and taxiways at the western end of the airfield. Two satellite buildings will be linked to the main building by an integrated 'track transit system', with Satellite C due to open in 2010. The main Terminal building will open before dawn on 27th March, with the first arriving flight expected to be from Hong Kong.

Once fully operational Terminal 5 will be able to handle 35 million British Airways passengers per annum, representing a 50% increase on today's passenger volumes. The main Terminal building consists of five storeys, each the size of ten football pitches and will contain world-class facilities.

Arriving visitors

Particularly for first time visitors to a country the port or airport at which they arrive can help shape their overall 'take' on a destination – modern, stylish and efficient, through to dirty, unwelcoming and shambolic. The Terminal 5 'ambience' will mark a true step change for visitors arriving at Heathrow, with a maze of passageways being replaced by glass walled interiors offering airfield views, and a walk from aircraft to Border Control and baggage reclaim far shorter than is the norm at many of the older Terminals at Heathrow. Border Control will have 36 desks helping to speed up the arrivals process, with registered travellers being able to use Iris Scanners, and thereby skip the traditional wait in line for passport checking.

Many of the recent 'horror stories' reported by the media have centred on large piles of lost or unclaimed bags cluttering up the airport after having become separated from their owners, but the new baggage handling facilities at Terminal 5 should bring a dramatic improvement to this dimension of the airport experience. Baggage belts between aircraft and the baggage reclaim hall employ the latest technology and designs, travelling at 30mph and carrying up to 12,000 bags per hour.

Departing visitors

Two Security Check-Points and 96 check-in kiosks will help to minimise the time departing visitors to Britain spend in queues before entering the Departures Lounge, with all departing passengers sharing one lounge, as a result of which passengers who are flying on domestic services will have a biometric fingerprint taken at Security, with a second fingerprint check at the departure gate. The lounge will contain dozens of shopping, eating and drinking opportunities and during daylight hours be naturally lit courtesy of a vast glass wall overlooking the airfield and London skyline. Visitors who are flying home in BA's Club World cabins will be able to take advantage of a range of luxury amenities in stylishly designed surroundings.

Getting to and from Terminal 5

Getting from the airport to your business meeting or hotel with ease and efficiency is equally as important as the airport facilities, and once through Customs visitors will arrive in the Interchange Plaza from where numerous modes of transport will be accessible. Beneath the

Terminal is a rail station served by Heathrow Express and London Underground trains, with capacity for Airtrack services in the future should this plan to link Terminal 5 by rail to the South West Trains network at Staines come to fruition. Bus and coach services will serve the Terminal from an adjacent bus station. The bus station will also give access to metered taxis.

There will be free parking for bicycles at either end of the Terminal building, and both short and long stay car parks for those wishing to drive to the airport. Pick-up and drop-off lanes will be available outside the Terminal for visitors who are being driven to or from the airport by friends or relatives. A 500m spur road between the M25 and Terminal 5 is due to open later in 2008.

Only one piece in the Heathrow jigsaw

It would be a fallacy to assume that once Terminal 5 is up and running that every arriving or departing visitor to Britain using Heathrow will have a first-rate experience. Many parts of the airport will remain in need of refurbishment, and Terminal 5 will not diminish the length of time aircraft spend queuing to take-off or circling before landing. Passenger congestion inside Terminal buildings should be dramatically improved, as should delays to aircraft caused by there being no available aircraft stand. Terminal 5 will deliver many benefits, but it will not deliver additional runway capacity at Heathrow and both runways are currently operating at levels very close to their maximum permitted capacity.

Plans for redevelopment at Heathrow's other Terminals are well advanced with some major improvements already operational. Terminal 3 is now capable of handling the Airbus A380 super-jumbo, Virgin Atlantic have a brand new fast track and lounge environment for its premium customers, and the airport's new control tower ensures the best facilities for air traffic control. However, it is BAA's plans for 'Heathrow East' that offer to deliver the biggest step change in 'airport experience' over the coming decade.

Terminal 2 is Heathrow's oldest Terminal – it was opened back in 1955 and the airport operator BAA admits that it is a 'tired and outdated structure that is no longer able to meet the demands of a modern airport'. Once Terminal 5 is up and running Terminal 2 will be demolished. BAA plan to refurbish Terminal 1 over the next two years, but the longer term plan is for a brand new Terminal to be built on the site of the existing Terminals 1 and 2. BAA hopes to have the first phase of the new Heathrow East Terminal operational by the time of the London 2012 Olympic and Paralympic Games.

Despite taking up the same amount of land, Heathrow East will see lower water consumption, less waste generation and a 40% reduction in carbon dioxide emissions than the existing Terminals 1 and 2. BAA does not intend for Heathrow East to have a greater passenger or aircraft capacity than the Terminal buildings that it will replace – put simply it will replace outdated buildings and enable visitors flying into and out of Britain's primary international airport to experience a fundamentally improved quality of service and environment.

Next month...

In terms of aviation March 2008 is set to be a hectic month, as not only will Terminal 5 open its doors to the public for the first time, but the much talked about EU/US 'Open Skies' agreement also comes into effect. In light of this important development (the US represents Britain's most valuable inbound market by a factor of three) next month's *Foresight* will take an in-depth look at what the deal might mean for UK tourism.

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Issue 3	January 2004	France, Italy, Portugal and Spain	Airport capacity in Britain
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Issue 5	March 2004	Britain	School holidays and their impact on seasonal spread
Issue 6	April 2004	Australia and New Zealand	West Nile Virus
Issue 7	May 2004	The EU Accession States	The Internet Part 1: Consumers
Issue 8	June 2004	South Africa, Nigeria, Kenya and Ghana	The Internet Part 2: Businesses
Issue 9	July 2004	India and Pakistan	Trends in Cross-Channel Travel Behaviour
Issue 10	August 2004	Belgium, Netherlands, Luxembourg and Ireland	Cost of visiting Britain compared with other destinations
Issue 11	September 2004	Japan, Hong Kong, Philippines and Taiwan	What might climate change mean for tourism in Britain
Issue 12	October 2004	Brazil, Argentina, Chile and Venezuela	London's Olympic Bid – implications for British Tourism
Issue 13	November 2004	Norway, Sweden, Denmark and Finland	Smoking in public places
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Issue 21	July 2005	USA, Canada and Mexico	Weddings, Stag Weekends and Hen Weekends
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Issue 23	September 2005	Latvia, Lithuania, Estonia, Ukraine and Belarus	Quality
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Issue 25	November 2005	Australia, New Zealand and South Africa	Outlook for Inbound Tourism in 2006
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