# COVID-19 AND THE ALIGNMENT OF TIMOR-LESTE'S AVIATION AND TOURISM STRATEGIES

The Asia Foundation is a nonprofit international development organization committed to improving lives across a dynamic and developing Asia. Informed by six decades of experience and deep local expertise, our work across the region addresses five overarching goals—strengthen governance, empower women, expand economic opportunity, increase environmental resilience, and promote international cooperation.

Headquartered in San Francisco, The Asia Foundation works through a network of offices in 18 Asian countries and in Washington, DC. Working with public and private partners, the Foundation receives funding from a diverse group of bilateral and multilateral development agencies, foundations, corporations, and individuals. In 2019, we provided $84.9 million in direct program support and distributed textbooks and other educational materials valued at $7.3 million.

The Asia Foundation's tourism program has been active in Timor-Leste since 2013. During this time, it has worked with the Government of Timor-Leste and private sector partners alike to facilitate evidence-based decision making, product development, marketing, research and analysis. Its current project will receive NZD $5 million, over a period of five years with funding from the New Zealand Ministry of Foreign Affairs and Trade. This project aims to improve the economic well-being of Timorese by engaging the tourism sector to increase equitable livelihood opportunities through job creation and increased income, particularly at the community level.

# The Asia Foundation

# Covid-19 and the Alignment of Timor-Leste's Aviation and Tourism Strategies

Paul Hooper, PhD[1]

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[1] Paul Hooper is an economist with more than 40 years of experience in aviation and tourism. His career includes appointments as a policy, strategy and regulatory specialist in government, universities, and the International Civil Aviation Organization. In 2017 he assisted the Timor-Leste Government in developing its National Civil Aviation Policy.

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# Foreword

The Organisation for Economic Co-operation and Development (OECD) and the World Bank both regard the Covid-19 pandemic as the most severe economic recession in nearly a century. With the Pacific island nations in mind, the International Monetary Fund (IMF) recently warned that "the pandemic may inflict deeper wounds than even the worst natural disaster". Although the International Civil Aviation Organization (ICAO), the World Tourism Organization (UN-WTO) and industry associations are charting ways to facilitate an orderly recovery, uncertainty clouds every action in a dynamic environment.

This uncertainty begins with the virus itself. There is an immense cooperative effort to understand how the virus spreads and how to treat infected patients, but the most challenging goal is to develop an effective vaccine and to make it widely available. Another dimension of the crisis is the economic impact - the rapid increases in unemployment, reductions in trade, business failures and destruction of wealth. Governments everywhere have made unprecedented decisions to protect the health of their citizens and to sustain their economies. This crisis will inevitably have long-lasting political, social and economic impacts that, at this stage, are difficult to gauge. Yet the World Health Organization (WHO) advises that the crisis has yet to run its full course.

Much of the early discussion about a recovery centered on how soon air travel and tourism would be able to resume their previous patterns of robust growth. Forecasters examined how markets recovered from disruptive events and debates focused on whether the recovery would be "V-shaped" or "U-shaped". Aviation and tourism have shown remarkable ability to rebound after shocks, but there also is a realization that "this time it is different" and the outlook is bleak. Borders remain closed, airlines are pruning their fleets and networks, and it will take time to restore confidence in travel.

The first part of this report describes the roadmap developed by ICAO to re-open borders and to provide a foundation for a restoration of air services with Covid-safe travel arrangements. This section illustrates what can be done in Timor-Leste and describes actions that can be taken by the tourism sector to build relationships with airlines and to support the agencies responsible for aviation. The accompanying assessment of the current outlook for aviation makes it clear that stakeholders in Timor-Leste will need to be pro-active if the nation is to be given priority by financially stressed airlines.

Before the onset of the Covid-19 pandemic, Timor-Leste's aviation sector was at an embryonic stage of development, and the shortcomings of its aviation sector were recognized as constraints on the development of tourism. Yet the fact is that international aviation is an extremely complex system. It is critically important that Timor-Leste's resources are focused directly on the key structural challenges that remain to be addressed in a post-Covid environment. Section 2 provides a foundation for a shared understanding about the need for a holistic solution and provides a basis for a constructive engagement between tourism and aviation stakeholders.

In closing, the report summarizes key observations and highlights the ongoing need for alignment of Timor-Leste's aviation and tourism strategies.

# SHORT TERM OUTLOOK (2020-2021)

# The impact of Covid-19 on aviation and tourism

## The onset of the crisis

The World Health Organization (WHO) reported on 10 January 2020 that there was a cluster of pneumonia in Wuhan City, Hubei Province of China that "seems to be a novel coronavirus". At that stage, the modes of transmission were not apparent, and the WHO did not advocate restrictions on travel. It was only on 30 January, when the WHO's International Health Regulations (2005) Emergency Committee declared a "public health emergency of international concern" (PHEIC). The virus soon was labeled Covid-19, and it began to spread across international borders. On 11 March, the WHO declared a "global pandemic".

The Pacific island nations began closing their borders to international travelers during February and have been successful in protecting their citizens. Australia, Indonesia, and Timor-Leste took similar actions. By April, global aviation operations were reduced to relief flights to repatriate citizens, emergency medical flights, and delivery of urgently required medical supplies. Likewise, international and even domestic, tourism was brought to a standstill. Governments also initiated lockdown measures to control the spread of the virus, which contributed to a global economic crisis that is more severe than any experienced over the past century.

## Impacts of Covid-19 on national economies, aviation, and tourism

Since the pioneering stage of commercial aviation one hundred years ago, it has never experienced a setback of this scale and breadth. Consider that, in 2018, 1,303 commercial airlines were serving a global network of 45,091 routes connecting 3,759 airports, using 31,717 aircraft to carry 4.3 billion passengers[2]. This created an economic footprint equivalent in size to the world's 20th largest economy. It has been calculated that, in 2019, Timor-Leste received US$23.2 million from 38,074 leisure travelers[3] and that the tourism sector directly employed some 4,300 people[4].

In 2018, the Air Transport Action Group (ATAG) estimated that, together, aviation and tourism would support 2.4 million jobs and contribute US$74 billion to the GDP of small island developing states (SIDS) by 2036. This assumed continuation of sustained growth in travel of 4 percent annually. It remains unclear how the economic crisis brought on by the Covid-19 pandemic will play out in the long-term, but the International Monetary Fund (IMF) concluded in June that the global economy will become 4.9 percent smaller in 2020.[5] Furthermore, the IMF believes that the situation will deteriorate if the recovery is delayed, for example, by subsequent waves of infections and if a vaccine does not become immediately available.

Notably, the World Bank expects that Timor-Leste's economy will shrink by 4.8 percent in 2020[6]. The situation is even worse for those SIDS that have a greater dependence on tourism. The World Tourism Organization (UN-WTO) expects that spending by international tourists will decline by between US$910 to US$1,170 billion in 2020, compared to the $US1.5 trillion generated in 2019[7].

The recovery is dependent upon the restoration of air connectivity in an environment of severe financial distress across all parts of the "aviation value chain". Notably, airlines are particularly dependent on having reliable cash flow. The International Civil Aviation Organization (ICAO) estimates that the world's

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[2] *Aviation Benefits Report 2019.* Report compiled by the Industry High Level Group (IHLG), an initiative of the International Civil Aviation Organization (ICAO).

[3] 2019 Survey of Travelers to Timor-Leste. The Asia Foundation and the Ministry of Tourism, Arts and Culture.

[4] Estimate from the 2014 Business Activities Survey conducted by the General Directorate of the National Statistics Department

[5] International Monetary Fund. World Economic Outlook Update, June 2020. https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020

[6] World Bank. Global Economic Prospects. June 2020. https://www.worldbank.org/en/publication/global-economic-prospects

[7] World Tourism Organisation. Global Guidelines to Restart Tourism. 28 May 2020. https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-05/UNWTO-Global-Guidelines-to-Restart-Tourism.pdf

airlines have lost income amounting to US$213 to US$257 billion since the beginning of the crisis[8]. Garuda Indonesia, for example, suffered an 83 percent reduction in traffic during the first quarter of 2020, resulting in a net loss of US$120 million compared to a profit of more than US$20 million for the same period in 2019. The airline responded by laying off staff and parked 100 of its 142 aircraft. Currently, Australia's second-largest airline, Virgin Australia, is in receivership and there are indications that it will emerge as a smaller operator. Qantas also has downsized.

The general picture is that some airlines already have gone out of business while others are being restructured. Staff have been laid off, fleets have been pruned, orders of aircraft have been canceled, and unprofitable routes are being eliminated from networks. The airlines that will emerge from the crisis will be smaller and focused on financial survival in a weak market environment – and that includes those operators that directly or indirectly served Timor-Leste. Timor-Leste is a small market on the periphery of the networks of foreign airlines and, if it is to be given priority in restoration of air services, the operators will need to be convinced that it is an attractive proposition.

## The path to recovery

### What international aviation organizations are doing to facilitate a recovery

The seriousness of the crisis was recognized by the international agencies at an early stage. Notably, the UN-WTO formed a Global Tourism Crisis Committee and subsequently published guidelines to help the tourism sector emerge stronger and more sustainably from Covid-19, including a partnership with Google designed to encourage innovation and assist in a digital transformation of global tourism.

ICAO took immediate steps to ensure that safety and security are maintained even though activity levels are at record lows. For example, ICAO's portal provides practical guidance for states to maintain regulatory requirements for certifications and licenses. The objective is to ensure that the aviation sector is fit and able to function when travel restrictions are lifted. Medical advice was offered as well to ensure the safety of the people who work in aviation as well as travelers. The Council of ICAO also established an Aviation Recovery Task Force (CART) composed of representatives from States, and international and regional industry organizations, and supported by the ICAO Secretariat. The CART was tasked to identify and recommend strategic priorities and policies to support States in coping with the immediate problems posed by Covid-19, to facilitate the restart of aviation, and to build a more resilient aviation system in the long-term.

### Stages for aviation's recovery

ICAO's CART expects the path to recovery will be unpredictable and challenging and expects that progress will be achieved through the following stages:

- Stage zero is the period when travel restrictions exist and when there is minimal movement of passengers between major domestic and international airports;
- Stage one involves a relaxation of restrictions and when some passengers begin flying again. This will allow airlines and airports to introduce aviation public health practices to cater for what will be relatively low volumes of traffic. ICAO's CART cautions that there "will be significant challenges as each stakeholder community adapts to both increased demand and the new operational challenges associated with risk mitigation".
- Based on favorable assessments of the health authorities using recognized medical criteria, it will be possible to relax restrictions and to allow traffic volumes to increase. This situation marks the transition to the second stage of recovery;

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[8] ICAO updates its assessments regularly as more information becomes available. These statistics were valid on 6th July 2020. For later updates, see https://www.icao.int/sustainability/Pages/Economic-Impacts-of-COVID-19.aspx.

- Stage three "may occur when the virus outbreak has been sufficiently contained in a critical mass of major destinations worldwide as determined by health authorities. The reduction of national health alert levels and associated loosening of travel restrictions will be key triggers. Risk mitigation measures will continue to be reduced, modified, or will be stopped in this stage. There may not be effective pharmaceutical interventions (e.g. therapies or vaccines) commonly available during Stage three but contact tracing and testing should be readily available. Until specific and effective pharmaceutical interventions are available, States may need to continue to loosen or reinstate public health and social measures throughout the pandemic"; and

- The fourth stage will arrive "when specific and effective pharmaceutical interventions are readily available in most countries". It is possible that there will be a set of residual measures/mitigations.

## Moving beyond stage zero and commencement of the recovery

### Pre-conditions for relaxing controls

Based on advice from the WHO and national health authorities, the common conditions set by many governments before relaxing travel restrictions include the following:

- either elimination of community transmission or at least a reduction in the rate of transmission to the point where it is so low that exponential growth in infections is no longer a risk;

- effective monitoring of infection rates through systematic and statistically significant testing regimes;

- reliable and efficient mechanisms to trace contacts of infected people;

- a capability to isolate outbreaks of the disease; and

- adequate capacity in the health care system to treat severe cases.

### The concept of "travel bubbles"

A way to progress beyond stage zero is for like-minded countries to agree to open their borders to each other when they have achieved a similar degree of success in meeting these pre-conditions. This idea has given rise to plans to create "travel bubbles" or "travel bridges" which permit arrivals from specified countries without the need for quarantine. At this stage of development, there has not been a need to formalize the bubble agreements, for example, in Air Services Agreements.

Australia and New Zealand are widely regarded as being successful in dealing with the pandemic. Following the joint announcement by the Australian and New Zealand Prime Ministers of their commitment to introducing a trans-Tasman Covid-safe travel zone as soon as it is safe to do so, the Australia New Zealand Leadership Forum (ANZLF), a business-led expert group, formed the 'Trans-Tasman Safe Border Group' on 5 May[9]. This joint working group is comprised of "health experts and airline, airport and border agency representatives from each country who will develop a comprehensive proposal for safely reopening the air border for Australian and New Zealand citizens and permanent residents".

The concept of a trans-Tasman travel bubble created a strong interest in the region. Fiji immediately commenced preparations, including the introduction of a contact-tracing application for use on mobile telephones. However, more than two months have passed, and the implementation of the trans-Tasman travel bubble is yet to be endorsed by the respective governments.

In the meantime, Australia is responding to the risk that some returning travelers who test positive to Covid-19 during the compulsory quarantine period must stay in designated hotels. A problem has arisen when people working in those facilities have become infected and have taken the virus back into the community. To better manage the quarantine arrangements, caps were set on the number of allowed

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[9] See https://www.anzlf.org/trans_tasman_safe_border_group

passengers. The second wave of Covid-19 outbreak being experienced in Melbourne also underlines the risks of subsequent outbreaks of the pandemic.

*Potential for Timor-Leste to participate in travel bubbles*

Timor-Leste is among the list of countries considered successful in dealing with the pandemic, but it faces difficult choices in the opening of its borders. Some choices might lessen Timor-Leste's attractiveness as a partner with other countries. Travel corridors, which mainly refers to an agreement to relax restrictions on quarantine, also have applicable conditions. These usually include passenger declaration of prior movements before travel, a test showing they are not infected, and a commitment to be traced. Some Caribbean countries and the Maldives have invited tourists to return, but with the condition that they stay in a resort and they will not leave that facility for the duration of their visit.

The three most important air transport links, Australia, Indonesia, and Singapore are the natural partners for Timor-Leste in any bubble arrangements. However, each of these countries faces different circumstances and their priority, beyond protecting their citizens, will be to re-open major markets. Although Timor-Leste is a small market, this can be an opportunity worth exploring with potential partners. Timor-Leste's success in managing Covid-19 and the manageable size of its travel market present conditions to test bubble arrangements.

Experiences in mobilizing a Pacific travel bubble suggest that progress is likely to be cautious and phased. Nevertheless, Australia is a low risk and an important option to pursue. As is the case with Australia and New Zealand, there is a possible role here for Timor-Leste's business community to link with their counterparts abroad and to work with authorities and airlines towards a re-opening of travel.

A senior official in Indonesia's Ministry of Foreign Affairs revealed in June that plans were being made to open travel corridors, but no details were given on the "principles" that were under investigation. The Deputy Coordinating Minister for Investment and Tourism said that the initial aim was to open to travel from four countries – Australia, China, Japan, and South Korea, that are major source markets for tourist and business travel. Subsequently, Indonesia invited Singapore to participate in a travel corridor, an offer that was declined. Singapore said it is not yet in a position to recommend travel abroad to its citizens and it is adopting a phased approach as it relaxes restrictions.

An indication of how a travel corridor with Indonesia might work is to look at how that country restarted its domestic air travel. A requirement that the airlines sell no more than half the number of seats on their flights was enforced. Likewise, standards of social distancing at airports were monitored and measures to manage queues were required. Passengers were required to show their flight ticket, identity card, medical letter stating that they were coronavirus-free, and official letters of duty, among other documents.

Singapore does allow passengers to transit through its airport under strictly controlled conditions, including the requirement that the transfer concession is only available for connections within the Singapore Airlines group. Malaysia also allows transit passengers to make onward connections, but it retains strict controls over entry to the country and for domestic travel[10]. These conditions, for example, applied to people on the flights between Dili and Kuala Lumpur arranged by the UN World Food Programme during June and July.

The Government of Timor-Leste informed stakeholders in early July that its suspension of commercial air transport operations remains in place and the national state of emergency was extended. The decision to allow a resumption of air services catering to the general public, including tourists, is a strategic one. The Government of Timor-Leste will need to weigh up the risks that arriving passengers pose to its citizens and, to the extent necessary, make choices about which destinations offer the best balance of risks and rewards of connectivity.

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[10] For up-to-date entry conditions, refer to https://airports.malaysiaairports.com.my/passenger-guide/faq-recovery-movement-control-order-rmco.

## Moving to stage 2 of the recovery and beyond

Where stage one has commenced, some airlines have been prepared to operate with very low loads as they restore their networks and get their aircraft and crews flying again. Timor-Leste is a peripheral destination with a small market, and it will need to be proactive if it is to be given priority by other countries during this stage. Stages two and three will see the numbers of passengers and tourists grow and this will create conditions where well-managed airlines can survive without the need for government assistance. However, all the indications are that these stages will be turbulent. Airlines, and airports, will need to have maximum flexibility to make commercial decisions and governments can help by doing all that is in their power to minimize the costs of doing business. Again, as a destination that sits on the periphery of Australia's and Indonesia's domestic markets and in relation to other ASEAN countries, Timor-Leste will need to be active in encouraging airlines to fly to Presidente Nicolau Lobato International Airport (PNLIA). One way this can be done is to develop credible business cases that would demonstrate to the airlines why serving Timor-Leste should be a priority and, if necessary, carefully tailor incentive programs to deliver tangible economic benefits.

Stage four is the ultimate objective when people can live normal lives. Although, even then futurists are referring to it as the "new normal"; with significant changes in the global political-economic environment and with governments and consumers expecting "responsible" travel in terms of being healthy and its contribution to climate change. The WTO advises that this is a time when destinations can redefine their strategies and it recommends tourism operators to embrace digital technology. Many of the SIDS are questioning their over-reliance on particular source markets for tourists, and even questioning the net value of long-haul travel considering its contribution to climate change. Another issue for SIDS is what sort of tourism product can sustain the higher airfares many analysts are expecting as the recovery takes shape.

Most countries have not yet emerged from stage zero or stage one, and a firm timeline on any further progression does not exist. In any case, the progression through the stages will not necessarily occur sequentially or in one direction. ICAO's CART was focused on creating conditions for an orderly and efficient recovery and it recommended that States make decisions using a risk-based approach informed by evidence and expert assessments by the health authorities. This advice was strongly endorsed by industry associations. However, any movement beyond stage zero, as defined by ICAO's CART, will first require acceptance by governments that travel is Covid-safe.

## What is Covid-safe travel?

Covid-19 has proven to be particularly dangerous because it is highly contagious in the early stages of infection and even when people have very mild reactions or are asymptomatic. A consequence in today's highly connected world is that unsuspecting travelers spread Covid-19. This begs two questions for governments: a) do arriving air passengers present an unacceptable national health risk; and b) are passengers and workers at risk of infection on aircraft and airports. Together, they amount to asking, "what is Covid-safe air travel?"

The experience of countries that have had success in controlling the spread of the pandemic within their borders is that a percentage of returning travelers brings new cases of infections. There are several ways to mitigate this risk. It is best if an infected person does not proceed with their travel, and the most common measures being applied are to require intending travelers to make declarations about their movements before travel, to provide proof that they are not infected in the days leading up to the travel, and agree to be traced after arrival. However, the logistics involved in organizing tests and obtaining results before travel within the specified time frames are proving to be difficult in some countries. Some tests are known to produce false-negative results – failing to identify the infection in an infected person – or the test was taken before the onset of the infection.

Faced with this situation, many governments require incoming passengers to go into quarantine for two weeks, which is generally considered to be enough time for the virus to run its course. Early

quarantine procedures allowed people to isolate in their own homes, but cases of transmission occurred via other family members who were not under movement restrictions. Even placing the arriving passengers into government-designated and supervised accommodations has had its problems. Australia, for example, had to cap the number of arrivals to be able to manage the quarantine arrangements. Although many governments paid the costs of compulsory quarantine, increasingly, the costs are being passed onto travelers. The combination of compulsory quarantine and associated costs is a major deterrent to travel. The concept of "travel bubbles" is discussed below, offers a way to be selective about partner countries that can allow for travel without the need for quarantine.

Turning to the second question, the critical issue is to understand how the virus is transmitted and to design measures to mitigate the risks during travel. The World Health Organization (WHO) has proceeded on the understanding that Covid-19 is spread through large respiratory droplets resulting from coughs, sneezes, and speech. Being large droplets, they fall to the ground or onto a surface. A good deal of attention has been paid to the filtration systems on aircraft and at airports, to seat fabrics, etc. as well as to cleaning to eliminate the coronavirus.

Of course, a traveler can become infected if another passenger sneezes near them, or if the person touches a surface contaminated with the coronavirus and then introduces it into their respiratory system after touching their face. The current advice being offered by the WHO and the International Civil Aviation Organization (ICAO) is that travelers will be safe if they maintain 1.5 meters from other people.

The Government of Timor-Leste's measures adopted in its State of Emergency as announced on 28th March included the following requirements:

- a prohibition of the entry of foreigners into Timor-Leste except in those cases approved by the Prime Minister that were regarded as being in the national interest or convenience of service;
- a requirement for people entering the country to undergo quarantine for 14 days; and
- a requirement for persons leaving the country to be subject to health controls, with those being considered at risk to be taken to a health facility for further diagnostic tests.

## Best practices for Covid-safe travel – expert guidance from industry associations

ICAO is looking to tourism industry associations to lead in adopting best practices for Covid-safe travel. The Airports Council International (ACI) and the International Air Transport Industry Association (IATA) have already published detailed guidance on best practices for Covid-safe travel. This guidance is offered in the spirit of a "menu"; to be used selectively depending upon the risks that arise in particular places and as conditions change[11].

IATA is particularly opposed to restricting the sale of seats and has demonstrated that this could lead to as much as a doubling of airfares. Indonesia, for example, requires its airlines to sell no more than 50 percent of the seats on domestic flights. Other countries have imposed similar requirements, but IATA argues that there is no evidence that Covid-19 has been transmitted from one passenger to another. IATA points to the effectiveness of aircraft filtration systems. Additionally, some airlines insist that all passengers wear masks for the duration of the flight. Qatar Airways has gone even further and requires passengers to wear a visor for eye protection.

Another measure that concerns the airlines and travel industry is the requirement to quarantine arriving passengers in a designated facility, possibly at their own expense. Market research is indicating that this is a major deterrent to travel, particularly since there is an uncoordinated and confusing approach taken by different countries, and even within each country.

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[11] The document, "Safely Restarting Aviation", is available at: https://www.iata.org/contentassets/5c8786230ff34e2da406c72a52030e95/safely-restart-aviation-joint-aci-iata-approach.pdf.

ACI published a separate and detailed guidance on what to do at airports, and it is in this area that significant challenges arise at PNLIA[12]. Some of the key recommendations are designed to:

- restrict access to the airport by the public;
- manage queues that form at processing points and boarding/disembarkation of aircraft;
- minimize person-to-person contact at check-in, at bag-drop, and luggage collection;
- protect officials, passengers, and crews while performing security screening and executing border controls and (immigration, customs, quarantine, etc.);
- social distancing, wearing of masks and cleaning in terminals;
- accommodate any additional health checks and deal with at-risk arrivals;
- collect information required by health authorities and to enable passenger and contact tracing;
- ensure safe travel arrangements to and from the airport; and
- train and equip the people working in the airport environment to be safe.

IATA and ACI advocate a more rapid take-up of technological solutions that simplify travel, including greater use of automated processes. They recommend that passengers are able to check-in ahead of travel and that automated bag-drop facilities be provided. Additionally, they urge that consideration be given to the online issuance of visas and electronic processing in immigration. Notwithstanding these valuable initiatives by industry, it is the responsibility of governments to decide what measures are required to protect the public.

## How to manage the delivery of Covid-safe air travel

To a very large extent, the responsibility for setting the national framework for Covid-safe air travel resides with the National (Aviation) Facilitation Committee (NFC). All 193 signatories to the Convention on International Civil Aviation are required to form such a committee and to make it responsible for developing a National Facilitation Programme[13] and to ensure implementation of the international standards contained in Annex 9 of the Convention that deals with the field of Facilitation (FAL). Article 14 of the Convention obligates States to implement effective means to prevent the spread of communicable diseases, and Annex 9 was developed in accordance with the WHO's International Health Regulations.

Annex 9 specifies that the NFC should be comprised of senior representatives of relevant government ministries or agencies, including customs, immigration, foreign affairs, security, police, agriculture/environment, quarantine, and public health. The Committee may also include membership of airlines, airport operators, ground handlers, and other stakeholders as appropriate. ICAO's guidance on the development of the National FAL Programme sets out the responsibilities of the key members of the NFC. Annex 9 also requires the establishment of Airport Facilitation Committees which are responsible for the implementation of the National FAL Programme.

ICAO issued a State Letter on 13 February in which it urged States to strengthen these arrangements. Timor-Leste is in the process of establishing its NFC, but the Air Navigation Administration of Timor-Leste (ANATL) took a lead on 1 April by issuing a contingency FAL program and invited stakeholders to participate in the Presidente Nicolau Lobata International Airport Facilitation Committee. ANATL set

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[12] Airports Council International. Aviation Operations during COVID-19 – Business Restart and Recovery. First issued 27 May 2020 and updated from time to time. https://store.aci.aero/form/aviation-operations-during-COVID-19-business-restart-and-recovery/?utm_medium=email&utm_source=media_release&utm_campaign=pr&utm_content=20200526&_clde e=ZGlyZWN0b3JAbWNjYXJyYW4uY29t&recipientid=lead-040a25007281e911a983000d3af3eee6-50d15beaeb3d4995aa7d58cd6ebefcac&esid=6b6bc9ee-989e-ea11-a812-000d3af3a7a7

[13] Refer ICAO Doc 10042, Model National Air Transport Facilitation Programme. https://www.icao.int/WACAF/Documents/Meetings/2018/FAL-IMPLEMENTATION/DOC_10042_FULL_EN-EDENPROD-554135-v1.pdf

out the terms of reference for its committee and defined responsibilities, following the ICAO guidance, and it set out a work program as well as defining procedures for approval of flights and for inspection of arriving passengers.

ANATL's FAL Committee already is preparing for Covid-safe travel, but the physical facilities at PNLIA constrain its options. ICAO's CART suggests that unprecedented measures need to be considered. Notably, these measures will be beneficial in the long-term by creating a more seamless and enjoyable travel experience. The possibility arises that Timor-Leste's tourism sector could engage in a search for innovative solutions to improve the situation at the airport and to promote the ideal of seamless travel.

Also, air travel is only one part of the equation. Travelers will be equally concerned about their safety in commercial accommodation, restaurants, and local travel. It is important that the measures to create confidence in travel are equally reflected in aviation and tourism initiatives and that Timor-Leste's preparedness is communicated clearly in a unified way.

Guidance on preparing tourism for the recovery has been developed by the World Tourism Organization's (UNWTO) Global Tourism Crisis Committee[14]. Confidence in travel, according to the UNWTO, requires implementation of check procedures that include temperature screening, where appropriate, testing, physical distancing, enhanced frequency of cleaning and the provision of hygiene kits. A risk-based approach in applying this guidance in enterprises serving visitor needs in Timor-Leste can sit beside the aviation-specific measures. The key points are to ensure transparency and to communicate effectively and in a coordinated way. The UNWTO, however, emphasizes the need to adopt information technology to a greater extent to minimize contacts, for example, in check-in processes. Also, UNWTO offers online digital learning and online skills training – opportunities of value to Timor-Leste. This emphasizes the importance of communications technology in the future for tourism.

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[14] *Priorities for Tourism Recovery.* World Tourism Organization, 28th May 2020. Available at https://www.unwto.org/news/unwto-launches-global-guidelines-to-restart-tourism.

# MEDIUM TERM OUTLOOK (2022-2024)

## Promoting self-sustaining growth in air travel

## Reaching the goal of self-sustaining growth in air travel

For island nations such as Timor-Leste, aviation plays an important strategic role. One reason is that air transport services exert a large impact on the competitiveness of a destination. A second reason is that airlines have a sound understanding of their home markets and are valuable partners in marketing initiatives. Commercialized airports, too, often are engaged in promoting the destination, or at least they actively encourage airlines to commence and grow their services. Another reason is that the services provided by airlines and the gateway airport can enhance the experience of visitors. Of course, air transport plays a broader role in island nations by serving the needs of business and society. Indeed, meeting the needs of residents and other visitors must be integral to any policies and strategies for aviation to serve tourism.

> *"Connectivity to source markets is crucial to any country's tourism strategy, as well as its prospects for developing other sectors to be internationally competitive. The aviation industry plays a crucial role in helping to facilitate tourism; and tourism growth requires sufficient air capacity. While the direction of causality may be uncertain, there is a positive correlation between air connectivity and tourism development. Similarly, the relationship between air connectivity and economic growth is positive, as is the correlation between tourism activity and economic output."*
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> Justin Ram, Damien Reeves and Ronald James. *Air Transport Competitiveness and Connectivity in the Caribbean*. Caribbean Development Bank Working Paper No. CDB/WP/18/02.

Timor-Leste's aviation sector is best described as being "embryonic". The market is small, it has a very low level of connectivity, and it must overcome several serious challenges to achieve robust growth. The fundamental issue is the size of the market because it is limiting the choices that ultimately determine affordability and accessibility. Airlines, for example, can reduce their costs significantly when they use larger aircraft, but they must also be able to fill them. The airline business is highly competitive and new entrants will be attracted to compete on existing routes or to enter new routes when they see profitable opportunities, especially when there is growth potential. Having more passengers and flights also improves the economics of operating modern, safe, and attractive airports.

The Government of Timor-Leste is committed to developing the economy, and the experience in other countries is that this alone will generate significant longer-term growth in air travel. Air travel grows at several times the rate of growth of per capita GDP. However, it is the symbiotic relationship between aviation and tourism that has the potential to drive a "virtuous circle" with more visitors leading to cheaper and better airline services and employment opportunities for work in tourism ventures, thus generating even more travel. The goal should be to reach a level of demand that allows Timor-Leste to overcome the barriers to self-sustaining growth in air travel, and it is the tourism sector that has the greatest potential to advance this cause in the short to medium-term.

Two of the issues frequently cited as constraints on the growth of tourism in Timor-Leste are high airfares and connectivity. Along with other key challenges, these matters were high on the agenda of the Inter-Ministerial Working Group on Aviation established by the Government of Timor-Leste in 2016 to develop the National Civil Aviation Policy (NCAP). Entitled *Growing Aviation to 2030: Providing Connectivity to Support Economic and Social Development*, the NCAP was promulgated in May 2017 by the Prime Minister as a "*call to action for all stakeholders to work collectively to ensure that Timor-Leste to be served by safe, secure and efficient air services*".

The NCAP provides a comprehensive framework for upgrading airport infrastructure, updating and modernizing the institutional regulatory framework, enhancing safety and security, strengthening the sector's attractiveness for investment, and creating opportunities for participation and employment in the aviation sector. It also committed to closely align tourism and aviation strategies and plans.

## Pursuing the goals

The goal set in the National Tourism Policy to reach 200,000 visitors a year by 2030 would be achievable with a compound growth rate of 8.4% per annum taken from the 2014 level[15]. The implication, therefore, is that in 2030, the nation's airports would need to cater for 400,000 passenger movements attributable to visitors.

ANATL reported that it catered for 206,830 passenger movements[16] in 2014 including both the estimated number of visitors plus a "residual" comprised of residents and other travelers not considered to be visitors. If this residual were to grow by, say, 5 percent annually to 2030, this number would grow to more than 211,000. Thus, the total number of passengers moving through Timor-Leste's airports in 2030 would be 611,000 – treble what it is now. In all likelihood, the path towards Timor-Leste's tourism goal would be achieved in a stepwise fashion as services are introduced and the biggest challenge would be to fill aircraft at the assumed load factors. Experiences elsewhere suggest that these outcomes are eminently achievable. A scenario of robust and sustained growth in travel to and from Timor-Leste is in line with global and regional forecasts published by ICAO, IATA, the Airports Council International (ACI), Airbus, and Boeing. Indonesia alone has a domestic market of more than 100 million passengers a year and even attracting a small share would make a big difference to Timor-Leste.

Through conscious policies and strategies that see sustained and robust growth in the number of visitors to Timor-Leste, there is the potential to set forces in motion that will drive further growth. Having more visitors makes it possible for the airlines to improve their loads, and hence their profitability. In turn, the airlines have incentives to increase the size of their aircraft when loads become economic, and the average cost per passenger on larger aircraft is lower. A bigger market invites greater competition and encourages the development of new routes, increases frequency on existing routes, promotes greater efficiency, and results in lower airfares. The combined impact of lower airfares and enhanced connectivity stimulates further growth in travel by visitors, residents, and other market segments. With a more competitive economy, rising per capita incomes in Timor-Leste could generate rapid increases in resident travel[17]. Aligning tourism and aviation policies, strategies and plans is the best way to exploit the economic and social benefits flowing from both sectors.

## Key challenges

The following five challenges need to be addressed to promote self-sustaining growth in air travel to and from Timor-Leste:

1.  ensuring the nation is equipped with an effective and efficient regulatory framework;
2.  rehabilitating, developing and managing the required infrastructure;
3.  providing maximum potential for connectivity through air services policies and agreements;
4.  improving actual connectivity; and
5.  strategizing how aviation and tourism can work together to maximize economic benefits to the nation.

## Challenge 1: Ensuring effective and efficient oversight of safety and security

Public expectations about safety and security of travel are very high. The Government of Timor-Leste affirmed in its NCAP its commitment to maintaining the highest levels of safety in civil aviation. In

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[15] On a global basis, the number of passengers carried by scheduled airlines has doubled in size every 15 years, representing an average annual growth rate of 4.7%.

[16] ANATL follows the global practice with airports of reporting the total number of arriving plus departing passengers.

[17] Trips per capita rise very sharply when nations rise up the chart of GDP per capita to about US$2,000 and continue robust growth through to reaching around $10,000. Thereafter their traffic grows more in line with mature travel markets.

practical terms, safety is delivered if the necessary airport and air navigation services infrastructure are compliant with standards, including well-maintained aircraft. All these also need to be operated by competent and highly trained pilots, air traffic controllers, engineers, and others.

The foundation for these standards and regulations is the *Convention on International Civil Aviation*, hereafter referred to as "the Convention"[18]. The first article in this treaty legitimizes Timor-Leste's complete and exclusive authority over the airspace above its territory. It also gives Timor-Leste access to the global market in air services on the condition that the provisions in the Convention are complied with. Moreover, Contracting States are obliged to implement the Standards and Recommended Practices (SARPs) contained in the 19 Annexes to the Convention as well as Procedures for Air Navigation Services (PANS)[19]. These standards have ensured global inter-operability and have provided the foundation for civil aviation's safe and orderly development for the past 75 years.

Timor-Leste, along with the other 192 sovereign States that are parties to the Convention, is responsible for the implementation of its national safety oversight system[20]. Notwithstanding the challenges of working within a complex global system[21], it is in the national interest that AACTL is trusted and respected by industry, ICAO, other countries, and the public. Accordingly, the Government is actively enhancing the safety oversight system in Timor-Leste. One of the key requirements is to ensure that AACTL is given the necessary independence and resources to make regulatory decisions purely on the grounds of safety and security. The Government recognized that AACTL needs to be able to employ experts that have higher levels of knowledge and experience than the people working in the entities it supervises.

## Challenge 2: Managing and developing the aviation infrastructure

ANATL earns income mainly from aircraft movements (e.g., on landing and parking charges), from charges on passengers for terminal services, and from concessions in the terminal. These income streams are unlikely to cover operating expenditure. ANATL will need to increase its charges over time, possibly in line with inflation. This inevitably tends to result in disputes with airlines. However, if ANATL were to offer discounts and financial concessions it is likely these would create additional demands for Government funding. This, in turn, would weaken the incentives for the airport operator to work in a business-like manner – a key benefit in adopting the SOE model. A balance needs to be struck between funding the airport operations and keeping charges at competitive levels.

The NCAP reaffirmed the Government's commitments to support necessary and justified investments in airport and air navigation infrastructure, including the development of the regional and municipality airports. However, significant challenges remain to bring the nation's gateway at Dili up to standard. The existing passenger terminal was designed and built in the 1980s for domestic passenger services and has been adapted imperfectly for international use. The asphalt runway is 1,850 meters long and has a pavement width of 30 meters. These parameters allow for aircraft up to the size of the Airbus A320 to land and take off, but with restricted loads that negatively impact the economics of air services. The Government of Timor-Leste is working actively with donors and international organizations to plan for these infrastructure projects. Notably, the Japan International Cooperation Agency (JICA) made an offer to the Government of Timor-Leste to provide up to US$25 million in grant aid to construct a new

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[18] A common name for this treaty is "the Chicago Convention".

[19] Article 38 of the Convention requires that, in the event that a State finds it impossible to conform with a particular Standard, that it notifies the Council of ICAO.

[20] ICAO provides guidance for States in designing their Safety Oversight Systems in its Doc 9734 - *Safety Oversight Manual*. Other manuals focus on specific sets of Standards and functions.

[21] There are more than 12,000 international Standards contained in the Annexes and PANS, though some are not applicable to Timor-Leste. Note that ICAO reminds States that there are options to options to carry out their oversight responsibilities in a cost-effective manner through cooperative inspection arrangements with neighboring States or through regional arrangements.

passenger terminal, control tower, and related facilities. The Asian Development Bank (ADB) is proceeding with a project investigating options to upgrade the aerodrome at PNLIA.

Though there is much that remains to be done in managing, developing, and regulating the airports in Timor-Leste, the Government is active in pursuing solutions. The engagement and support of the tourism sector to keep the matters discussed above as high priorities would be a constructive contribution. Clearly, solutions are being worked on so that the tourism sector can make long-term investments with the confidence that the airports will be ready to accommodate growth in traffic.

## Challenge 3: Expanding potential connectivity

The rules for engaging in foreign trade in services is the General Agreement on Trade in Services (GATS), but it has very limited application in air transport[22]. Instead, an idiosyncratic system emerged after attempts to get agreement on a global trading system for aviation commercial rights failed in 1944. This system has the Chicago Convention as its foundation but is given effect in thousands of bilateral and plurilateral "Air Services Agreements" (ASAs). The terms of aviation trade are decided by agreement by the concerned nations, and they can specify which airports can be served, the frequency and capacity of flights, fares, and other related matters.

Having said that, there is some limited room for unilateral action by a State with "non-scheduled air services". The widespread practice has made it possible for "charter" operators to fly a series of flights from major source markets to attractive destinations, more or less according to a timetable. In many cases, these "charter" flights can be a precursor to the introduction of scheduled services, but they also play an important role in meeting seasonal demands and generally supplementing capacity when required. For such flights, the regulatory system can be flexible, and that is especially the case for all-cargo flights. States do need to have controls to ensure that international standards for safety and security are met, and many States require that mechanisms are in place to protect consumers – particularly to deal with situations when financially distressed charterers fail to deliver services. Notably, Timor-Leste's civil aviation policy encourages charters, and the lack of a formal ASA has not been an obstacle to the development of air services (e.g., to Darwin).

Nevertheless, there are limits to the charter business model. Many countries restrict the scope of charter operations to foster and protect scheduled services. The practical implications can be, for example, that the charter operator can sell tickets only in one country, that the permit is temporary, or that the permit is withdrawn as soon as a scheduled operator commences services on the route. When an ASA in place, issues such as customs, taxation, and the ability to conduct activities at the destination are dealt with systematically and consistently. These alone are good reasons for having a formal agreement in place setting out the terms of trade – and the more ASAs that a country has, the greater is the potential connectivity.

Since the late 1970s, the global trend has been to liberalize the regulatory conditions contained in ASAs.

The term "open skies" was coined during the 1990s, referring to a type of ASA that eliminated most, if not all, restrictions on access rights, capacity, and pricing. The terms of these agreements continue to ensure that each party had some safeguards designed to promote national interests as well as to deal with safety, security, customs, taxation, application of laws and arbitration, and economic regulation. Specifically, these economic regulations deal with issues such as the abuse of a dominant position, unfair and discriminatory practices, consumer protection, and the use of subsidies. Safeguards concerning abuse of a dominant position, for example, are particularly important in thin airline markets where competition is weak.

Notably, the term "open skies" as it is more commonly used does not mean that a country unilaterally opens access to points within its territory without recourse to an ASA, or even under a permissive

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[22] See https://www.wto.org/english/tratop_e/serv_e/transport_e/transport_air_e.htm.

interpretation of what it means to be "non-scheduled"[23]. It is an unavoidable fact that the regularization of air services requires engagement in a process of discussion, negotiation, formal agreement, ratification, implementation, and ongoing management of ASAs. There are ways to minimize the efforts involved. For example, ICAO prepared a Template Air Services Agreement (TASA) that contains a menu of provisions with varying degrees of "liberalism". A significant advantage of using this resource is having a common language in dealing with many agreements. ICAO also hosts an annual event where multiple States engage in ASA discussions and negotiations – the ICAO Air Services Negotiation (ICAN) Conference[24]. Most States, including Timor-Leste, have a standardized negotiating agreement setting out their preferred positions. In some cases, other States initiate discussions, sometimes for strategic reasons well in advance of any prospects of direct services.

Another avenue that can be taken is to sign up for a multilateral open skies agreement, for example, the Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT). This treaty was designed to promote open skies amongst its members and was signed initially in November 2000 by Brunei Darussalam, Chile, New Zealand, Singapore, and the USA[25]. The MALIAT came into force in 2001 and is open to accession by any like-minded country. The Cook Islands, Samoa, and Tonga have taken advantage of this option, and Mongolia is a party for cargo operations only.

Considering the limited resources available in Timor-Leste to engage in negotiations for ASAs, a knowledge of which ASAs would improve access to markets most closely aligned with tourism marketing strategies would be of enormous benefit. More generally, this would provide a basis for a strategy to improve Timor-Leste's air transport connectivity.

## Challenge 4: Improving actual connectivity

The adequacy of the safety and security oversight system, the standards of the airports, and access to markets are necessary, but not sufficient conditions to guarantee connectivity. The critical element is that the market has to present profitable opportunities. Incentives can be offered, but they need to be affordable, represent value for money, and not violate the conditions of the applicable ASAs. Understanding the airline business, identifying promising partners, and marketing to them are actions that can be taken to attract new services while also maximizing the likelihood of improving existing services.

### *Understanding the airline business*
It has been reported that, between 1970 and 2010, the world's airlines generated US$12 billion in revenue, but only earned $19 million of net profits – an operating margin of only 0.1 percent[26]. One researcher could find only 13 airlines that earned enough to cover the cost of their invested capital over the ten years to 2015[27]. Airlines serving island nations, with their special circumstances, are particularly exposed to financial risks. The Asian Development Bank illustrated this fact with the examples of Air

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[23] Kazakhstan recently announced that it would adopt an open skies policy at 11 airports in the country as part of efforts to open new international routes, raise competitiveness and reduce ticket prices. However, this policy is valid only for three years and works by relaxing conditions in the ASAs that restrict capacity and routing via third countries – and then only when the routes are not already served by a Kazakh carrier. See https://www.routesonline.com/news/29/breaking-news/287381/kazakhstan-adopts-open-skies-at-11-airports/?utm_medium=email&utm_source=the-hub&utm_campaign=the-hub-ASPAC&utm_content=the-hub-20191108.
[24] More than 142 States so far have participated in ICAN conferences which are intended as a central meeting place.
[25] See https://www.maliat.govt.nz/protocol/.
[26] O. Wojahn. "Why does the airline industry over-invest?". *Journal of Air Transport Management*, 19 (1), 2012, 1-8; Yusaf Akbar Adél Németh and Hans-Martin Niemeier. "Here we go again. The Permanently Failing Organization: An application to the airline industry in Eastern Europe". *Journal of Air Transport Management* 35 (2014), 1-11.
[27] Alex Dichter. "Between ROIC and a hard place: The puzzle of airline economics". *Travel, Transport & Logistics*, February 2017.

Kiribati, Air Vanuatu, and Polynesian Airlines (Samoa)[28], but some of the heavy losses incurred by Virgin Airlines in Australia have been attributed to its Pacific routes. The situation is similar in the Caribbean where the traffic on many routes is thin and does not allow the airlines to exploit economies of scale or market density. What is more, the short sector lengths result in high airfares[29]. A decision by an airline to add a route, say, Denpasar-Dili, would be based purely on a sound business case.

*Identifying promising partners*

Airlines are constantly searching for opportunities to grow their businesses, but there is considerable competition for their attention from competing destinations and it is no longer sensible to be passive. Marketing destinations to airlines have reached new levels as is evidenced by a number of consultants specializing in this field, the success of annual route exchange events that attract thousands of delegates, as well as the associated digital networking platform provided, for example, by the publishing group, Aviation Week[30].

The place to begin is to develop a sound understanding of the situation of those airlines already operating to Timor-Leste, but the search process should then examine other airlines capable of serving the market. Having identified a list of future potential airline partners, the next step should be to examine whether they are promising candidates for further marketing. Questions to ask include:

- Does the operator have aircraft suitable for serving the market?
- Does the operator have spare capacity, or is expecting to add to its capacity?
- Would service to Timor-Leste complement the operator's network and, in particular, would it allow the operator to maintain/improve the productivity of its fleet?

Further research is then necessary to assess whether it is feasible for the operator to serve the market. Timor-Leste's NCAP makes it clear that charter services are encouraged, and even scheduled operators can be interested in pioneering routes with charter flights. However, regulatory considerations need to be satisfied, and early dialogue with AACTL is recommended. Foreign operators need to be able to provide the necessary certificates, licenses, and approvals from their authorities. Complicated situations arise if the foreign operator is using aircraft under lease arrangements involving third countries, but there are standard procedures and guidance materials to follow[31]. Thus, it is important to work closely with AACTL and to seek its guidance on requirements. Of course, the operator would also need to work per the regulatory system of its own State, including the authority to sell tickets to its residents.

If the aim is to continue offering scheduled flights, the first question is whether there is an applicable Air Services Agreement (ASA) and whether it provides scope for the operator to enter the market. AACTL also plays a central role, as the nominated entity to coordinate in Timor-Leste on ASA matters and as the designated authority to communicate with the aeronautical authorities in other States. Issues to consider include whether all the ASA approved capacity has already been allocated, the intended airports have been nominated, and the foreign country has, or is likely, to designate the operator. For example, the question of whether the airline is majority-owned by nationals of a country remains an issue. Another interesting possibility is if the applicable ASAs provide for what is called

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[28] Losses incurred by Polynesian Airlines in 2001-02 required a rescue package from the Government, paid for out of cuts on spending on health and education. See Asian Development Bank. *Finding Balance 2016: Benchmarking the Performance of State-Owned Enterprises in Island Countries*.

[29] Caribbean Development Bank. *Air Transport Competitiveness and Connectivity*.

[30] Delegates at the Routes events represent airlines, airports, government agencies and tourism bodies. Route Exchange is "a unique user-friendly platform facilitating the exchange of key data and information, to influence business decisions on the launch of new routes and the evolution of existing services". See https://www.routesonline.com/.

[31] See, for example, ICAO Doc 8335, *Manual of Procedures for Operations Inspection, Certification and Continued Surveillance*.

"fifth freedom rights" – which allow, for example, an airline to fly from Indonesia to Australia via Timor-Leste.

Finally, it is necessary to understand what motivates the airline. Low-cost airlines are, arguably, relatively uncomplicated in this respect. They are attracted by profitable opportunities and are hungry for growth, but the global experience is that they are ready to drop routes that do not perform to expectations. Even full-service and regional airlines cannot afford to add and maintain services on unprofitable routes. A careful analysis of the culture of the airline, its stated ambitions, and its history will reveal whether it is likely to take a longer-term, strategic approach to its decision-making.

*Marketing to airlines*
Much of the marketing to airlines is carried out by airports eager to attract new customers, and in the case of Timor-Leste, ANATL's support for any tourism initiatives is highly desirable. Airlines need information about airport facilities and services provided, and they will be particularly interested in what sort of working relationship they can expect to enjoy with the airport operator, ground handlers, and refuellers. AACTL has a role in the process as well to inform prospective airlines about regulatory requirements and the ASAs. Much of the information can be prepared in advance and updated as and when appropriate. In some countries, attractive websites deal with these matters and, in so doing, invite attention, demonstrate a professional approach, and provide a high degree of transparency.

One of the well-known success stories of a region embarking on destination marketing and development is that of the Queensland Government. Today, tourism is regarded by the Queensland Government as one of the pillars of its economy and it has adopted an "Aviation Framework" setting out a strategy for marketing to airlines[32]. Priority markets are identified and a whole of Queensland approach is then taken on aviation access matters. This is achieved through a collaborative process involving airports, airlines, destination partners, government, and industry stakeholders using their collective resources to best effect. The strategy addresses four critical success factors, namely:

- building demand – linking the aviation and tourism development and marketing initiatives;
- strategic partnerships – encouraging airports and airlines to develop relationships that enhance the sustainability of air services, and align aviation, trade and industry marketing and promotional activities;
- investment programs – by supporting air access on low-volume domestic routes and "ensure the ongoing success of multi-year aviation route development funding programs to demonstrate (Queensland's) commitment to sustainable international long-term air services from priority visitor markets"; and
- route sustainability – focused on increasing demand from high yielding markets, while recognizing the need to balance the interest in attracting inbound visitors with outbound passenger travel and development of air cargo markets.

*What information needs to be provided to airlines?*
Airlines amass a considerable amount of data and they have good knowledge of their source markets, but information about who travels to a destination that is not yet in their network often is very limited. What helps is to build a business case encompassing:

- key indicators describing the local economy (trends in population, GDP, inflation, investment, growth plans for other sectors, etc.);
- statistics about foreigners who work and reside in Timor-Leste, size and distribution of Timor-Leste's citizens who work and live in other countries and their savings remittances;

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[32] *Tourism and Events Queensland's Aviation Framework 2018 – 2025. Executive Summary.* https://cdn2-teq.queensland.com/~/media/e1cd0a6ad3744d079b6fd5841a896e75.ashx?la=en-au&vs=1&d=20180906T134108.

- facts about visitors to Timor-Leste (numbers and sources of visitors, the purpose of visit, nationality and origins, gender, age, class of travel, seasonality, length of stay, group travel);

- analyses of the potential size of the market, taking account of strategies and plans to promote the destination, and the airline's target market share;

- cargo volumes, type of cargo, and plans to develop the air cargo market including cargo facilities at the airport;

- information about current air services including air services agreements, destinations, frequency of flights, aircraft used by other airlines, fares, and load factors;

- arrangements and costs of doing business (including airport charges, taxes, etc.), including any measures or commitments about possible increases in these costs;

- information about ground handling, refueling, and other support services for airlines;

- information about the airport (runway length and width, aircraft parking, lighting and navigation aids, terminal facilities and office space, etc.);

- evidence of the airport's performance in handling traffic and any commitments the airport is prepared to enter into to promote close cooperation;

- any special regulatory requirements (e.g., AACTL requires that aircraft deployed to Timor-Leste be no older than 20 years); and

- any offers to provide incentives and assistance, particularly during the start-up phase.

Some of these details are readily available, other information exists but is not easily accessible[33], and certain data need to be generated through departure cards, visitor surveys, and, for example, forecasts might be commissioned from reputable, independent sources. An outcome of forging a strong link between tourism and aviation planners would be the development of a shared database. An aim should be to prepare a dossier that pulls all of the information together and it should form the basis of a credible business case demonstrating to the airline how the new route would be a "good strategic fit" for the airline, how it would complement its network, and how it would contribute to the airline's profits and provide growth opportunities. Most of all, it is important to show the airline that the destination is a good ally – that it will work with the airline to make the route work to everyone's advantage. In this regard, it is desirable to present a single point of contact with prospective airlines - an authoritative, knowledgeable and trusted partner that will work with the airline to ensure sustainable services.

## Challenge 5: Strategies for aligning aviation and tourism

The preceding discussion indicates the goals set in the National Tourism Policy are achievable, but a stronger alignment of the aviation and tourism sectors will enhance the likelihood of success. The tourism sector can be a valuable ally in cooperating with the key agencies responsible for aviation which, in brief, include the Ministry of Transport and Communications, which is responsible for policymaking and related decisions, AACTL as the industry regulator, and ANATL as the airport operator.

Successful approaches elsewhere point to the importance of collaboration and a coordinated approach to cement the foundations for a strategy to improve connectivity, to encourage airlines to expand the range of services and to foster competition, and to maximize the impact of marketing initiatives. Issues to be addressed in such a strategy have been identified in the foregoing discussion, but some options include:

- providing optimal regulatory support for entrepreneurial ventures designed to exploit opportunities and to create conditions under which they can continue to develop with the publication of a clear policy and associated guidelines to pioneer new services;

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[33] For an example of a way in which information can be made more freely available, note the way the Palau Visitors Authority publishes relevant statistics on its website, https://www.pristineparadisepalau.com/media-publications.

- identifying priorities for ASAs within a joint aviation and tourism connectivity strategy can provide the necessary focus based on a sound assessment of how the various choices contribute to the economy and society;

- improving connections with ASEAN and preparing to participate in the Single ASEAN Aviation Market (SAM);

- improving connections with Northeast Asia - when the aviation and tourism sectors in Timor-Leste are ready for mass travel markets;

- improving the reach of air services to Timor-Leste with a focus on connections to regional and global hub airports and facilitating interline and code-share marketing arrangements;

- encouraging low-cost airlines; and

- adopting a strategic management approach that informs both aviation and tourism and choices and priorities, ensures resources are allocated to support actions and promotes collaboration.

# CONCLUDING OBSERVATIONS

## The outlook

Although it is difficult to make predictions in the current recession, some of the key assumptions that can be made with greater confidence for the coming 12 months include:

- Australia restricts international travel until well into 2021;
- Indonesia opens its borders to travel from selected countries in late 2020, but with residual controls; and
- Singapore and Malaysia slowly open up travel to and from countries that have low rates of transmission of Covid-19.

Assuming that Timor-Leste maintains control of Covid-19, it will be positioned well to participate in a travel bubble, with Indonesia as the most likely partner to agree. On the Indonesian side, any airline choosing to operate the route will possibly need to observe social distancing and passengers would need to provide documents testifying to their eligibility to travel. Airfares would be high and travel volumes would be weak in the short-term.

Major airlines have downsized and don't expect to build up to their pre-crisis levels of activity for at least two to three years, especially if a vaccine does not become widely available. So, with that context, the outlook for Timor-Leste's aviation through stages two and three of the recovery is likely to look something like this:

- weak tourist travel demand;
- higher airfares, reduced frequency, and less competition;
- possible need to provide financial incentives to attract airlines; and
- ongoing challenges to upgrade PNLIA to standards that will convince travelers that best practices are in place.

## Taking the next step – aligning policies, strategies, and plans

This is a bleak outlook, but it also presents an opportunity to rethink aviation and tourism strategies and to align them more closely. The civil aviation constraints that are impairing the development of Timor-Leste's tourism sector lie in the preconditions for improving connectivity. First and foremost, a failure to provide a satisfactory standard of safety and security oversight could put all other initiatives at risk. Continued strengthening of the capability of AACTL is of fundamental importance. This, it should be added, has enormous value to the industry because a competent, respected, and efficient AACTL can provide necessary advice to industry and it will be in a position to promptly process certifications, licenses, and other approvals.

The FAL Programme, as it matures in Timor-Leste, is important to the tourism sector, providing a forum for simplifying and improving the travel experience of visitors to Timor-Leste. The primary focus of the FAL Committees at both the national and airport level is on air travel arrangements, but any opportunity to forge working relationships with the tourism sector would be particularly valuable during the recovery process as well as offer lasting benefits. Note, for example, the emphasis placed by the World Tourism Organization, the International Air Transport Association (IATA) and Airports Council International (ACI) on a digital transformation of travel in a post-Covid world. It is through the NFC that Timor-Leste's tourism sector can be an active influence on the policies and procedures adopted by border control agencies and by ANATL.

Actual connectivity requires commitments from air transport operators, but Timor-Leste must be proactive in marketing itself as a destination to potential partner airlines to drive its connectivity to important markets. Various parties are already approaching foreign carriers but there is scope for the Government to provide leadership and to focus energies on national priorities.

The scope to make air transport more affordable by reducing airport charges is limited and it very likely would be more effective to provide any financial support directly to airlines with a strong incentive scheme to meet tourism growth targets. Appeals to airlines to reduce their fares rarely meet with success unless there is a sound business case. However, a larger travel market would expand the range of aviation choices, and achieving this outcome is in the mutual interest of the aviation and tourism sectors. Experiences in other countries indicate that it is the tourism sector that has the greatest potential to underpin a rapid shift in aviation connectivity and affordability.

Finally, and most importantly, note should be taken of the way successful destinations have aligned their tourism and aviation strategies with high-level political commitment, an emphasis on collaboration, data-driven evaluation of options, a setting of priorities, and actions incorporated into a strategic plan. The Covid-19 crisis has added urgency to the need for closer alignment of aviation and tourism.