

Shaping the future of travel in the Gulf Cooperation Council

Big Travel Effects

A White Paper by
Frost & Sullivan and Insights Middle East

insights[®]
Middle East

FROST & SULLIVAN



Foreword

The Middle East is poised to take off. Uniquely situated between East and West, and serving as a travel and business hub between the two, its geographical advantages are well understood. But there are other factors driving the rapid transformation of the region: not only are the countries of the Gulf Cooperation Council (GCC) characterised by a youthful and technologically-savvy demographic, they are also home to truly innovative thinking and world-class infrastructure. By 2030, the region will have truly delivered on the exciting developments currently underway.



As this study highlights, travel and tourism will have an important role to play in the region's future, as governments across the GCC seek to diversify their economies. In fact, I believe that we will see the travel industry, which is currently the focus of such a great deal of investment and innovation, become one of the most important industries in the region.

This investment and innovation is already reaping exciting results: from the opening of brand-new cruise lines and terminals; to the construction of state-of-the-art medical facilities that will drive medical tourism from both outside and within the region; through to new high-speed rail lines and greater ease of movement across borders.

Travel providers, industry bodies and governments in the Middle East are helping to set the agenda for the global travel industry and reimagining a travel experience driven by a new, always-connected generation. At Amadeus, our people, our technology, and our innovation are dedicated to helping our customers and partners shape the future of travel in this region.

We look forward to engaging with you, to work together in order to realise the opportunities for the travel industry in the GCC and beyond.

Antoine Medawar

Vice President, Middle East and North Africa, Amadeus



Contents

Executive summary	4
The population effect: demographic surges in evolving traveller profiles	8
The 'coming-of-age' traveller	10
The family traveller	12
The independent traveller	14
The middle class traveller	17
The business traveller	18
The seasonal traveller	21
The 'beyond oil' effect: widening and deepening of the economic base	24
Diversification into businesses beyond oil	24
Cruise tourism	26
Medical tourism	28
Meeting, incentives, conferencing, and exhibitions / events (MICE) tourism	30
Creating a more business-friendly environment	32
The infrastructure effect: investments in anticipation	36
Addressing capacity needs of the future	37
2020 World Expo: destination Dubai	43
2022 FIFA World Cup: hotspot for sports	44
The gateway effect: evolution of the GCC as a free travel zone	48
Facilitating seamless travel	51
A multi-directional travel gateway	53
The information effect: empowerment through online information and social media	55
Information at your fingertips	56
End-to-end online services	59
The power of social media	61
A vision of the future: connected, personalised, and sustainable	64
A connected future	65
A personalised future	66
A sustainable future	67
Appendix	68
List of definitions/ acronyms	68
Our approach	69
Demographics – profile of the respondents	70
Contributors	73
About Amadeus	74
About Frost & Sullivan	75
About Insights Middle East	76

Executive Summary

Tourism has been gradually emerging as a key sector for the economic vitality of the Gulf Cooperation Council (GCC) countries. Our study shows that in the next 15 years, a combination of government policies, socio-economic trends, and geopolitical forces will usher in a radical change in the travel landscape of this region. These engines of change – identified as ‘Effects’ in this paper – carry implications for all participants in the travel ecosystem.

The population effect

The demographic surges in evolving traveller profiles

The unfolding of multiple demographic forces and the subsequent need of the GCC governments to create a sustainable infrastructure for population growth will see a greater number of travellers from this region increasingly travel within and beyond the region, and display distinctive preferences and needs. A steady inflow of expatriate workers and a comparatively robust natural population growth will increase the region's overall population of leisure and business travellers from its current low base. Of particular interest is the expected advent of young travellers into the travel world in the coming years. Extremely well-informed, highly proficient and with access to technology, and deeply connected to their peers via social media, the coming of age of today's teenagers as tomorrow's decision makers will shake up traditional behavioural patterns towards a faster, self-directed, open system.

Differentiated traveller profiles such as the independent traveller and the middle-income traveller will emerge in tandem with the continuance of important segments such as the business traveller, family traveller, and seasonal traveller. This fragmentation of the market into smaller distinctive traveller segments, each of which is more affluent than its global counterparts, will be reflected in a divergent set of travel aspirations and needs.



The ‘beyond oil’ effect

Diversification of the GCC economies into an ever-widening set of businesses

Rising socio-economic aspirations, vastly increased populations, and the national imperative to ensure a sustainable long-term growth trajectory will continue to drive the GCC countries to venture into a wider gamut of economic activities and undergo structural shifts at multiple levels. By 2030, all the GCC economies will have a broader and deeper base of non-oil sectors, ranging from the manufacturing of petrochemicals, fertilisers, plastics, pharmaceuticals, aluminium, power, water, automobiles, and steel to the provision of services in education, healthcare, financial services, and tourism. At the same time, the region's trade and investment will be characterised by a conspicuous ‘Look East’ theme tilted in favour of emerging economies such as India and China. Lastly, the GCC will continue to develop the region as a base for businesses looking to expand their footprint to Africa and South Asia.

The overall impact of these shifts will be a massive growth in the two-way flow of people for business, leisure, and transit purposes. The effect will be magnified by the greater-than-global spending power of a larger number of people as well as an increase in the average purchasing power, facilitated by the redistribution of income to non-oil sectors. The trendsetters of the region, the United Arab Emirates (UAE) and Qatar, will continue to distinguish themselves with unique destination offerings and will be joined by other GCC countries as they develop their own combinations of culture, nature, sports, themes, and of course, sun and sand. The sunrise sub-sectors of tourism such as cruise tourism, healthcare tourism, and MICE (Meeting, Incentives, Conferencing, and Exhibitions / Events) tourism will emerge as established world-class industries and add to the inflow of tourists.

The infrastructure effect

Massive scale-up in infrastructure in anticipation of a surge in travellers

A steady inflow of hydrocarbon revenues has ensured that the region is never short of resources for investment. In recent years, given the population effect, these countries have not only sharpened the focus of their development plans, but also adopted a comprehensive approach that covers all aspects of infrastructure. Qatar's game plan is to be a hotspot for sports; Abu Dhabi's to be the cultural city, while still others are looking at becoming centres for culture, heritage, and religion. The region's focus on enhancing its destination offering is well exemplified by Dubai, which has a vision of welcoming 20 million international visitors by 2020.

New cities are being constructed, roads widened, airports expanded, accommodation capacity increased, and flight frequency is on the rise. The impact of greater capacity will play out through more competitive fares and the continued success of low cost carriers, ultimately resulting in affordable air travel for a greater number of travellers. The impact of high-speed rail will be critical for the region. It is expected to emerge as the preferred mode for long, arduous road journeys. It may also replace short distance air routes, thereby requiring the aviation industry to explore tie-ups and increase its outreach.

The gateway effect

Evolution of the GCC as a free travel zone

The GCC is highly integrated and is close to enabling domestic or intra-regional travel without borders for its citizens. This feature, particularly for GCC nationals, will continue to drive growth in short-haul trips and weekend travel, in terms of both sheer numbers as well as frequency. However, the game-changer will be the decisive step by the nations to weave themselves intricately into the global travel ecosystem, manifesting increasingly in a combination of competitive and 'co-operative' practices. Currently, these include nation-level simplification and reduction of travel formalities for a larger global base, facilitation of seamless travel through deployment of e-borders and customs pre-clearance, and the waiver of visas for key travel destinations as well as the region-level initiative towards a unified GCC visa. Industry participants are likewise entering into code-share alliances or aggressively acquiring attractive competitors to build on the region's importance as a connecting global hub.

These strategies will see an increase in the level of inbound and outbound tourism. Inbound leisure and business travellers will benefit from multiple-entry visas and increase the number of repeat visits, while the gates of countries that lack a leisure visa, such as the Kingdom of Saudi Arabia (KSA), will be thrown open to a wider travel community. Meanwhile, the convenience of hassle-free travel to different parts of the world will cement the region's position as a crossroads, attracting a greater number of business and leisure tourists travelling from Asia and Europe to Africa and the Americas.

The information effect

A profusion of information, online and through social media, will empower travellers

Emulating the global pattern, there is an increase in the use of smartphones by leisure and business travellers to independently plan and visualise their itineraries, search and book for products and services as well as seek directions and translation services; all while on the move. These advantages enrich the travel experience and, simultaneously, raise and widen customer expectations to include more personalised experiences and services. In addition to the freedom of choice and action, social media platforms enable travellers to actively update family and friends, share experiences, provide reviews, and influence each other's decisions.

All these changes will require content and travel providers, who are currently at a nascent stage of harnessing the power of technology, to step up and take advantage of new opportunities. Arabic content, robustness of online payment systems, integration of multiple payment gateways, seamless border control, remote hotel check-in, and online restaurant reservations are essential for the end-to-end virtual and real experience of the traveller.

“The major shift, occurring in the global economy, is impacting significantly upon the air transport industry and will require airlines to reshape their networks and enter new partnerships in order to remain competitive. Traditional air transport hubs will also continue to decline in prominence, with growth constrained by inadequate infrastructure and ingrained political resistance to change. This will allow the Arabian Gulf – the geographic centre of the world – to further evolve as the global centre of the air transport industry, with the number of passengers passing through Gulf hubs outstripping industry growth rates.”

– James Hogan, President and CEO, Etihad Airways



The population effect: demographic surges in evolving traveller profiles

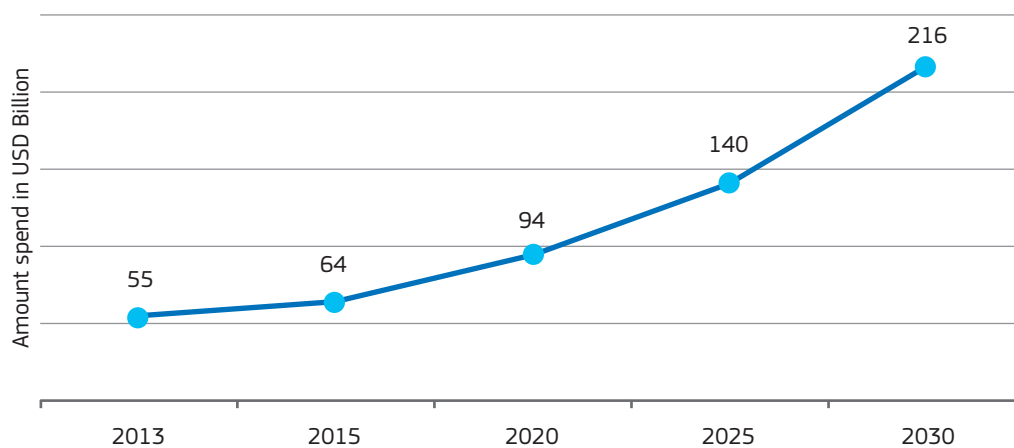
“I do believe that the combination of ingredients - political stability and an attractive financial and regulatory environment coupled with population growth- are all contributing to making the GCC one of the more attractive investment regions in the world right now.”

– Mr. Akbar Al Baker, Chief Executive Officer, Qatar Airways

The GCC is undergoing multiple demographic changes that will continue to play out in the coming decades and will significantly impact travel behaviour. Pivotal among these trends are a near-30 per cent increase in population, a huge swathe of under-15 population, and a desire for large families. Simultaneously, the homogenous GCC traveller is evolving into several distinctive travel segments, each with its nuanced set of preferences, behavioural tendencies, and expectations, some of which are aligned with global movements. Others are moulded by regional specifics such as a strong family orientation, rising disposable income, and common Islamic influences within the region. If we look at the overall trend (Exhibit 1), the total amount spent by outbound visitors from the GCC is likely to increase fourfold by 2030.

Exhibit 1

Outbound visitors from the GCC (amount spend in USD billion)



Source: Multiple (PATA, Airports, Airlines), Frost & Sullivan

The ‘coming-of-age’ traveller

“Falling birth rates will lead to ageing populations in many developed countries over the next 10 year period, but the GCC will remain an unusually young part of the world. This should help to make it an attractive investment destination and consumer market.”

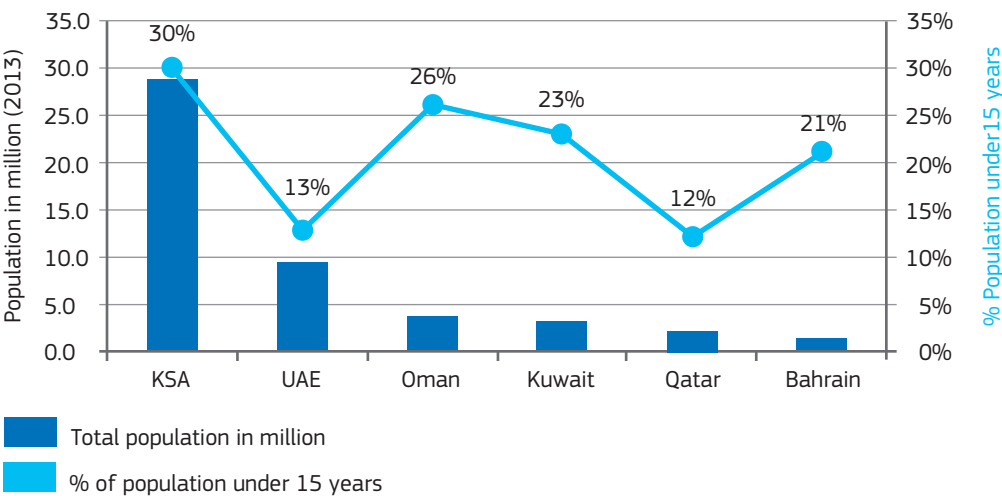
– Mr. Omer Z. Kaddouri, CEO, Rotana

A young and rapidly expanding population will be the key travel driver in the Gulf region. With 28 million residents, the KSA is the most populous of the lot and will constitute nearly 60 per cent of the GCC population in 2030, while the UAE, Oman, and Kuwait will add more than a third to their population during the same period.

The other dimension is the youthful nature of the GCC population, especially in the KSA and Kuwait (as illustrated in Exhibit 2). As this segment of the population matures, a new generation called ‘first-time travellers’ or ‘coming-of-age’ travellers will join the global pool of travellers and look for new experiences. Like their counterparts across the world, their travel-related behaviour will be heavily skewed in favour of technology and social media. Another aspect of young travellers is the other wave that will rise from the middle class of countries including Russia, India, and China. For them, destinations with well-developed infrastructure and an array of leisure activities such as Dubai will be attractive.

Exhibit 2

GCC countries’ population and percentage of population under 15 years



Source: United Nations and population pyramid

Extremely well-informed, highly proficient with and having access to technology, this segment of tomorrow's decision-makers will conduct end-to-end research online, make reservations and bookings independently, and share their experiences with their social network in various forms including reviews, photographs, and videos. In response, travel providers in this region are increasing their virtual presence with Facebook, Twitter, online customer review systems, and a more transparent feedback mechanism. Just as the line between personal and social information blurs, so will the demarcation between personal and professional lives. As a consequence, this generation will increasingly undertake 'bleisure' trips – extended business trips with leisure activities.

“It is predicted that the split between business and leisure will disappear as Gen Y become frequent travellers, as they like to blend business and pleasure together.”

– Mr. Neal Jones, Chief Sales & Marketing Officer – MEA, Marriott International

The family traveller

“The propensities of travellers from emerging markets, as well as other markets within a four-hour flying distance (e.g. GCC), to travel as families will be a key driver of visitor traffic to Dubai. His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President and Prime Minister and Ruler of Dubai has stated his desire for the UAE to become the world’s number one family destination and Dubai will lead the way in this regard, continuing to enhance its already strong family offer with more attractions, events and facilities that appeal to families.”

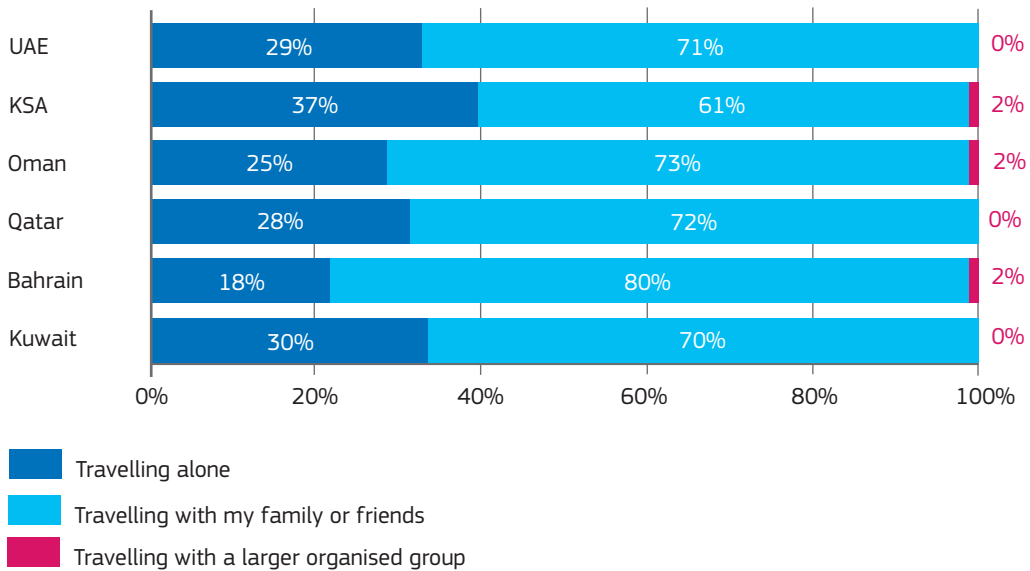
– His Excellency Helal Saeed Almarri, Director General of Dubai Department of Tourism and Commerce Marketing

There is a strong orientation towards the family in the GCC, manifested through large family sizes. According to the study, the ideal number of children in a family is around four, higher than the 2.5 in high-income countries across the world. This characteristic impacts travel behaviour and patterns in two ways. The average size of a GCC travel group is large but with a marked difference. Unlike travellers in other regions, such as Asia, travelling in groups, the GCC travel parties are linked by filial or friendship bonds: our research shows that 68 per cent of leisure travellers prefer to travel with family and friends (Exhibit 3). As a result, bookings for 13 per cent of all leisure travel plans are made by a family member or a friend, who will opt for packages that offer a range of entertainment activities catering to all members of the family. Other reasons given for travelling in a group of friends and family include the feeling of security and fewer language barriers. Unlike other regions, a negligible proportion of the survey respondents prefer travelling with larger organised groups, despite its benefit of lower language barriers.

Travel is an established and important component of family life across the GCC and we should expect families to be significantly better informed when it comes to their travel planning and decision-making. Providing designated airlines seats, guaranteeing inter-connecting bedrooms, and ensuring correct size of car transfer will only be a basic point of entry and not a service. Expect the bar to be raised much higher.

Exhibit 3

Preference to travel with family and friends



Source: Frost and Sullivan's survey of 983 GCC travellers, February 2014

“Family values will still hold strong, it is a critical pillar of the society”

The other dimension of a family traveller is the desire to visit friends and family – the main reason for travel during the past year for 35 per cent of our survey respondents – that results in the so-called VFR (Visiting Friends and Relatives) travellers. Rising international exposure and a global network of family and close friends will result in a greater number of VFR travellers. With two-thirds of our respondents or their close family members having spent time abroad for educational purposes in the last five years, and a similar proportion having close family living abroad, it is not surprising that almost 90 per cent of those surveyed expect to visit their immediate family in future, with 56 per cent expecting to visit more than once. This effect is equally prevalent when it comes to intra-regional travel, resulting in many short-haul trips that last for a duration of slightly over two weeks.

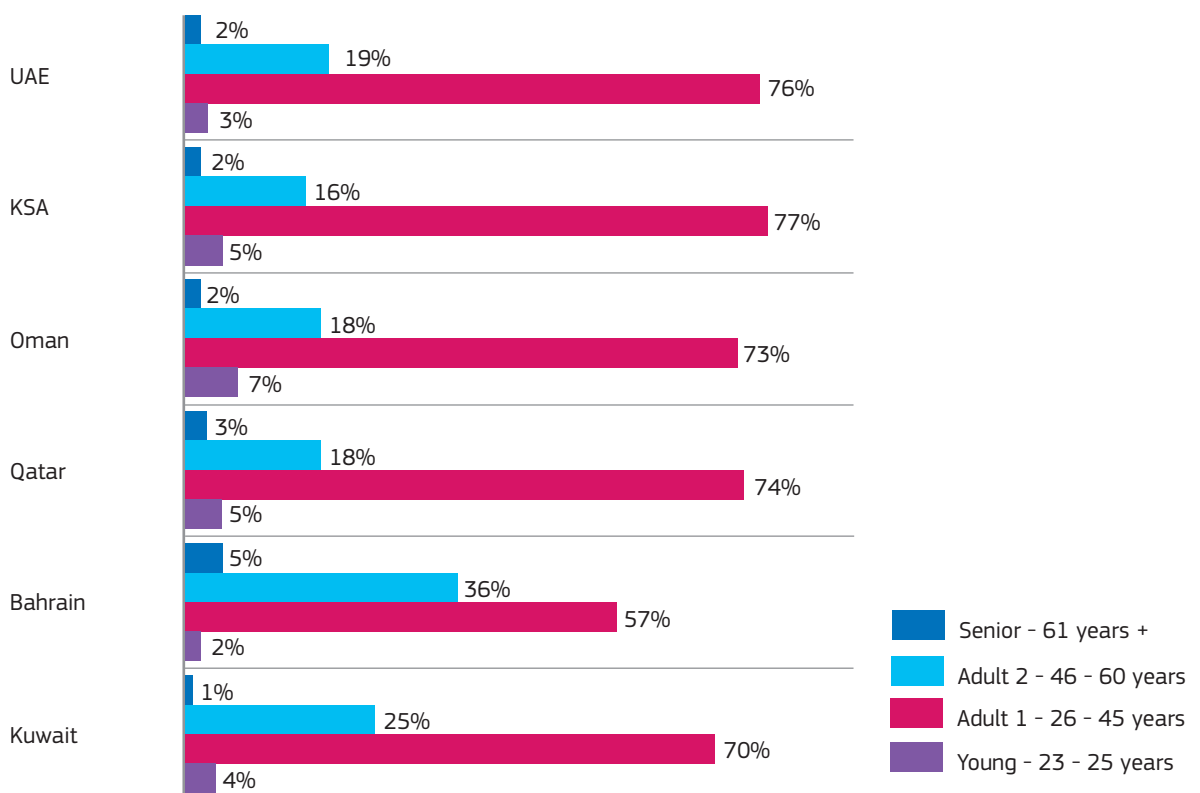
The independent traveller

“Connecting with mobile guests using high tech with high touch, requires you to anticipate their needs, but it also lets you prepare for your day. Mobility will continue to be a major factor here in the Middle East and Africa as the Gen Y population (the independent travellers) grows.”

– Mr. Neal Jones, Chief Sales & Marketing Officer – MEA, Marriott International

Exhibit 4

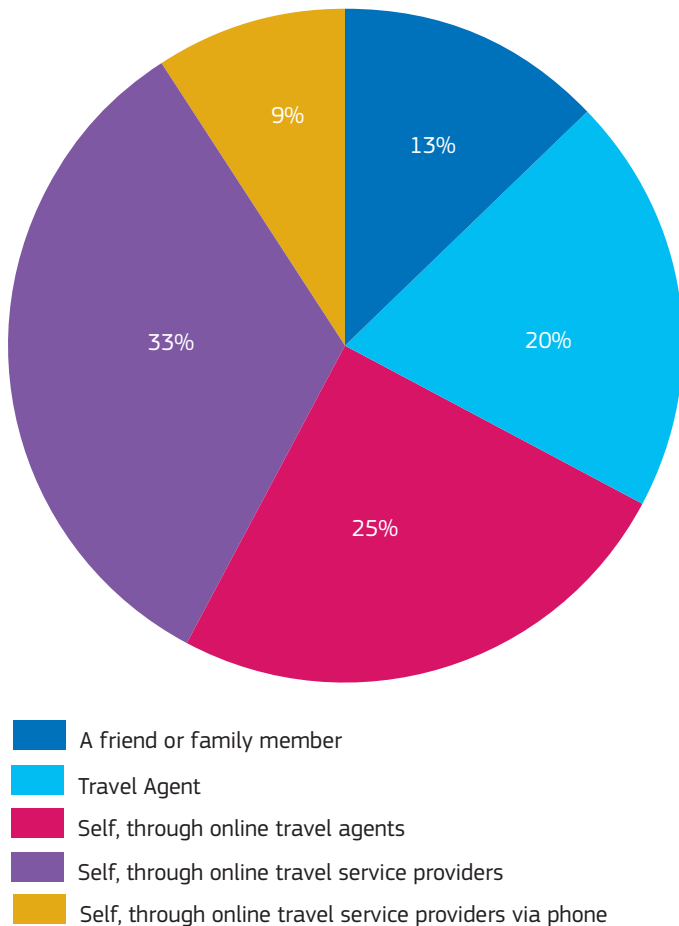
The profile of an independent traveller



Source: Frost & Sullivan's survey of 983 GCC travellers, February 2014

The overwhelming majority of leisure travellers are between 26-45 years of age (Exhibit 4). Our studies show that 67 per cent of the survey respondents plan and book their travel using a mix of online travel agents or direct travel providers, via phone or the Internet (Exhibit 5). Interestingly, of those booking online, more than two-thirds (69 per cent) prefer to directly use the website of the travel service providers – a manifestation of their desire to plan every dimension of their travel itinerary independently rather than to opt for pre-selected combinations.

Booking routes



Source: Frost & Sullivan's survey of 983 GCC travellers, February 2014

“A compound effect of the youthful demographic together with their familiarity with handheld technology”

Independent travellers also like to plan all aspects of their itineraries, with half of them making their own air and travel bookings. The desire for control over travel arrangements, as well as the resultant cost savings, drives the independent traveller, followed by practical benefits in terms of speed, convenience, flexibility, and security.

If you are not connected, responsive, fast, accessible, and personable then expect to play on the periphery. Tomorrow's independent traveller will speed through airports, check in and out of hotels on the move, pre-order room service, and demand flexibility.

They will be more informed than a concierge and have the same if not better ability to get access to tickets and restaurant reservations. Expect to be challenged by customer knowledge.

The middle class traveller

“Economy Class passengers will continue to look for reliability and affordability, and airlines will attract customers with lower fares, especially to encourage early booking.”

– Flydubai

A thriving hydrocarbon sector coupled with economic diversification will continue to increase disposable incomes and result in rising average wealth within the GCC and a growing middle class. As the fruits of economic growth percolate through the various sections of society, a greater number of people will choose to travel more frequently and expand their horizons. The increased affordability of air travel on account of more competitive fares – nearly a third would like to travel more often but are inhibited by costs – will compound this effect. Given that the penetration of average number of the GCC population that travels by air is lower than the global average, the potential for a step-up in travel is immense.

“What the Saudi Government is trying to do is to get the Saudis to work instead of the expats. It will actually increase the number of travellers because if you bring in these people who are unemployed and then they will be able to get married and have children, they would want to travel themselves. This has happened in India, this has happened in China, they don’t have expats yet the market is booming because of the expansion of the middle class.”

— Mr. Abdul Wahab Teffaha, Secretary General, Arab Air Carriers Organisation (AACO)

Augmenting the local pool of the GCC middle-class travellers is a rising wave of the global middle class, especially from the BRICS economies of Brazil, Russia, India, China, and South Africa. In particular, the middle class in India and China is poised to grow faster than nearly any other country for years to come. By 2030, China’s middle class will comprise almost 70 per cent of its total population, while the comparable figure for India will be 50 per cent. Given its geographical proximity, as this segment emulates its western counterparts in terms of consumption behaviour, the impact on the GCC travel and tourism industry will be huge.

“The explosion of the middle class in India (expected to reach 350 million) in the next few years is a force to consider, to attract, and to serve since it is less than three hours away from the Middle East.”

– Mr. Daniel Hajjar, Managing Partner, Teal Hospitality

The business traveller

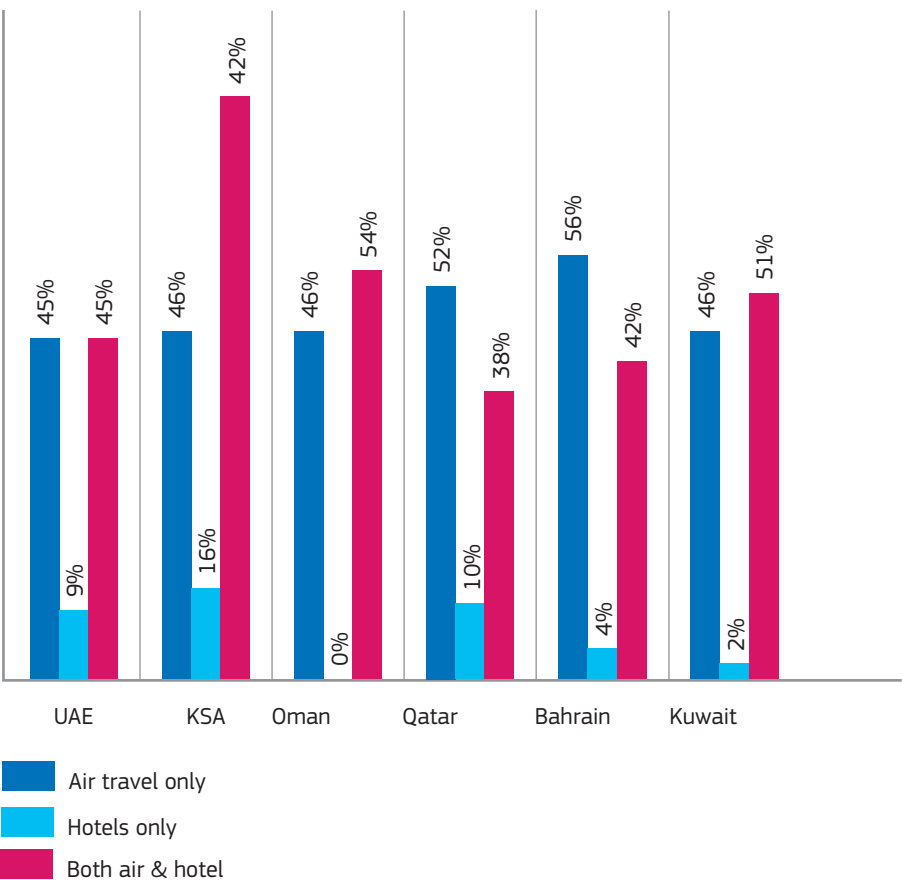
“Travel Management Companies are showing growth in business travel to worldwide countries of around 5 per cent. For the UAE, growth is around 25 per cent, which bucks the trend showing that visitor and business demand to this region is growing faster than anywhere else.”

— Mr. Omer Z. Kaddouri, Chief Executive Officer, Rotana

A good number of business travellers prefer to book air travel and hotel together (see Exhibit 6).

Exhibit 6

Booking patterns of business travellers



Source: Frost & Sullivan’s survey of 983 GCC travellers, February 2014

As the GCC countries widen their economic base and grow faster than the global average, there will be an increase in the flow of business travellers and work labour. Indeed, the GCC countries have some of the highest net immigration rates in the world – Qatar has a net immigration rate of 27 per thousand¹ followed by Bahrain's 14 per thousand and the UAE's 15 per thousand. Supporting this growth is a world-class infrastructure geared to handle large-scale meetings, incentives, conferences, exhibitions, and conventions.

Currently, most of the outbound business trips are well-planned, with over 60 per cent making their booking more than a month prior to their travel dates. Given the convenience of any-time, any-place booking and the lower costs, online travel portals are the preferred mode for outbound business travellers, with over 70 per cent covering either air or air and accommodation online.

The average spend in the GCC countries for inter-regional travel is as high as USD 4,980 and for international travel, it is USD 9,920. This includes airfare, hotel room, ground transport, travel supplies, and car rentals. The average inter-regional and international travel spends are highlighted in Exhibit 7.

¹ Source: The World Factbook, as of January 2014

Exhibit 7

Average travel spends, inter-regional and international

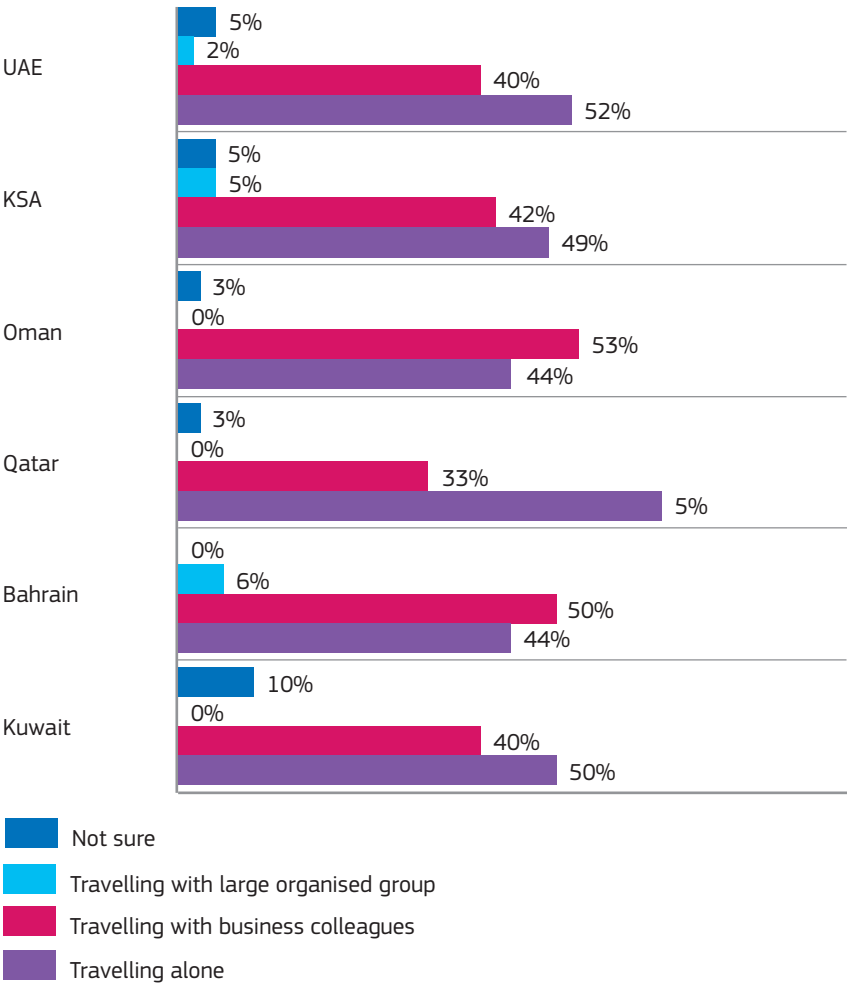
GCC Countries	Average spend per intra-regional trip	Average spend per international trip
UAE	USD 5,000	USD 10,400
KSA	USD 5,650	USD 11,550
Oman	USD 4,415	USD 9,090
Qatar	USD 3,650	USD 6,690
Bahrain	USD 6,900	USD 12,205
Kuwait	USD 4,265	USD 9,590

Source: Frost & Sullivan's survey of 983 GCC travellers, February 2014

It is very pertinent to mention here that the first preference of most of business travellers in the GCC countries is to travel alone (51 per cent) and 42 per cent prefer to travel with their business colleagues (Exhibit 8).

Exhibit 8

Travel behaviour of business travellers



Source: Frost & Sullivan's survey of 983 GCC travellers, February 2014

The travel itineraries of business travellers are dominated by Europe and the Americas, who prefer to travel by full-service airlines (49 per cent), whereas intra-regional travel is a mix of budget (38 per cent) and full-service airlines. Interestingly, the use of budget airlines is dictated by not just cost savings, but also convenience. Across all travel services, business travellers welcome 'personalised' suggestions that are based on past behaviours. Their appreciation for such personalised suggestions can be gauged by the fact that many are willing to share personal information, if it enhances their experience. When travelling, they remain connected through social media and other services like e-mails on their smartphones because of the long duration of their trips.

The seasonal traveller

“The fact is that, between the GCC countries, there is a large enough population that can cross-populate between countries and conduct a lot of tourism exchanges within the region itself.”

– Mr. Tarique Khatri, Senior Vice President, Cleartrip

The period from July to September is the main travel season. During these months, which coincide with school holidays and extreme summer heat, outbound travel is high. Another facet of this set of travellers is the religious nature of their itineraries, governed by the Islamic or Hijri calendar – a lunar calendar used to determine Islamic holy days and festivals – and including two short, religious holidays that mark the end of the fasting month of Ramadan and the end of the Hajj pilgrimage. With the two holiest Islamic sites — Mecca and Medina — in the KSA, this region attracts an ever-increasing number of seasonal travellers of the faith from within the Gulf region as well as from all corners of the globe.

“With the expansion in air travel within the GCC, along with the introduction of low cost airlines, it has made cities, regions, and countries more accessible. Road travel also continues to increase throughout the GCC, with families preferring road to air.”

— Neal Jones, Chief Sales and Marketing Officer – MEA, Marriott International

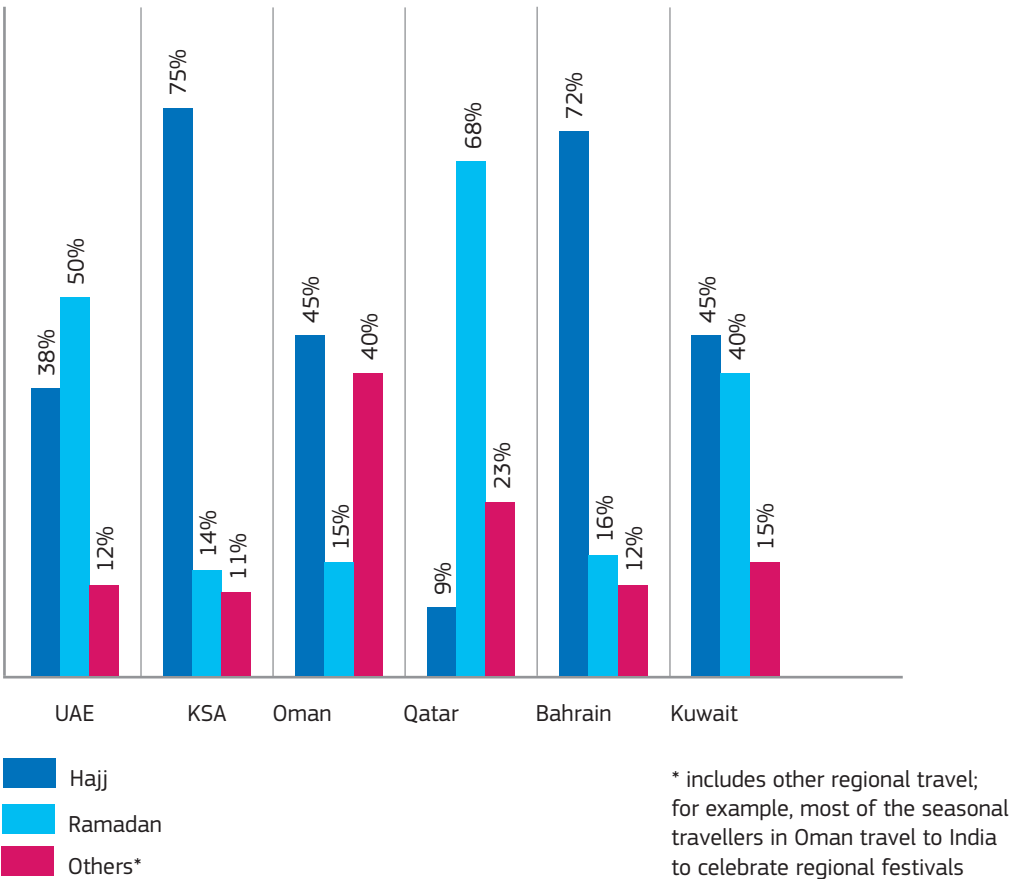
Our study indicates that a large proportion of GCC residents travel for religious purposes and prefer to combine religious travel with some leisure activities. The study also indicates that most of these travellers travel at least once a year, adding to the inter-regional and international movement of religious travellers. Given the scale-up in the infrastructure within the region, the travel itineraries of these seasonal travellers will increasingly expand to cover other destinations within the region. Currently, 92 per cent of religious travellers travel for a duration of over one week, with 39 per cent travelling for two weeks, and another 13 per cent for longer. As the travel itineraries expand to include more sightseeing and tourist destinations, travel durations are expected to lengthen.

The study indicates (Exhibit 9) that over 81 per cent of seasonal travellers travel for Hajj and Ramadan, while the remainder travel for other regional festivals.

“As the population grows, so too will the demand on seasonal travel”

Exhibit 9

Seasonal travellers’ travel patterns



Source: Frost & Sullivan’s survey of 983 GCC travellers, February 2014

As the population grows, so too will the demand on seasonal travel. Spikes in travel patterns governed by the lunar calendar will drive demand across the region and for outbound travel. Strategic planners will do well to review the lunar cycle, planning for capacity shift and figuring out how to iron out what could be inevitable troughs in the business. There may not be enough capacity to accommodate demand for outbound travel in the region that could drive strong domestic or intra-regional travel through alternatives to air travel.

The ‘beyond oil’ effect: widening and deepening of the economic base

“There will be an increase in stop-over and multi-location visits for both business and leisure travellers (as business grows). The GCC countries will continue to develop their visitor economy with new propositions for both leisure and business travellers, who will see the region as more of a destination than a transit point.”

– Mr. Duncan Alexander, Regional Director, PATA – Western Asia

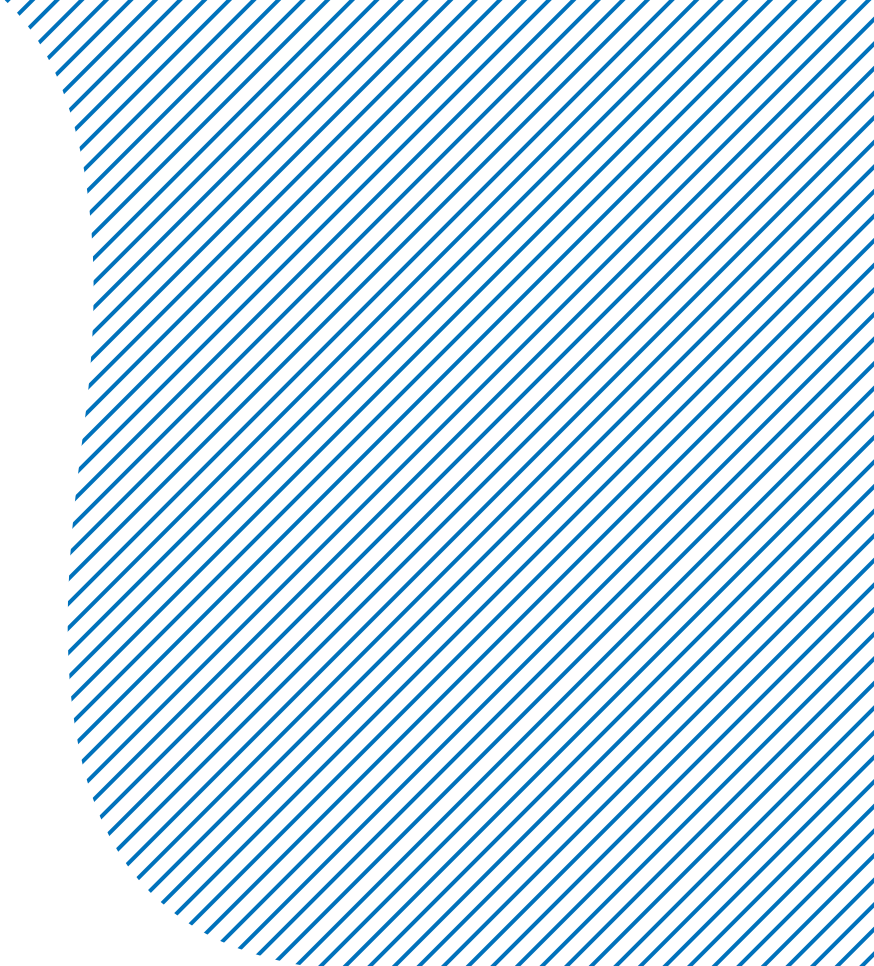
Diversification into businesses beyond oil

The GCC has maintained a positive economic outlook despite many underlying tensions and has maintained an average GDP growth rate in excess of 5 per cent over the past decade and half. The region’s rich oil and natural gas reserves have been instrumental in its growth and prominence in the global scene. The heightened focus on the oil industry had relegated other industrial development to secondary and tertiary levels. Observations reveal that the oil share of the GCC’s GDP has remained in the 40–55 per cent range; the contribution of the manufacturing sector to GDP has remained flat at 10 per cent during the decade of 2000 to 2010, indicating the absence of any diversification efforts. The region has now awoken to the need to amend this.

Traditionally, economies with flourishing natural reserves are known to limit their focus and efforts in the manufacturing sector – a theory known in economics as the Dutch Disease. Speculation on the Middle East’s (ME) affliction to this economic malaise is contradicted by recent trends wherein, specifically in the GCC countries, abundance of natural resources has actually helped vitalise the non-oil economic growth. Thus, developments of the region indicate the increasing focus on non-oil sectors as a means to achieve sustained economic development and elevated social status.

The need for diversification has also been driven by global trends in oil supply-demand. The region already faces issues of rising unemployment due to the capital-intensive nature of its industries, while the volatility in oil prices is expected to magnify the problems of unemployment, social, and economic growth. Within the UAE, Abu Dhabi and Dubai have been investing billions of dollars to diversify their economies to cover trade, tourism, logistics, aviation, infrastructure, and financial services, while smaller emirates such as Ras Al Khaimah are focusing on manufacturing and tourism. All these diversification efforts are yielding results. According to the IMD World Competitiveness Centre Index, the UAE was ranked as the 26th most diversified economy in the world in 2012, ahead of many developed countries. Within the Middle East, the UAE was the most diversified economy followed by Qatar.

In particular, investments and diversification efforts in travel and tourism are translating into significant growth opportunities. The GCC countries have certain prominent tourist hubs including Dubai and Qatar, which drive the overall industry. The location advantage that the GCC employs is unique and has been a critical influencer for tourism development. The region is within four hours of travel from one-third of the world’s population and is within approximately eight hours away from the remaining two-thirds. Specific upcoming events such as the World Expo in 2020 in Dubai as well as the FIFA World Cup in 2022 in Qatar, are likely to usher in increased tourism activities in the years leading up to the events, which makes the tourism sector a primary focus area for diversification.



Creating a new beyond oil economy: The region is setting up 'Cities of Future'

The KSA is undergoing a remarkable economic transformation, by building six new cities in different regions of the Kingdom. These cities are the foundation of the modern age KSA, and are driven by private investors.

The six cities will become the prime movers for attracting domestic and foreign 'beyond oil' investment. These cities are expected to create more than 2 million jobs and will house 4.5 million people.

Cruise tourism

“We see significant opportunities to develop cruise tourism as a holiday of choice in emerging markets, including among GCC travellers, and work with our partners in Abu Dhabi and Oman to promote the Arabian Peninsula as a cruise destination. Dubai, Oman and Abu Dhabi together boast an excellent tourism and hospitality infrastructure with the opportunity to explore the many sights, rich culture, and romantic history of the Arabian Gulf. By communicating cruise holidays and the diverse tourism experiences in each of our three destinations as a single united force, our combined efforts result in a magical experience. We see huge potential for growth at a local and regional level.”

– Hamad Mohammed bin Mejren, Executive Director, Business Tourism at Dubai Department of Tourism and Commerce Marketing

Exhibit 10

Major ports attracting cruise tourism in the GCC,
number of passengers

Ports	2006	21012	2015f	2020f	2030f
Dubai	8,000	386,000	450,000	700,000	850,000
Abu Dhabi	35,000	180,000	250,000	450,000	600,000
Rest of GCC (Qatar, Oman, Ras Al-Khaimah...)	8,100	308,000	408,000	498,000	650,000
Total	51,100	874,000	1,108,000	1,648,000	2,100,000

Source: ADTC, DTCM, QTA, MoT and Frost Sullivan analysis

Apart from overall tourism that is driven by the aviation industry, cruises are increasingly becoming the new facet of Gulf tourism, courtesy of the region's extensive coastline, winter sun, and beautiful islands. With barely 1 per cent of the global cruise market operating in the Gulf, the potential for the GCC is significant. Cruise tourists in Dubai, Oman, and Sharjah are rising year-on-year, with some of the world's top cruise lines operating from the Emirate: Costa and MSC Cruises, AIDA and TUI Cruises. By 2020, the region will attract more than 1.6 million passengers in comparison of 0.85 million in 2012, a CAGR of 8 per cent.

“The region is expected to attract more than 2.1 million cruise tourists by 2030.”

With the expansion of the Dubai cruise terminal set to open by mid-2014, the city is on the verge of becoming the largest cruise facility in the Middle East, with a capacity of complete turnaround of five passenger ships at any one time. By 2015, Dubai is expected to host 120 cruises with 450,000 passengers, up from 113 cruises hosting over 386,000 tourists in 2013. Likewise, Qatar's plans of transforming Doha Port into a cruise terminal will result in a larger inflow of visitors to nearby tourist destinations such as the Museum of Islamic Art, Souq Waqif, Msheireb, the Corniche, and the National Museum as well as facilitate transportation of tourists to Hamad International Airport.

The cruise industry is also undergoing change to keep pace with changing times. After years of competing amongst themselves, Oman, Abu Dhabi, and Dubai are collaborating to promote cruise tourism across the Gulf from Dubai to Abu Dhabi, Khor Fakkan, Fujairah, Oman, Bahrain, and India's West Coast. All of these participants are building additional cruise terminals and facilities and are simultaneously working on establishing common operational and technical standards. Over the coming years, this alliance will only widen to increase a greater number of participants from the Gulf and many rival established cruise destinations including those in the Caribbean region.

“Air travel is the dominant mode of travel within the region and abroad, but there's a foreseeable potential for sea travel, especially intra-regional, and governments should plan to invest in sea travel infrastructure and regulations. This could be a big potential for tour operators and cruises as this business is flourishing in other parts of the world.”

— Mr. Naseer Khan, *Regional Corporate Manager, Kanoo Travel*

The region's leading ports have outlined plans for significant expansions that would enable them to grow their share of the lucrative cruise market.

Abu Dhabi, Dubai, Qatar, Oman, and Ras Al-Khaimah are all embarking on port expansion plans that would enable the region to grow its share of the lucrative cruise market. Qatar is investing USD 5.5 billion in a cruise ship terminal in Doha capable of handling two to three cruise ships. Oman is working to transform Mina Qaboos into a dedicated cruise port as part of the Government's Vision 2020 plan.

“The presence of a home port for cruise lines would enhance not only Qatar but the Gulf’s position as a tourist destination and promote economic diversity. As the tourism industry develops in Qatar and across the Gulf, the cruise market can be a pillar of growth that accelerates our efforts and brings more people to discover the products on offer.”

— Mr. Issa bin Mohammed Al Mohammadi, Chairman, Qatar Tourism Authority (QTA)

Medical tourism

Healthcare providers in the GCC are increasingly focusing on the USD 50 billion global medical tourism industry and capitalising on the low-cost advantage that the region can offer to developed nations. To encourage medical tourism into the region, GCC authorities are investing heavily into state-of-the-art facilities. Such investments include key infrastructure projects such as:

- The medical infrastructure investment in Al Ain, worth USD 1.2 billion, to develop new Al Ain Hospital. This will include 719 beds and will cover all medical specialities.
- The Cleveland Clinic Abu Dhabi, with a total investment of USD 1.54 billion, to house five clinic floors, three diagnostic and treatment levels, and thirteen floors of critical and acute in-patient units totalling 364 beds.
- Oman is also investing USD 1.0 billion to develop medical infrastructure.
- Mafraq Hospital in the UAE is investing USD 600 million to attract medical tourists.

Furthermore, the ministries of health in the GCC are introducing policies to encourage accreditation of existing healthcare facilities by internationally recognised bodies, thus enhancing the attractiveness of medical tourism in the region. A large number of facilities in the GCC have received the Joint Commission International (JCI) accreditation – the gold standard in healthcare delivery. Currently, the UAE, the KSA, and Qatar are host to most of the GCC’s JCI-accredited facilities.

Within the region, Dubai has become a destination for quality healthcare services, primarily for medical visitors from the GCC as well as the wider Middle East and North Africa (MENA). According to the Dubai Health Authority, the number of medical tourists coming to the emirate is increasing by 10 to 15 per cent, annually. To attract an even greater number of medical tourists, the Emirate has started offering a three-month medical tourist visa, which can be extended twice, up to nine consecutive months as well as short-stay visas for specialist doctors to perform operations. The region is also attracting medical professionals for various conferences – over 100,000 people are estimated to have attended Arab Health expo in 2013.

The city of Dubai has also evolved as a major participant in wellness tourism. Dubai Healthcare City (DHCC), which would be the largest international medical centre between Europe and Southeast Asia, is likely to offer a wide range of medical and wellness services to visitors as well as world-class medical education and research. Meanwhile, Abu Dhabi has forayed into the wellness tourism industry with the establishment of the DNA Integrative Medicine and Wellness Centre at St. Regis Resort in May 2013.

In the UAE, medical tourism is expected to bring 500,000 visitors by the year 2020. 22 hospitals will be built in Dubai alone.

“The initiative is a step forward in the implementation of the strategy of the executive office to make Dubai a hub for medical tourism.”

– Dr Mohammed Al Zarooni, Vice Chairman, Dubai Silicon Oasis Authority

In addition to the Gulf countries prioritising efforts to improve healthcare, they have also realised the critical role of the trip in the decision-making processes of medical tourists. In response, they are now focusing on selective segments of care and then promoting the destination. Oman is developing an International Medical City (IMC) in Salalah to provide a multi-speciality tertiary care and three medical centres of excellence for organ transplant, rehabilitation, and diagnostics. Dubai's list of proposed health projects includes the USD 3 billion expansion of Rashid Hospital to a capacity of 900 beds as well as construction of new centres for heart, cancer, kidney, and cosmetic surgeries, and six new specialised facilities.

Apart from increasing capacity and augmenting infrastructure, all the GCC countries are integrating advanced information technology to make the industry cost-effective. The KSA, for instance, plans to transform healthcare delivery through its programme Healthcare Information and Management Systems Society (HIMSS) by digitally integrating 220 hospitals and 2,000 primary healthcare centres (PHCs) to ensure interoperable electronic health records (EHR) and cost containment². Lastly, as the region enhances its regulatory framework and sets up policies to attract and retain medical talent, it will help to transform the GCC into a regional medical tourism hub and might restrict outbound medical travel to traditional destinations in Europe and the USA to some extent.

What is interesting is that apart from international medical tourist patients, the growing medical infrastructure has the potential to attract a larger number of intra-regional medical tourists in the future. While intra-regional destinations such as the UAE and the KSA attract their own share of medical tourists, almost half of all the patients in the Middle East travel outside their native countries to seek treatment for serious illnesses. According to a Gallup poll, 65 per cent of Kuwaitis surveyed displayed a preference for seeking medical care abroad while the ratio stood at a lower but a still significant 35 per cent for Saudi patients. In the years to come, the creation of world-class healthcare facilities backed by a robust delivery system will see an increasing proportion of this segment of outbound medical tourists availing themselves of treatment within the region.

²Alpine Report on GCC Healthcare Industry, 2011

Meeting, Incentives, Conferencing, and Exhibitions / Events (MICE) tourism

The GCC meetings, incentives, conferences, and exhibitions / events (MICE) industry is showing continuous growth and is set to expand even further while attracting high-profile global events and state-of-the-art infrastructural investments. As an important generator of income, employment, international prestige, and foreign investment, the MICE industry represents a key driver of the GCC governments' economic development strategy. Understandably, individual governments are formulating strategies to grow this industry.

Qatar's short-term strategy includes attracting business travellers through corporate conferences and events, and eventually pushing other segments forward, such as leisure and sports tourism. Positioning itself as the trade hub of Middle East, North Africa and South Asia (MENASA), Dubai will continue to grow its already strong business events industry, leading to a continual growth in business visitors from the hosting of MICE. Dubai is recognised as the MICE leader of the ME, dominating the USD 1.3 billion market with a leading market share. By 2020, Dubai is set to attract 16.5 to 18 million leisure visitors and 3 to 4 million business visitors. Of this figure, MICE visitors that currently equate to 0.9 million, are estimated to double to between 1.7 and 1.9 million; the remaining will be independent business travellers.

“The MICE sector is currently generating AED 2.4 billion (USD 0.7 billion) per annum for Abu Dhabi and is expected to reach AED 5.1 billion (USD 1.4 billion) by 2020.”

– *Tourism and Culture Authority (TCA) of Abu Dhabi.*

Along with Abu Dhabi, Bahrain's tourism recovery is being buoyed by significant growth in its MICE sector. This is evident from statistics that show the amount of exhibition space booked at the Bahrain International Exhibition and Convention Centre (BIECC) grew 19 per cent in 2012; the number of exhibitors increased 51 per cent to 3,099 in 2012, compared to 2,047 in 2011; and the number of event visitors rose by 46 per cent. To further stimulate the meetings business within the country, Bahrain is ramping up its participation at the forthcoming Gulf Incentives, Business Travel and Meetings (GIBTM) to increase visibility.

With ongoing investments throughout the region in transport infrastructure, new conference, concert and sports facilities, cultural and heritage sites, and not to mention some of the most iconic hotels of the world, it is little wonder that the meetings and incentive market is growing exponentially in the GCC. The MICE industry has the added benefit of a high per capita budget potential. The peripheral spends of business travellers are significantly higher than that of the average leisure traveller and so this industry remains highly desirable to all destination and tourism stakeholders.

“A pro-active government-driven approach in embracing associations and providing underwriting for large scale conferences and professional gatherings will see the region become a focal point for meetings.”

A construction of large-scale venues in Dubai, Abu Dhabi, and Doha will see these three cities play a significant role in the global MICE industry. The accessibility via air travel, the liberal approach to providing visit visas, and the rapidly emerging crossroads of east to west, north to south, and the gateway to Africa and Asia, will place the GCC at the centre of the global MICE industry.

Creating a more business-friendly environment

“Government bodies are far more active and aware of profiling their hospitality and facilities. A good example is the licensing processes being reduced from six months to two months to open new hotels. More presence by governing bodies and tourism entities in foreign countries are helping drive the profile of the region and in turn promoting the region as an advantageous location for events, sports, and business.”

– Mr. Omer Z. Kaddouri, Chief Executive Officer, Rotana

With the initiation of reforms across the GCC nations, as well as active economic diversification and infrastructure activities of governments, business, and, as a result, travel for business purposes into the GCC countries, is bound to increase. The region offers strategic advantages such as availability of cheap energy and feedstock supply, low tax environment, well-developed infrastructure, growing population, and increasing income levels, all of which are conducive for the development of various non-oil industries. Buoyed by the twin surpluses in trade and fiscal budgets, the GCC countries enjoy sovereign credit ratings that are on par with some of the developed economies and provide the financial stability that is lacking in many western countries at this stage.

The GCC countries have one of the simplest compliance requirements and lowest tax rates, globally. The World Bank's Doing Business Report 2013 ranked the UAE in first place, followed by Qatar (2nd), the KSA (3rd), Bahrain (7th), Oman (10th), and Kuwait (11th) in the “paying taxes” segment, clearly highlighting the region's attractiveness in terms of tax regimes for setting up businesses. Corporate tax rates are 10 per cent in Qatar, the lowest in the GCC and MENA, followed by Oman (12 per cent), Kuwait (15 per cent), and the KSA (20 per cent). Furthermore, GCC governments are continuously trying to increase the business-friendliness of their region; the Abu Dhabi Government is working on setting up a financial free zone on Al-Maryah Island to enable foreign companies to run businesses under international law and financial market regulations.

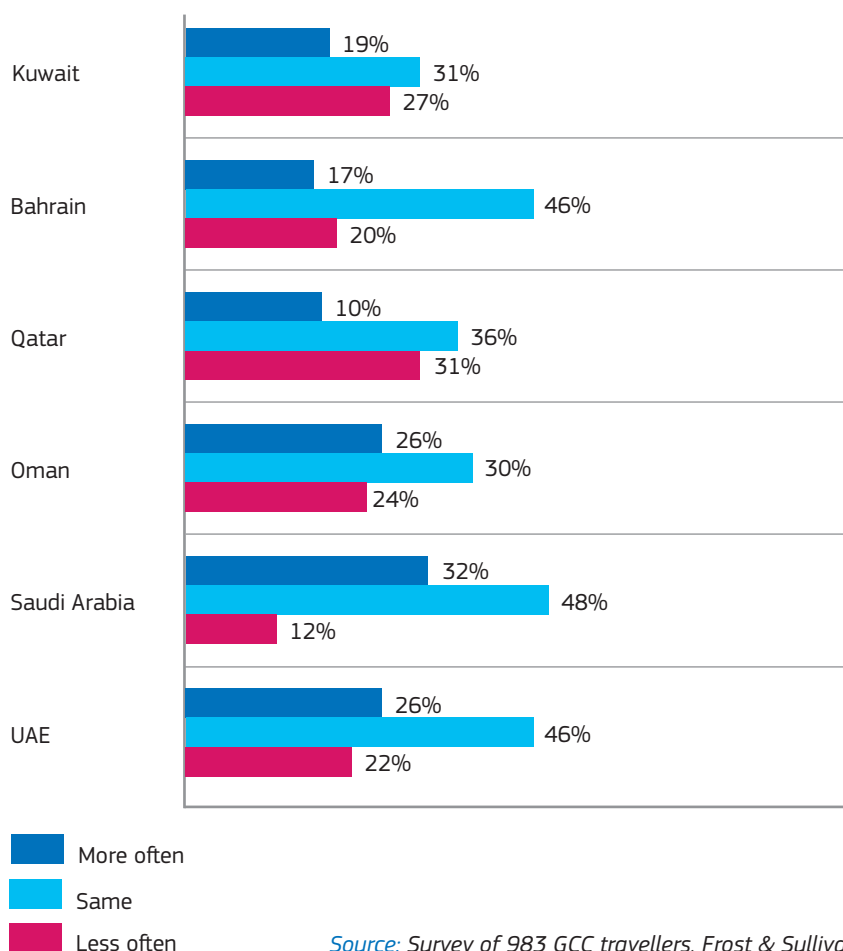
All these factors have contributed to increased foreign direct investments (FDI) inflow into the GCC countries and the trend is likely to accelerate in the future. The attractiveness of the region to global trade coupled with an emerging favourable policy environment is driving increasing business travel to and from the region. A non-oil economic sector that appears to be benefiting from increased commercial activity is aviation and hospitality, particularly from corporate travellers seeking business opportunities.

Complementing the geographical proximity to Southeast Asia and the African markets is the world-class infrastructure, ample oil and gas reserves, and an investor-friendly macro environment, all of which augur well for the GCC to emerge as a regional manufacturing and export hub. Abundant availability of energy in the region is seeing increasing investments in energy-intensive sectors of petrochemicals, cement, fertilizer, metals and mining, and mega infrastructure projects, apart from other emerging sectors such as financial services. Adding to this positive momentum are the continuous infrastructure modernisation projects of the various Gulf governments. According to Zawya's GCC Project Report 2013, there are currently infrastructure projects worth USD 804.9 billion under various stages of implementation in the region. All of these diversification and investment projects have enormous associated business travel requirements.

Our survey indicates that preferred destinations for outward business travel are in line with the region's 'Look East' policy; destinations in South Asia and Asia Pacific accounted for nearly 60 per cent of all outward travel in the past 12 months. In intra-regional business travel, the UAE dominates as the most visited region with 52.9 per cent of total intra-regional travel during the same period. An overwhelming 88 per cent of the surveyed respondents opine that they would be travelling again in future for business (Exhibit 11).

Exhibit 11

Travel behaviour of business travellers



Source: Survey of 983 GCC travellers, Frost & Sullivan analysis

In recent years, the key four GCC countries (the UAE, the KSA, Oman, and Bahrain) have witnessed rising demand in business class and first class travellers. According to the Air Passenger Market Analysis report, Middle Eastern carriers saw high rates of international passenger growth, with revenue passenger kilometres (RPKs) growing by 12.2 per cent year-on-year in August 2013. Much of this growth has come from wealthy travellers in the GCC. Additionally, we cannot ignore the impact of recent infrastructure projects and upcoming mega events, which is one of the key drivers for increased business travel activity in the GCC, and will also play a major role in boosting RPKs in future.

Similarly, business travel spending in the entire GCC is expected to increase in the coming years as the region becomes an increasingly attractive destination for investment. From a requirement standpoint, business class passengers will continue to consider the reliability of operations, connectivity, and quality of product when booking their flight. The business traveller will also consider the flexibility offered by multiple flight frequencies and multiple distribution channels, which facilitate access to travel.

Removing bureaucracy, moving to government e-platforms, and providing transparent licensing and investment platforms is becoming the benchmark and placing the GCC at the forefront of many “doing business” indexes. This pro-active approach will only serve to enhance the travel industry, hasten the construction of hotels and infrastructure, and provide the consumer with the information and access which they crave.

“Business travel spending in the entire GCC is expected to increase in the coming years as the region becomes an increasingly attractive destination for investment”



The infrastructure effect: investments in anticipation

“We feel the time is right for us to gear up for an expansion so that we are ready to take advantage of the opportunities when the economy bounces back. And it will. The tourism and hospitality business will be key drivers of Abu Dhabi’s growth in the years to come.”

— Mr. Mohamed Mounib, Chief Executive Officer, National Corporation for Tourism and Hotels

Addressing capacity needs of the future

With curbs on government spending in the aftermath of the global financial crisis, the need to ensure long-term economic sustainability coupled with the immediate pressure of assuaging its civilians is driving government-funded infrastructure spending in the GCC countries. Consequently, in the UAE, the focus is on infrastructural facilities such as transportation and utilities that improve the life of its citizenry, while the KSA is using its oil money to drive infrastructural growth, develop new and existent cities such as Jeddah and Riyadh, and keep ahead of its youthful demographic. Qatar and the more conservative states of Kuwait and Oman are increasingly beginning to realise the importance of infrastructure in driving economic diversification and taking tentative steps in this direction. Meanwhile, the island Kingdom of Bahrain is boosting its infrastructural capacity in line with its strategic location as the gateway to the Northern Gulf.

Covering a wide gamut ranging from transport links, air, road, rail to power, desalination, nuclear, and oil and gas, the overall result will be a transformation of the region's landscape; entire new cities are under construction, roads are wider, airports are bigger, flights are more frequent, high speed rail – that could expand across GCC — is en-route and it is widely anticipated that there is more to come. In terms of building new cities to accommodate the rising urban population, the KSA stands out with its plan to develop multiple economic cities, backed by an equally impressive list of new universities, colleges, and training institutes in its quest to drive industrialisation through a knowledge-based economy. Meanwhile, existing cities such as Riyadh are continuing their high-speed growth. Indeed, with the share of urban population rising from 79.8 per cent in 2000 to 83.1 per cent in 2015 and further to 82.5 per cent in 2030, the nation is implementing a multi-decade strategic plan to develop cities of the future.

“Department of Tourism and Commerce Marketing (DTCM) has set a vision to welcome 20 million international visitors by 2020. It is expected the leisure segment will comprise 80 to 85 per cent with the remaining 15 to 20 per cent reserved for the business visitor.”

— Dubai Department of Tourism and Commerce Marketing

Exhibit 12

The KSA cities of the future

Economic City	Focus areas
Rabigh (KAEC)	Port and logistics; light industries
Hail (PABMEC)	Logistics; agriculture; minerals; construction materials
Madinah (KEC)	Religious centre
Jazan (JEC)	Manufacturing, ports
Tabouk (TEC)	Manufacturing

Source: Frost & Sullivan's survey of 983 GCC travellers, February 2014

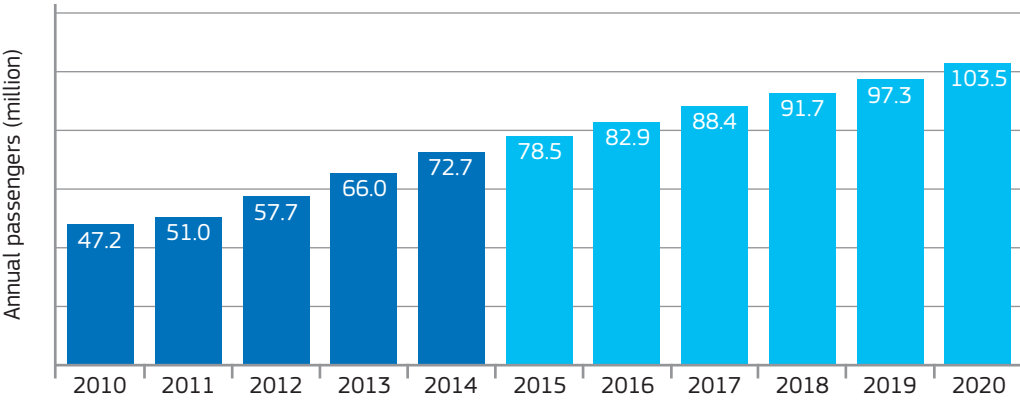
In aviation, rising air passenger traffic in six of the region’s major airlines has prompted the GCC countries to invest to the tune of USD 90 billion in developing airports (includes international, domestic and military airports), of which the UAE alone has an investment kitty of over USD 23 billion.

The GCC airports are targeting 450 million passengers by 2020³. Abu Dhabi, Dubai, and Doha airports combined annual capacity will reach 290 million passengers while Emirates Airlines, Qatar Airways, and Etihad Airways are expected to have more than 200 million passenger capacity by 2020. Dubai, which is expected to handle 72 million passengers in 2014 and 78 million passengers in 2015, is close to becoming the world’s top airport for international passengers by 2015. Exhibit 13 illustrates projected passenger traffic growth of Dubai Airports by 2020.

³Alpine Report on GCC Healthcare Industry, 2011

Exhibit 13

Projected passenger traffic growth to 2020, Dubai Airports



Source: Dubai Airports

Air service growth is another major driver of tourism growth in the GCC. The increase in regional airline capacity (in terms of percentage) is higher than global averages and will result in more competitive fares for a larger target audience as well as the rapid growth of low cost carriers – flydubai and Air Arabia – that have created a new market within the GCC and beyond. Mega hub participants, namely, Emirates, Etihad Airways, and Qatar Airways have maintained close ties with local stake holders to generate higher levels of stopovers and inbound tourism. Meanwhile, advances in aircraft technology introduced in the Airbus A380 and the long range Boeing 777 are allowing hub carriers to expand on a truly global scale. All of these investments will ensure that the plateauing of air travellers remains in the distant future.

To support increasing passenger traffic, the GCC aviation companies expect to receive delivery of 500 aircrafts during 2014-20. Emirates, Etihad Airways, and Qatar Airways combined are likely to receive more than 350 aircrafts. Exhibit 14 provides with details of tentative aircraft delivery schedule by key carriers in the GCC. However, this does not include recently placed orders by flydubai, Saudi Arabian Airlines (Saudia), Jazeera Airways, and others as most of these aircraft will be delivered post 2020.

Exhibit 14

Aircraft delivery schedule by key airlines in the GCC, 2014-2020

Key Airlines in the GCC	2014 ^f	2015 ^f	2016 ^f	2017 ^f	2018 ^f	2019 ^f	2020 ^f	Total
Etihad, Abu Dhabi	18	8	9	11	15	11	9	81
Emirates, Dubai	25	24	28	28	15	16	10	146
Air Arabia, Sharjah	10	13	2	2	-	-	-	27
flydubai, Dubai	13	5	2	2	-	-	-	22
Gulf Air, Bahrain	9	1	-	-	2	6	4	22
Jazeera Airways, Kuwait	2	-	-	-	-	-	-	2
NAS Air, Saudi Arabia	16	1	-	-	-	-	-	17
Qatar Airways, Qatar	13	10	22	29	26	21	11	132
Saudi Arabian Airlines	6	10	10	14	11	-	-	51
Total	112	72	73	86	69	54	34	500

^f = forecast

Source: Etihad, Emirates, Boeing, Airbus, Saudia, flydubai, Gulf Air, Qatar Airways media releases, websites, and articles

All these infrastructural development projects in various modes and supporting framework will significantly boost the construction sector. This in turn will result in greater inbound travel of skilled and unskilled workers into this region. Lastly, additional capacity, once operational, will attract a greater number of travellers to this region from within and without.

“The future looks increasingly bright for our sector with a joint commitment to develop new international air routes, greater airport capacity as well as generate an overall stronger economy. The massive development projects in all parts of the country especially the expansions in the two holy cities “Makka” and “Medina” coupled with a strong desire of the large Saudi youth population to travel will see an ever increasing demand for inbound and outbound traffic.”

– Mr. Abdul Mohsen M. Jonaïd, Chief Commercial Officer, Saudia

Massive investments to introduce high-speed railway is aimed at reducing the region's high dependence on roads and providing more convenient modes of transport for travellers. In particular, many family travellers, who are the head of their families and spend a considerable time behind the wheel, will prefer going on a vacation on a luxurious train cabin with all the amenities and facilities on offer. Unlike airfares, railway fares are constant and will be more attractive for budget travellers.

Planned railway projects in the GCC, which will offer great connectivity within the region, are listed in Exhibit 15.

Exhibit 15

Rail sector: Major ongoing or planned railway projects (GCC)

Name of project	Budget (USD billion)	Length (kilometres)	Target date of completion	Coverage	Usage focus
GCC Railway Network	30.0	2,177	End of 2019	All six GCC nations	Passenger and cargo
Qatar National Railway System	25.0	Approx 850	Mid-2017	North-South within Qatar	Passenger and cargo
UAE National Railway Project	10.9	1,500	End of 2017	Connects all emirates in the UAE	Passenger and cargo
Dubai Metro	10.6	180	End of 2017	Entire Dubai	Passenger
Bahrain Rail Master plan	7.9	103	End of 2025	Entire Bahrain	Passenger
Abu Dhabi Metro	7.0	131	End of 2022	Key cities in Abu Dhabi	Passenger
Kuwait City Rapid Transit	7.0	171	End of 2018	Entire Kuwait City	Passenger
Saudi Land Bridge	7.0	950	End of 2016	From Jeddah to Riyadh in KSA	Passenger and cargo
Haramain High-Speed Railway	7.0	444	End of 2016	From Mecca to Medina in KSA	Passenger

Note: All figures are rounded Source: Frost & Sullivan

Dubai Metro — A Trigger for the Development of New Railway Projects in the GCC

The UAE is the second largest economy in the GCC and has been a pioneer in the region's railway revolution with the Dubai Metro Project. Apart from completing the remaining phases of the Dubai Metro, the country is building another ambitious project to link the seven emirates of the UAE by railway, for the first time. Christened the Union Railway, this network would later be integrated into the GCC Railway Network. Initially intended for cargo movement operations between the Abu Dhabi desert and the western port city of Ruwais, this railway network is to be expanded till Khor Fakkan on the east coast and Al Ain on Oman's border so as to facilitate integration into the GCC Railway Network.

“The railway is the future for the region. Traveller's choice will drive this change. The people who usually travel by their car / hired taxis would like to select railway as a preferred mode of journey. Now one has to pack his / her car with all the stuff, drive 6-7 hours to come to the place. As a lead driver or head of the family, they are on a vacation but doing a driver's job. Now, replace that with a nice, luxurious train cabin with all the amenities and facilities depending on the classes, getting served food on board, kids having space to walk around while travelling, watch the scenery go by, take stops, get down, stretch, and sit back; it's a great experience. Therefore, the railway project will bring a big change in how tourism develops in the GCC. It will actually increase the number of people travelling into the region. Additionally, services like “Single Booking” from anywhere will be a game changer.”

— Mr. Tarique Khatri, Senior Vice President, Cleartrip

Infrastructure investment provides the growth of jobs, which meets the needs of the demographic growth. These jobs require people to meet, to talk, and to travel. The jobs provide pay, which is spent on life's essentials and pleasures. Travel is a pleasure and a treat and by nature the GCC citizen loves to travel. The net result is that infrastructure growth drives travel.

"From a leisure perspective, the UAE is becoming the number one destination for the 18 to 30-year-old locals and residents of the Middle East and North Africa. With the additional hotels and aircraft that are expected over the next 10 years, travelling will become easier, faster, and more economical. From a business point of view, Iran is likely to set the stage for the next 10 years along with the massive expansion plan ahead of the Dubai 2020 expo."

— Mr. Daniel Hajjar, Managing Partner, Teal Hospitality

2020 World Expo: destination Dubai

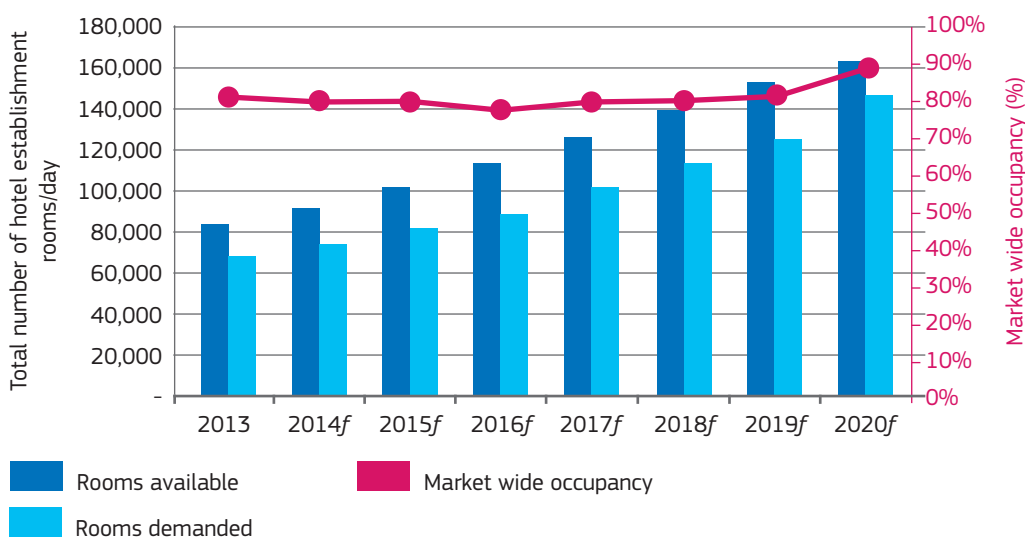
Winning the bid for the 2020 World Expo has earned Dubai the distinction of being the first Middle Eastern city to host the international exhibition in its 160-year history. In six years' time, over 25 million international visitors are expected during the six-month long exhibition, 70 per cent of which will be from outside the UAE. Anticipating the logistical requirements for this mega scale international event, Dubai has begun big-ticket investments in the four key areas of public transportation and transit, accommodation, a strategically positioned site, and a highly scalable supply chain. These investments will not only transform the city's landscape, they will lead to structural changes that will extend even beyond 2020. Notable projects include the multi-billion-dollar Mohammad Bin Rashid (MBR) City, Bluewaters Island, the Dubai Water Canal, a multi-faceted leisure and entertainment experience in Dubai Adventure Studios, and the Lagoons, a waterfront city.

Served by over 145 airlines connecting more than 260 destinations across six continents, the Dubai International Airport (DXB) is the second busiest airport in the world in terms of international passengers. According to Airports Council International, over 66 million passengers passed through the airport in 2013, up 15.2 per cent from a year ago. Passenger numbers are likely to reach 78 million in 2015 and 98 million by 2020. With annual air passengers expected to increase by over 50 per cent, airports are receiving the major share of investments. Apart from capacity augmentation of airspace, airfield, stands, and terminal areas of the Dubai International Airport to accommodate nearly 100 million passengers per year by 2020, the newly operational Al Maktoum International Airport is likely to be enabled to manage over 160 million passengers by the mid-2020s. Likewise, Dubai's airlines are boosting their carrying capacity through significant aircraft orders. With an order totalling 90 A380 aircrafts, Emirates, the largest airline in the Middle East, is on its way to becoming the world's largest operator of the largest passenger airliner. In the low cost carrier segment, flydubai is the world's fastest growing start-up airline with an order for 34 more aircrafts.

The next largest beneficiary of the investment drive is the hospitality segment. Incentives provided include the waiver of municipality fees for a specific duration to encourage speedy expansion of three- and four-star hotels. At the same time, segments such as holiday homes are being brought under government regulations and standards. Such moves will guarantee that levels of quality and standards are in line with the city's vision of becoming a destination for the high end of the travel market. Research indicates that at a conservative compound annual growth rate (CAGR) of 6 per cent, a further 50,000 hotel establishment rooms will be added by 2020, taking the total stock to 130,000. The Dubai Department of Tourism and Commerce Marketing (DTCM) has a more ambitious target of providing 140,00 to 160,000 hotel establishments within the next seven years, with a sharp focus on providing quality accommodation (current estimates shows that Dubai will add approximately 20,000 to 30,000 more rooms by year 2016 and another 35,000 to 45,000 rooms by 2020, Exhibit 16). Spill-over effects will benefit the entire region as well as neighbouring emirates, including Abu Dhabi, through a greater inflow of travellers. All these investments will continue to accrue benefits beyond 2020 and attract travellers to the city as envisaged in the Dubai Tourism Vision 2020.

Exhibit 16

Dubai's hotel establishment forecast (2013-2020f)



Source: DTCM, Frost & Sullivan analysis

2022 FIFA World Cup: hotspot for sports

“Business globally likes stability, opportunity, and attractive corporate environments, and the Gulf and Qatar are doing everything they can to make this region as attractive as possible — and it’s clearly working.”

— Mr. Akbar Al Baker, Chief Executive Officer, Qatar Airways

The next major international event of repute in the GCC is the 22nd FIFA World Cup, an international football tournament scheduled for 2022 in Qatar. Positioning itself as a regional sporting hub, government programmes are focussing on developing the infrastructural framework. The Qatar Tourism Authority intends to invest about USD 20 billion on tourism infrastructure and USD 140 billion on transport. A world-class infrastructure and event will drive tourist arrivals to grow at a CAGR of 15.7 per cent to reach 3.7 million by 2022. In the interim period, the investment-led economic activities will translate into a surge in construction activity, especially in commercial and semi-residential segment. Indicatively, 12 state-of-the-art stadiums are under construction, including three existing ones that are under renovation.

Exhibit 17 represent overall project plan for constructing / developing support infrastructure.

Exhibit 17

Developing the infrastructure for 2022 and beyond, timelines

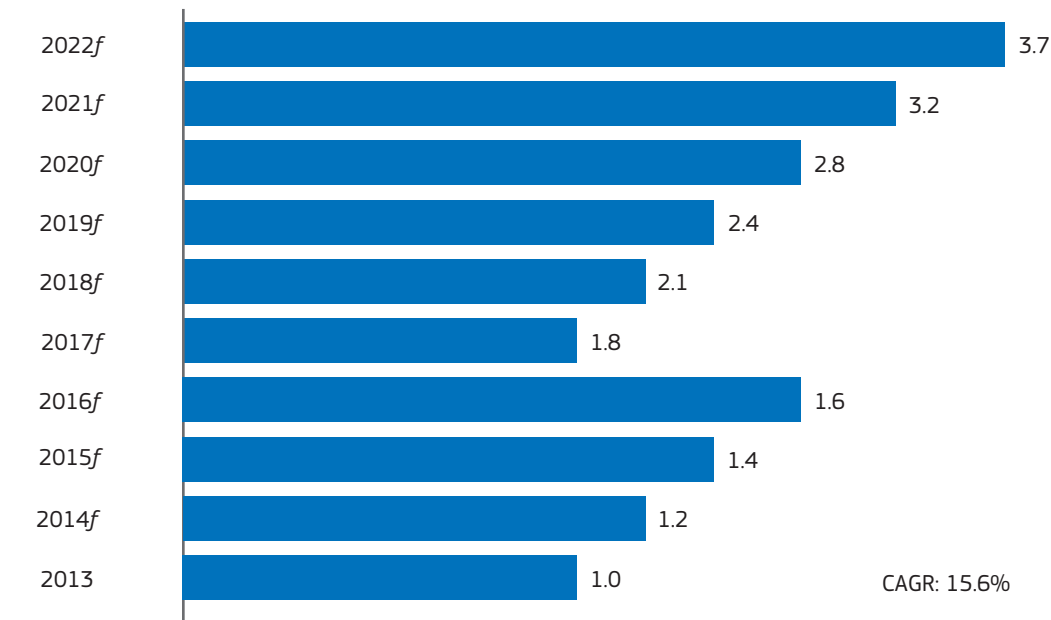
Item	Cost (USD bn)	Timeline	Yearly breakdown													
			2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
1. Stadiums (4.6%)	3.0															
Construction of 9 new stadiums		2011-2021														
Restoration of 3 stadiums																
2. Transportation (31.8%)	20.0															
National railway (Qatar - Bahrain)		2011-2019														
National railway (Qatar - KSA)		2011-2017														
Metro system		2011-2020														
3. Roads (36.9%)	24.0															
Qatar Bahrain Motorway	4.0	2011-2015														
Road systems	20.0	2011-2016														
4. Accomodation (19.1%)	12.4															
140 additional properties		2011-2022														
5. FIFA (0.9%)	0.6															
FIFA confederation 2021 and 2022		2011-2022														
6. Others	5.0															
New Doha port		2011-2030														
Doha airport (remaining work)		current - 2017														
Doha Bay crossing		N/A														
Media facilities		N/A														
Total expenditures	65.0															
Actual spending likely to exceed projected amounts																

Hospitality and real estate are expected to see similarly energised activity. On the hotels front, Doha is gearing up to supply 60,000 rooms for tourist accommodation, with the bulk of the upcoming stock expected to be in the luxury segment. At the same time, the emirate has worked with international hotel brands to address the gap in serviced apartments. Given the economy's reliance on immigrants, the resultant surge in construction activity will lead to a continuous flow of labour and specialists in the period leading up to 2022.

Additionally, the World Cup season will see a spike in tourist arrivals as many align their travel plans with the football event. All these flows will see the contribution of travel and tourism to the GDP increasing by eight-fold by 2022.

Exhibit 18

Qatar inbound tourism growth forecast, 2013-2020f (in millions)



f = forecast

Source: Secretary General of Qatar 2022 & Frost & Sullivan analysis

Qatar's game plan to establish itself as a destination for sports extends beyond the World Cup. Inspired by Abu Dhabi, Dubai, and, to a lesser extent, Bahrain, the emirate is using sports as a platform to drive tourism and is enthusiastically following up its efforts to host the Olympics, with plans to bid for the 2024 Games. This forms a part of the government's larger plan – called Q2022 programme — to ensure sustainability beyond 2022, and will continue to drive travel and tourism in the coming decades.

Across the GCC, cities such as Dubai are transforming themselves into attractive tourist destinations for events relating to sports including golf, motorsport, and horseracing, as well as art and culture-oriented events such as concerts and theatre. The overarching vision is to provide the international tourist the same experience that is on offer in the most established cities of the world. Thus, Abu Dhabi is positioning itself as a 'capital city' boasting cultural sites, while the northern emirates Fujairah and Ras Al-Khaimah are trying to become centres for heritage and culture, and Sharjah is developing into a religious and cultural destination.

Such investments are already bringing worldwide recognition to the region. In the area of sports tourism, significant investments have begun to yield results. A robust ecosystem has seen growth in golf tourism culminating into 'The Desert Swing' – three consecutive tournaments in the GCC comprising the Abu Dhabi HSBC Golf Championship, the Commercial Bank Qatar Masters, and the Omega Dubai Desert Classic – and the prestigious European Tour season in Dubai. Other sports events that have grown in stature over the years include the Mubadala World Tennis Championship, Dubai and Doha Tennis Championships which are WTA and ATP accredited events, Abu Dhabi International Triathlon, Formula 1 Etihad Airways, Abu Dhabi Grand Prix, and Emirates Airline Dubai Rugby Sevens. Hotels and airlines are fine-tuning their marketing plans accordingly with a rise in hotels around key sport venues including the horse race track in Dubai and Formula 1 circuit in Abu Dhabi. The UAE, Qatar, and Oman lead the race. According to the Tourism Cultural Authority (TCA), tourist numbers in Abu Dhabi shot up by 10 per cent in November 2012 as a result of the Abu Dhabi Grand Prix. The next step is to host eco-friendly sports events that will continue to drive high-end tourists to this region.

Similarly, the GCC countries are increasing their attractiveness as destinations for cultural tourism, both within the region as well as internationally. In Qatar, an extensive schedule of art exhibitions, cultural performances, entertainment shows, music festivals, theatrical performances, fireworks, and laser shows are key attractions for intra-regional travellers. Bahrain has its own share of cultural festivals including the Cultural Spring Festival and the Bahrain Summer Festival.



The gateway effect: evolution of the GCC as a free travel zone

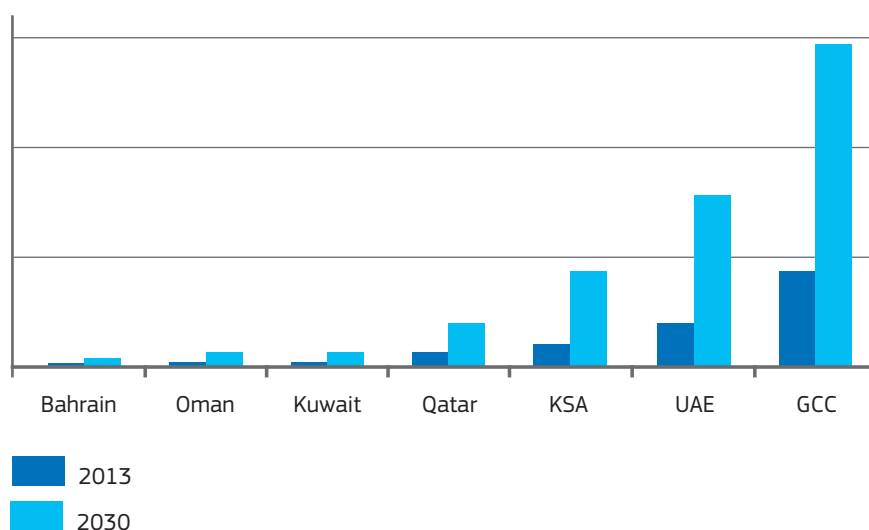
“The issue is how the government perceives aviation in the country and this is where the additional opening up of the market for private airlines (to not only operate, but also to allow these airlines flexibility) has to be established. When we are talking about Saudi Arabia where they have plenty of airports, until now the international operations are only limited to a few locations, so establishing the rules of the game is a major component.”

— Mr. Abdul Wahab Teffaha, Secretary General, Arab Air Carriers Organisation (AACO)

Apart from the recent spurt in construction activity and the region's dependence on external skills, the strong linkages and low barriers between the GCC countries have seen a steady flow of intra-regional travellers within the region, expected to witness a near four-fold increase by 2030. The increase in overall population and the entry of first-time travellers will see this segment growing strongly, characterised by short-haul trips and weekend travel. This will be aided by increasing connectivity and further liberalisation of processes. For instance, the KSA may soon drop its barriers to the GCC residents resulting in a greater number of travellers to other parts of the Kingdom. Meanwhile, the Dubai Department of Tourism and Commerce Marketing (DTCM) is in ongoing discussions with other government entities to simplify visa entry to the UAE by reducing the number of categories, decreasing price points, and increasing the length of stay and validity.

Exhibit 19

Internal travel and tourism (USD Bn)



Source: World Travel & Tourism Council

“The proposal of the Unified GCC visa, which would mean travel documentation and paperwork would be simplified, offering more freedom to the GCC Nationals and in many cases increasing the length of stay for the seasoned travellers, and at the same time encouraging those who travel less, will be the game changer for the region.”

– Dubai Department of Tourism and Commerce Marketing

What will, however, revolutionise travel in this region is the easing of red-tape for business and leisure travellers. The success of the existing common visa system between the UAE, Oman, and Qatar has set a precedent for the remaining GCC countries and propelled the introduction of a unified visa for tourists visiting the region. Expected to be operational in the future with simplified travel formalities, visas on offer will include a one-month-long single-entry visa and multiple-entry visas with validity for one year. The overall impact will be to invigorate inbound tourism, business, shopping travel, and economic activities in the member countries and boost the income of their citizens with each state preserving its sovereignty. The key is political will, driven by the desire to be on the world stage, especially for the UAE and Qatar which, if present, could see the region evolving into a free travel zone akin to the Schengen Area in Europe, which allows intra-regional borderless travel with its Schengen visa.

“The GCC is likely to continue gradual efforts at economic integration, including a single currency, a single central bank, and greater harmonisation of legal and regulatory environments.”

– Mr. Omer Z. Kaddouri, CEO, Rotana

Facilitating seamless travel

To offer world class services to travellers, recently dnata acquired one of the UK's leading market distributor of scheduled long-haul products, "Gold Medal Travel Group" from Thomas Group Plc. This also gave controlling rights to dnata over award-winning OTA Netflights.com, and high-end travel brand Pure Luxury. Gold Medal Travel Group handles more than 275,000 travel bookings a year and is one of the biggest tour operators to Dubai. This, coupled with dnata's experience in the Emirate, will strengthen the companies' inbound travel services and support continued tourism growth in the UAE.

The region's quest to facilitate hassle-free travel is visible through improvements in travel systems and processes. The Gulf countries are working towards the deployment of e-borders and streamlining of the process of applying and granting visas, and also the widening of coverage to include a cruise-specific visa for those travelling through the region's ports. The UAE's system that allows 32 nationalities to receive a visa on arrival has already seen an 89 per cent rise in the number of UAE visas facilitated by flydubai for passengers, notably from Russia, Ukraine, Central Asian countries, and Central and Eastern Europe.

That said, there is a lot of potential for further liberalisation in this region. A UNWTO research shows that the UAE was among the destinations with improved visa procedures, but other Middle East countries in the region remain the least open in the world in terms of visa policies. The report additionally summarises that 70 per cent of the world population requires a visa to visit most of the Middle Eastern destinations, as compared to 60 per cent for the USA and 54 per cent for Europe. For instance, the KSA issues a number of visas to non-GCC nationals for the purposes of business, family visit, Umrah, and Hajj, among others, but no tourism visas. This generally restricts visitors to business engagements only. Clearly, the liberalisation of travel procedures will help the KSA to increase its inbound tourism. Our research shows that the difficulty of obtaining a visa (the KSA and Kuwait visas) has been the main reason for 30 per cent of business travellers not travelling as often as they would like to.

The focus on providing a seamless travel experience is manifested not only in the government's active pursuance of national-level dialogue with other countries, but also across all industry participants that display a combination of collaborative and combative strategies. Early this year, Abu Dhabi International Airport earned the distinction of becoming the first airport in the Middle East to allow customs clearance for travellers to the United States using the Customs Border Clearance Gate. The pre-clearance gate, manned by the US security officers to screen passengers bound for American territory, enables travellers to bypass long immigration queues on landing, and will appeal in particular to business travellers. Furthermore, travellers from Asia and Europe will increasingly opt to travel via Abu Dhabi to benefit from this facility, thereby increasing transit traffic and cementing the region's reputation as an aviation hub. It will not be long before the rest of the region follows Qatar, which is already considering the creation of a similar custom border clearance gate.

From 2014, the UAE, Qatar, and Oman passport holders will also be able to receive travel documentation quickly to visit the UK under the government’s electronic visa waiver (EVW) scheme. The new electronic visa will significantly shorten the process for Gulf nationals to obtain a UK visa and encourage more outbound travellers from the region, who are already amongst the highest spending foreign tourists to come to Britain’s high streets. Similarly, the European Union is also pushing ahead with plans to allow citizens from the UAE visa-free access to the 26 countries that make up the Schengen Area, with final approval likely to be awarded next year. If approved, the Schengen visa waiver would ease travel for the UAE citizens to the Schengen states, making it the first Arab country whose citizens are exempt from Schengen visa.

Other technological improvements are afoot. The GCC nations are building a system that allows national ID cards to be used as e-Gate cards at entry and exit points within the region. Apart from eliminating manual stamps, the effect will be faster clearances across the Gulf region through a fast-track immigration system using smart technology. Furthermore, expatriates can also integrate the e-Gate facility on their national ID cards.

The Gulf countries have the highest shares of expatriates in population and these simpler travel systems will benefit a huge segment of the population. Illustratively, Qatar had 86.5 per cent expatriates in 2010, the highest in the world. Discounting the transient and seasonal nature of the immigrant population, the GCC block as a whole had an average of 53.4 per cent of expatriates (see Exhibit 20 for country breakdown), much higher than the 9.5 per cent in the larger MENA. The positive migration rate in all countries except Bahrain indicates that there is always a higher rate of expatriates that enter the country than leaving. Easier entry and exit procedures will encourage a larger share of this increasing set to travel more frequently.

Exhibit 20

Expatriate population and net migration rate per 1,000 population in the GCC countries

Countries	Expatriate Population	Net Migration Rate per 1,000 population (2013)
Qatar	86.5%	49
UAE	70.0%	11
Kuwait	68.8%	37
Bahrain	39.1%	-40
Oman	28.4%	42
KSA	27.8%	2

Source: Population Reference Bureau

A multi-directional travel gateway

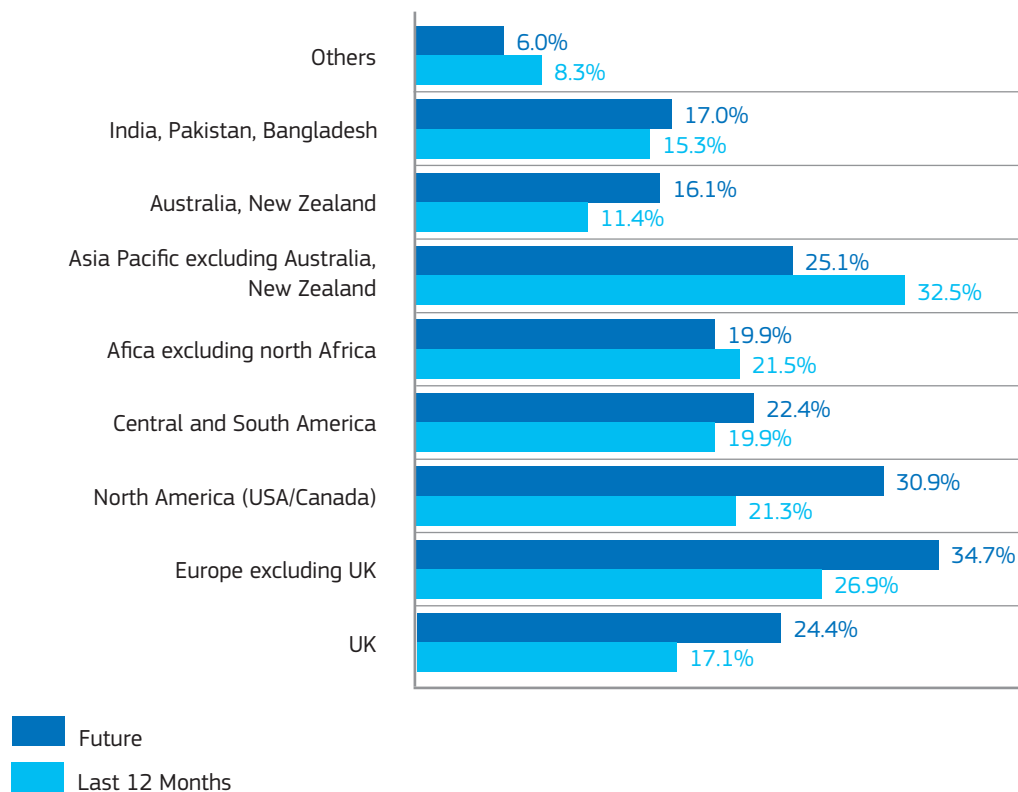
Planned growth in this region will continue to increase connectivity and accessibility to various destinations in the world. China, for one, has developed an insatiable demand for energy and now purchases more than half its oil from the Middle East. India, in addition to its historical relationships, is also turning to the GCC countries for energy needs to feed the demands of an increasing urban population. Trade with the KSA, Kuwait, Bahrain, Qatar, and the UAE represents 70 per cent of all Sino-Arab trade. The Economist Intelligence Unit predicts that by 2020, China will be the GCC's most important economic partner. This growing relationship will help foster increasing business and leisure travel from the emerging economies of China and India to the GCC.

“For business tourism, the location between East and West, and also North and South, makes Dubai the perfect gateway and meeting hub for emerging markets in the Middle East, Africa, Asia, and Latin America.”

— Dubai Department of Tourism and Commerce Marketing

Exhibit 21

International business travel in the last 12 months and future



Source: Survey of 983 GCC travellers and Frost Sullivan analysis

The gateway effect

Meanwhile, the GCC is fast emerging as the new gateway to Africa, the last frontier in terms of natural resources such as oil, gas, uranium, and other resources — all of which will be in high demand across the world. With the added advantage of historic, economic, cultural, and strategic bonds with the African countries, the trade potential between the two continents is immense; Dubai alone witnessed a 700 per cent increase in its trade with Africa over the last decade to USD 25 billion. A deepening of Gulf-African tie is underway in the aviation sector. Direct flights between the two regions have driven rapid growth in passenger traffic as well as cargo volumes, resulting in higher re-exports. Furthermore, economic interests are also drawing more emerging countries from Asia to invest in and trade with Africa, the bulk of which is routed through the GCC.



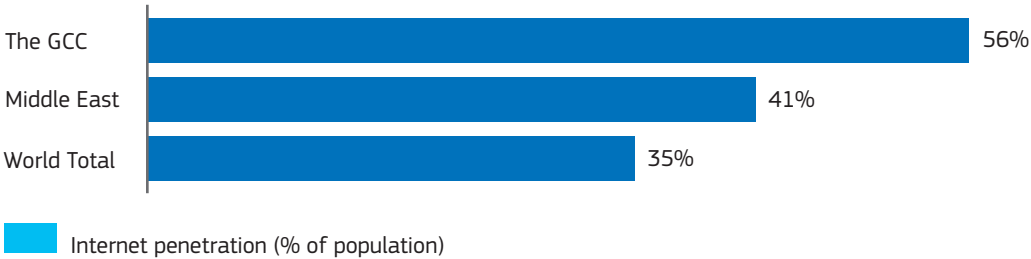
The information effect: empowerment through online information and social media

“Today, especially in the Middle East, travellers are constantly connected to the internet and it is no surprise that mobile is part of their exploring and decision making process. The lack of bookings made online through smartphones is surprising, but represents a massive opportunity for the travel industry to improve its online presence and tap into the UAE and KSA travellers who, more and more, are using their phones as a digital concierge.”

– Mr. Ivan Jakovljevic, Head of Travel at Google, Middle East

Exhibit 22

Internet penetration (% of Population), 2013



Source: Internet World States

Information at your fingertips

Emulating the global pattern, technology has permeated into the GCC travel world and reshaped consumer behaviour in significant ways. The Gulf countries share strong connections with digitally established Western countries when it comes to internet and digital device usage and show relatively high penetration levels. Smartphone penetration in the GCC is among the highest in the world with smart mobile device sales exceeding desktop and laptop sales for the first time in history in the UAE and the KSA. Our research shows that almost half of all leisure travellers in the KSA (42 per cent) and Kuwait (41 per cent) plan their travels using smartphones. Studies indicate that the reason for mobile phone's increase in popularity in recent years in comparison to computers is due to the fact that phones act as a 'personal custodian' to their users. Smartphones enable socialising, preparation for upcoming activities, uncovering news and information via search as well as seeking out services and products all while on the move.

As a result, customer expectations in the Gulf aviation and travel industry have never been higher. With greater dependency on their mobile devices for visualising, researching, booking, experiencing, and sharing their trips, leisure and business travellers increasingly desire personalised experiences and customised services. As per a Google study, almost 50 per cent of users in the Middle East use smartphones for travel booking purposes. Saudi Arabia tops in mobile usage for travel with 50 per cent of travellers accessing the internet via smartphones, while 35 per cent are doing so in the UAE.

The average internet penetration in the Middle East is higher than the world average (Exhibit 22). Within the Middle East, particularly in the GCC, the population has access to better digital technology and infrastructure.

In the UAE, internet users' penetration in terms of percentage of population were as high as 70.9 per cent in 2013, whereas almost 66.5 per cent of the population had access to the internet in Qatar, 57.5 per cent in Oman, and 49.7 per cent in the KSA.

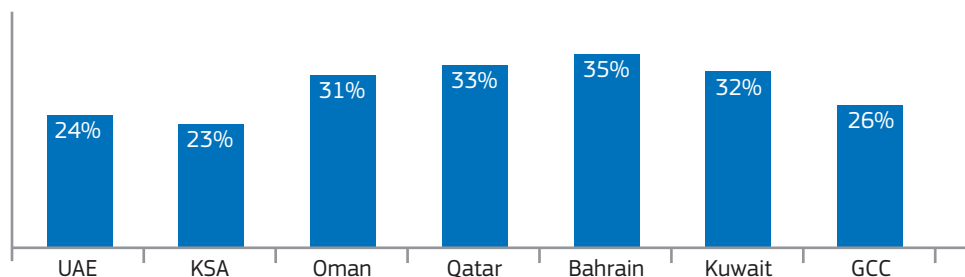
The potential to commercially harness technology is immense; however, travel companies are failing to convert these mobile travellers into bookings for multiple reasons. To begin with, the websites of travel service providers are not smartphone-ready and are generally for viewing on desktops or tablets. Even in the cases that travel websites do have mobile applications, significant numbers are not capable of allowing users to make bookings on smartphones. Yet another area worth exploring is the availability of content on travel-related websites in the native language, given the strong correlation between the "Arabisation" of online travel content and the uptake of online travel booking, especially for the KSA travellers.

"As the world of telecommunication continuously rises, leisure travellers no longer are simply on vacation. Instead, they expect to be connected to business and family at all times. In like manner, when word-of-mouth combines with telecommunication, then publicity, new stories and events are spread instantaneously throughout the world."

– Mr. Daniel Ponzo, Chief Executive Officer – Leisure, Fursan Travel

Exhibit 23

Usage of smartphones for travel-related arrangements



Source: Frost & Sullivan's survey of 983 GCC travellers, February 2014

In addition to planning their trips, users are increasingly dependent on their smartphones during travelling to conduct a number of activities (see Exhibit 23), which include search (cafeterias, popular tourist destinations), looking up directions, translation services, and social networking websites for photo and video sharing. With the current and next generation of mobile devices providing a far more seamless experience for travellers by leveraging new technologies, travel providers who provide a richer and holistic travel experience stand to gain.

“A digital distribution in travel is the key for the future; all companies look to lower their cost of sales to increase profits. “GOING DIRECT” is a clear method of lowering the travel distribution costs. The trend is evident as travel agencies are adopting new technologies (increasing OTA, Meta Search, and investments by brands in own digital performances) and diversifying their service offering (offering the “individual” experience rather than a generic) to make sure that the product meets expectation.”

– Mr. Terry Kane, Director of Digital Strategy, Jumeirah Group

“During 2014, we will launch a new digital ecosystem including a new website, app, and social media channels designed to inspire and inform at every stage of the consumer journey and help the visitor experience the city to the fullest.”

– Mr. Terry Kane, Director of Digital Strategy, Jumeirah Group

End-to-end online services

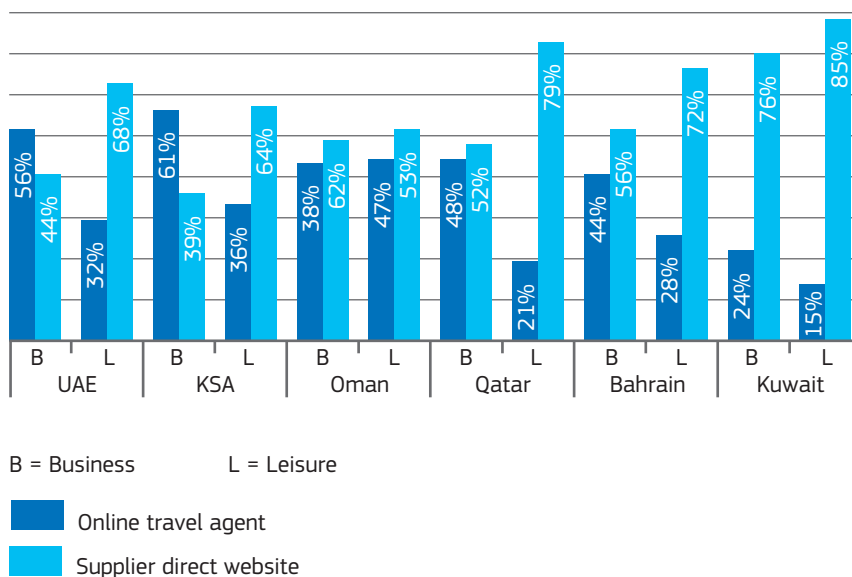
Travellers are moving beyond the early stages of using the internet for discovery of information to end-to-end online services including booking, reservations, and online payments. Our research shows that travellers increasingly prefer online platforms for travel bookings. Nearly, 32 per cent of the respondents use their corporate card for travel booking payment, while an impressive 80 per cent book online. Almost 48 per cent of the polled respondents indicated the usage of a smartphone. All these trends indicate the high levels of technology usage penetration for travel booking across the GCC countries. Despite the growing tech savviness of the GCC travellers, it is interesting to note that leisure travel booking is still reliant on dealing with the suppliers directly.

“The mobile phone is a very formidable tool to book, search, and do everything. I think that is why a lot of investment is happening out here in the GCC. There should be a lot more local content and localised tools that will enable people to search, book, and share their experience via mobile.”

— Mr. Tarique Khatri, Senior Vice President, Cleartrip

Exhibit 24

Internet penetration (% of population), 2013



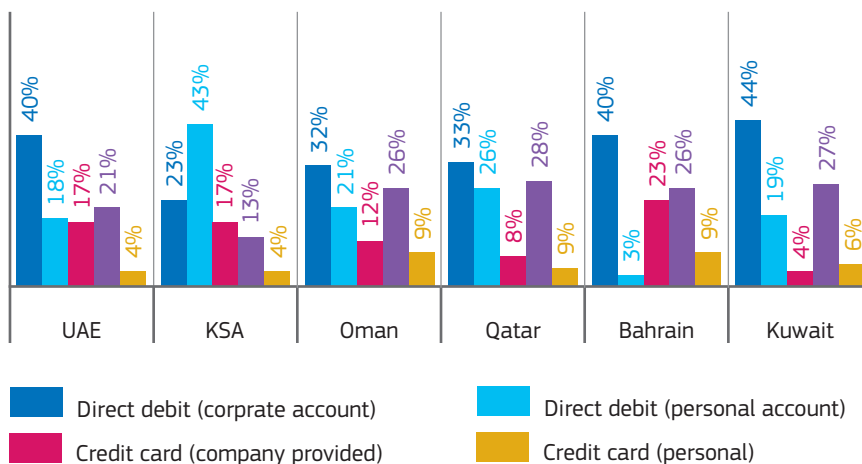
Source: Survey of 983 GCC travellers, February 2014; online travel agent, for example, Cleartrip, Makemytrip, etc.; supplier direct website, for example, Emirates Airlines, Air Arabia, Fly Dubai, etc.

Currently, airline direct suppliers, occupying the lion's share at 75 per cent, dominate the USD 6 billion-online market in the GCC. The rest comprises hotels and has immense potential to grow in future once the hospitality industry starts viewing the online world as a means to not only widen its base and offer customised services directly, but also lowering its costs. What makes the coming years interesting is that the region is at a tipping point in terms of debit card enablement for online purchases, with the existent limited pool of debit cards widening to include more as well as the introduction of innovative solutions such as smart cards that can double up as e-wallets.

Technological developments will also address many constraints to online banking including the security of banking transactions, especially of those on mobile apps, and the multiplicity of gateways. Currently, the latter is a hindrance for travel vendors as the costs of integrating multiple online gateways limits the ability of smaller participants to reach out to a wider travel community. For hotels, the process of managing the reservation remains complicated. To start with, the hotel owner has to ensure uniformity in content, feel, and rates across all channels including mobile. At the same time, a hotel has to distribute its room inventory through thousands of avenues, although many major hotel groups do not offer multiple city bookings through a single transaction today. For global chains, the geographic-specific complexity further hinders horizontal solutions. Travel service providers who address these gaps stand to gain disproportionately in the coming years.

Exhibit 25

Payment patterns of business travellers



Source: Survey of 983 GCC travellers, February 2014

The power of social media

“I think social media can become anything. It can become a customer service centre for questions or any information that companies do not have. It can also become a platform to sell, a very nice way to target the right people just like Google+. Instead of becoming a platform to push information to everyone, it's a platform where you can segment people to reach out to communities that are interested in particular areas.”

– Mr. Ivan Jakovljevic, Head of Travel at Google, Middle East

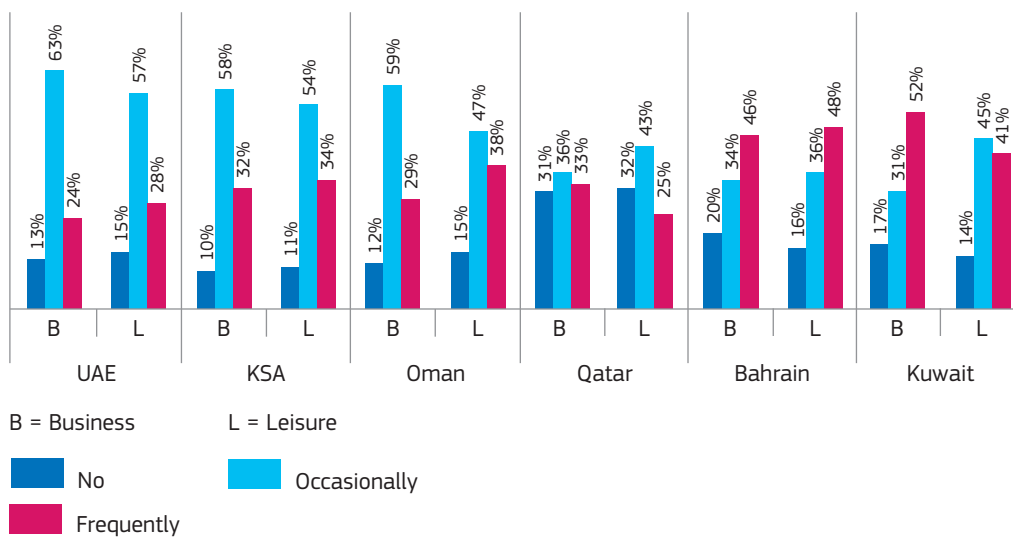
Social media is changing the way people interact with the world and the Gulf is no different. The importance of social media within the travel industry has significantly increased in the past five years and will continue to be a dominant factor. Based on peer reviews and creditable online opinions, individuals have the freedom, information, reviews, and imagery to tailor trips according to their needs, while also being able to manage their own travel itineraries and bookings. Moreover, they are increasingly reporting their experience online, which in turn increases the importance of word-of-mouth as a source of information and decision-making. Travellers in the region are using social media platforms such as Facebook and Twitter to update friends and families regarding destinations and activities, both for business and leisure travel. Indications from the region demonstrate that travellers will increasingly rely on social interaction and referrals to make travel decisions. Advances in search and mobile technologies will greatly facilitate the traveller to find the product of choice, enjoy seamless border control, undertake remote hotel check-in, and make restaurant reservations and payment.

“The networking portal has become integrated into every aspect of the travel process”

– Mr. Lee McCabe, Head of Travel, Facebook

Exhibit 26

Payment patterns of business travellers



Source: Survey of 983 GCC travellers, February 2014

If it is true that an infographic or picture is worth a thousand words, then an Instagram today is worth a thousand tweets. This is very evident from the success of Instagram in the GCC; the social media site is especially popular in the UAE and the KSA. Today, in the GCC Instagram is not only used by individuals but, increasingly, brands are posting photos and videos on the site every day. Recently, Instagram launched the “Instagram Handbook for Brands”, featuring tools and tips to help marketers inspire and engage their audience on Instagram. This would be very useful for the hospitality industry; a hotel’s Instagram feed can share every aspect of daily life in a hotel from a guest’s perspective. Additionally, upscale hotels have an array of eye-catching visual content to share, from suites to lobby and spa interiors, to creative menu presentations and more.

Increasingly, travel has become an occasion and most travellers prefer to engage on social networks to get inspired before the trip, to stay in touch with friends during the trip, and reminisce about the happy moments after the trip. Instagram, Facebook, Twitter, and Snapchat have become the most preferred applications for connecting socially. In particular, on Instagram the use of hashtags and geotags makes it easy to search for photos of a specific location. For instance, a hashtag search for #JumeirahBeach will deliver around 17,000 posts, many of which are photos of hotels in the area.

The travel industry will need to adapt to these emerging practices, consumer behavioural patterns and preferences. The good thing is that social media can mould to become whatever the vendor chooses it to be – ranging from a 24/7 customer service centre for information in multiple languages to a platform to target the right set and sell products and services. Equally, industry participants will have to become increasingly conspicuous on social media and actively shape opinions and encourage greater participation.



A vision of the future: connected, personalised, and sustainable

This report highlights how the key geopolitical, economic, social, and technological trends are going to impact and shape the future of the travel industry in the Gulf region throughout the period to 2030. We have identified five “Big Effects” that will have the greatest influence on the travel industry. They are:

- The population effect: demographic surges that evolve traveller profiles
- The ‘beyond oil’ effect: widening and deepening of the economic base
- The infrastructure effect: investments in anticipation
- The gateway effect: evolution of the GCC as a free travel zone
- The information effect: empowerment through online information and social media

With these “Big Effects”, what will the future of travel in the GCC look like? Amadeus’ vision of the future is a “travel world” that is highly **connected, personalised, and sustainable**. The big trends relevant to the GCC are shaping the future of the travel industry in this direction.

A connected future

As economies in the region increasingly deepen and widen their economic bases and build the infrastructural framework for a more balanced and sustainable reality, the liberalisation of travel will cement the region's pre-eminence as the multi-directional gateway of the future. A huge number of people will join the global travel community and yet retain their own distinctive aspirations, behaviours, and expectations from the travel experience. Tomorrow's travellers will want the world to join around their needs.

They will expect their journeys to be one single smooth experience — from thinking of where to go to buying tickets, arriving at the airport, travelling, and then reaching their final destination. In circumstances of unavoidable disruptions, they will expect to be instantly informed on how it will affect them personally via their mobile devices.

“At Amadeus, we believe that this desire for connectivity will only grow further, across all modes of transport, experiences, and devices that enable a vision of seamless travel.”

– Antoine Medawar, Vice President, MENA, Amadeus IT Group

Gulf countries are spending billions of dollars to create the infrastructure of the future. High speed railway connectivity across the GCC is one of them. This will have significant impact and allow freedom of rapid movement across all GCC borders and between the key GCC cities. This requires cross-government planning and execution. However, regional benefits on the movements of freight, goods, and people would be considerable.

One of “the next big things” is cruise tourism. The GCC countries are working towards attracting 2.2 million cruise tourists by 2030 and developing state-of-the-art cruise ports, ground programmes. They want to make it a MUST-VISIT cruising itinerary.

When it comes to travel by air, the GCC is all set to become the world's largest air hub led by Dubai World Central. There will be more intra-gulf airlines vying for business with intra-city railway or even airlines operating as railway providers if regulation allows. This expanded connectivity coupled with a GCC unified visa will support the development. It will ease transfer of expertise and manpower. Both citizens and residents will live cross borders.

Flight technology may also enable the GCC to become a centre stage for space tourism. With a large volume of high net worth individuals that want to be “travel pioneers”, the GCC is a logical choice. Not only will travellers be able to reach outer space, but developments in aerospace propulsion will enable extremely quick connectivity to the Far East. “Space-like rockets” will be able to propel those that can afford it to extremely high altitudes and then take advantage of the earth's revolution to reduce transit times dramatically. Today a flight from the GCC to Sydney takes over 14 hours; in tomorrow's world, it might take less than two.

Mobile payment and personal tracking technologies will play a huge role in enabling travel and providing the customer with the facility of “click-to-book”. Expect advancements in payment from telecoms providers and established organisations new to the region such as PayPal. Especially for telecom companies, with handset sales falling and revenues currently focused on downloads and small cent purchases, the next big win could be the “online wallet” where current services such as parking payment are extended to large ticket purchases for flights, hotels, and household purchases. If click-to-buy becomes easier, the travel industry will be a beneficiary. Virtual payment via smartphones is truly a big thing that will now start and play a big role in shaping “easy-to-access technology” in the region.

To support many of these developments and a connected seamless travel experience, the “Internet of Everything” will be manifested in the region. We envision a region where “satellite communications technologies” are fitted to commercial aircrafts, pilotless drones, and tall buildings that will enable “an apron of broadband connectivity”. This will be combined with affordable and advanced tracking capabilities for freight and people. These platforms will converge and enable the penetration of mobile and wearable technologies to a mass market that are all connected to the internet and will offer completely new ways of experiencing travel.

A personalised future

Integrated transportation capabilities converging with new technologies will enable a new level of location-based services. Servicing a traveller through their journey will be entirely feasible with a combination of ubiquitous broadband connectivity, biometric recognition, affordable tracking, and transport systems integration.

Push advertising, with the ability to auto-pay through near field communications, will become a key driver that takes customer loyalty schemes to a new level of personalisation and instant gratification.

With greater access to information, even on-the-go thanks to smartphones, and less restricted transportation, larger numbers of first-time travellers are now becoming decision makers.

The ease of access to airlines will prompt young GCC travellers to travel in greater numbers to attend meetings, events, conferences, exhibitions, go shopping, and visit friends and relatives. This trend will be largely supported by the quick “click-to-book” function. This will make last-minute quick trip decisions easier.

The compound demographic effect of the youthful “next generation traveller”, together with their familiarity of handheld technology, will place the mobile device at the forefront of travel. Whether that is the company mandated business travel portal or the leisure and ticket-booking engine, the customer will have the ultimate controlling power. Companies that invest in understanding their customers, knowing their preferences, and developing cutting edge mobile customer interaction platforms, will take a leadership position. Travellers, especially the new generation, will appreciate a higher level of customisation and expect companies to know them.

Given their above the global average disposable income spent on travel, the existing 30-year-old-plus GCC traveller is already a well sought-after customer. With a young demographic set to enter the workforce and become a decision maker, companies would be wise to generate an affinity to the leisure traveller in the GCC. People who are savvy, knowledgeable through technology, and generally travelling with friends, are the ideal profile for many global organisations. The new traveller will challenge the travel industry’s ability to be innovative, and more receptive to the new demands from coming-of-age travellers. Instant information, high-quality communication, personalisation, and recognition will become the point of entry in earning these new travellers’ affinity and loyalty.

Driven by social networks, the already high level of peer-to-peer recommendation or alienation due to good or poor performance in the region requires a new level of engagement by travel providers. Developing a product and service for the region’s new travellers is an enormous opportunity, while failing to embrace could signal the death knell for many.

Personalised medical tourism is also likely to emerge as a multi-million-dollar industry as brand new facilities are built from the ground up using latest equipment and a blank canvas. With it, “Wellness and Wellbeing Resorts” will emerge, competing with the most well-established resorts or destinations.

Related to this, a personal “wellness passport” might become a requirement in the region as health authorities and the travel sector seek to protect themselves from outbreaks of viruses that attract hugely negative media attention. Just as information exchanges are used today to screen people as “secure to fly” you can envision fast screening technologies being deployed at the time of any virus outbreak threat to screen people as “fit to fly”.

A sustainable future

Travel companies are realising that true long-term business sustainability requires not only consideration of commercial needs, but also making a positive impact on the society and the environment — both locally and globally. Not only will efforts be geared towards conservation of heritage sites and the use of renewable energy sources, but also towards creating sustainable tourism economies. Great efforts will be made in the planning and execution of mega events such as EXPO 2020 and the World Cup so that a sustainable legacy is left.

Driven by the vast countrywide infrastructures and city building projects, the region will see a rapid multiplication of business travel trips within the region as governments race against time to create new districts and cities for their population. Every industry stands to benefit from the rapid construction boom across the region. Further compounding the issue is a set of ambitious nation / reputation building projects (Expo 2020 / FIFA World Cup), which, given the time constraints with which they are working, will place even more pressure on the construction and infrastructure industries, forcing more people and resources against projects, and, therefore, affect business travel. Even without the enormous gateway effect of African / Asian travel, the region would still see significant year-over-year business travel growth. Hotel groups should be looking to place brands in what in the past were considered tertiary or secondary locations. Cities will grow, and districts will mirror many European and North American conurbations. Business parks will emerge, as many zones have, in some of the GCC cities. The economic halo effect of travel will have a positive impact on the GDP of the region as a whole, creating sustainable visitor economies.

Cities have to emerge as self-sustained destinations to attract tourism. Beachfront, integrated, and master-planned, they will fuel domestic tourism. Potentially, the KSA — for the first time — could have its own Mega Resorts. We expect the KSA to move into a new era, with highly educated and connected youth, developed cities, major business and leisure destinations added, and a new vision of leadership. We also foresee that the destination will finally be open to the world, attracting global travellers to what was and is still a closed destination, open only to a privileged few. What we saw happening in the UAE, followed by Qatar, over the past 15 years, is what we will see happening in the KSA over the coming 15 years, but with possibly different offerings. In other GCC countries, traditional “outposts” such as Ras Al-Khaimah and Salalah will be destination resorts and cities. High-end five-star and above destinations will still be a dominant theme in the region.

These cities will also be “smart”, with ubiquitous broadband connectivity, but also in their use of renewable energy. There will be massive solar farms across the region that generate the power required for these new destination cities. Buildings will be wrapped in energy-generating films and their environment controlled in the most efficient manner. The “eco tourist” will be able to remotely control their room’s air conditioning, switching it on and off to conserve energy.

Here we have tried to extrapolate the big trends into a vision of the future for travel in the GCC.

The ‘Big Five Effects’ will no doubt have a positive impact for travel providers and help to change the face of travel as it stands today. Travel providers who recognise the nuanced needs of the Gulf traveller, the compounded effect of these trends, and address those requirements, will thrive in the coming decades. Those who plan and execute for a connected, personalised, and sustainable future will succeed.

Appendix

List of Definitions/Acronyms

Acronym	Meaning
ADB	Asian Development Bank
BIECC	Bahrain International Exhibition and Convention Centre
CAGR	Compound annual growth rate
CAPA	Centre for Asia Pacific Aviation
CIS	Commonwealth of Independent States
DHCC	Dubai Health Care City
DTCM	Dubai Department of Tourism and Commerce Marketing
DXB	Dubai International Airport
EHR	Electronic Health Records
EVW	Electronic Visa Waiver
FDI	Foreign Direct Investments
FIFA	Fédération Internationale de Football Association
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GIBTM	Gulf Incentives, Business, Travel, and Meetings
HIMSS	Healthcare Information and Management Systems Society
IMC	International Medical City
Intra-regional travel	Travel within the region
JCI	Joint Commission International
JEC	Jazan Economic City
KAEC	King Abdullah Economic City
LCC	Low-cost carriers
MBR	Mohammad Bin Rashid City
ME	Middle East
MENA	Middle East and North Africa
MENASA	Middle East, North Africa, and South Asia
MICE	Meeting, Incentives, Conferencing, Exhibitions / Events
OECD	Organisation for Economic Cooperation and Development
PABMEC	Prince Abdulaziz Bin Mousaed — Economic City
PATA	Pacific Asia Travel Association
PHC	Primary Healthcare Centres
QTA	Qatar Tourism Authority
RPKs	Revenue Passenger Kilometres
TCA	Tourism and Culture Authority of Abu Dhabi

Our approach

We sought qualitative and quantitative input from three sectors — travel service providers, industry associations, and travellers themselves.

Specifically, we undertook 25 in-depth, one-on-one interviews with thought leaders from travel industries across the region, including inputs from industry associations, national tourism bodies, airlines, hotels, travel agents, and consultants. We also interviewed several of Amadeus' own thought leaders. Contributors are listed at the back of the report.

We undertook quantitative research with 983 business and leisure travellers (defined as individuals who have travelled overseas at least once in the past 12 months) from the Gulf countries comprising Bahrain, Kuwait, Oman, Qatar, the Kingdom of Saudi Arabia (KSA), and the United Arab Emirates (UAE). Research was undertaken by means of an online survey.

We also reviewed existing published sources on the travel industry in the region, from sources such as the World Tourism Organisation (WTO), Centre for Asia Pacific Aviation (CAPA), and the Pacific Asia Travel Association (PATA), as well as from broader data sources such as the Asian Development Bank (ADB) and the Organisation for Economic Cooperation and Development (OECD).

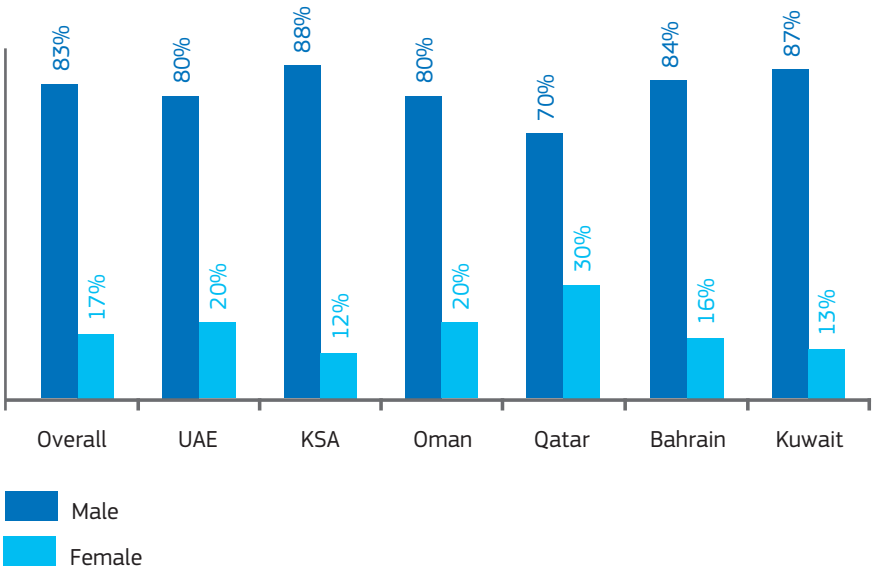
Demographics – Profile of the respondents

Country of origin profile: The geographical segmentation of the sample set in terms of their country of origin was broadly in line with the population distribution of the Gulf region. The bulk of the respondents were from the KSA (at 41 per cent) followed by the UAE (at 28 per cent). Each of the remaining four countries had a smaller share ranging from 6 to 9 per cent.

Gender profile: The sample set for this survey is dominated by male respondents (this is in line with the gender profile of the Gulf countries). At an overall level, males comprise 83 per cent of the total while at the individual country level, their share ranges from a low of 70 per cent for Qatar to a high of 88 per cent for Kuwait. As a corollary, the largest female participation was in Qatar at 30 per cent followed by Oman and the UAE at 20 per cent. For the remaining countries, it was less than the overall share of 17 per cent. Exhibit 27 represents the gender profile of the respondents.

Exhibit 27

Gender profile of the respondents



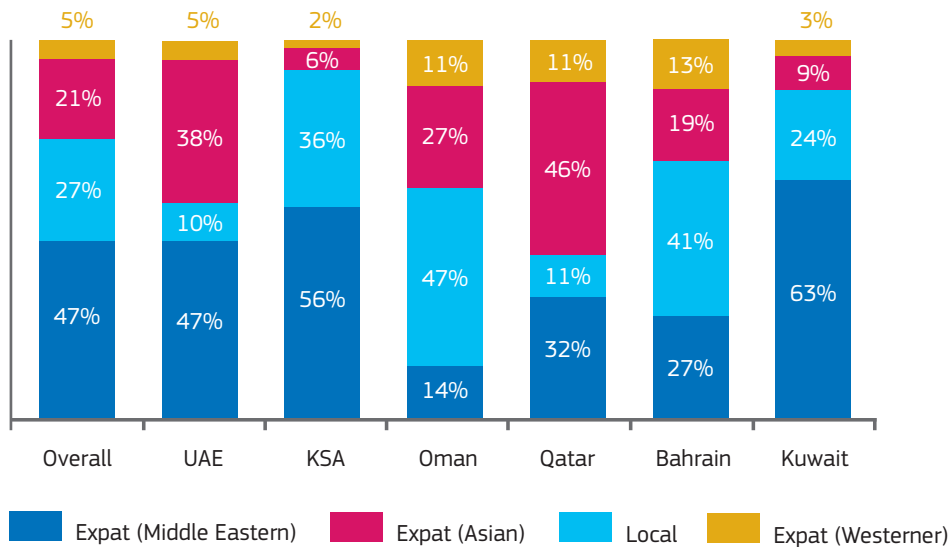
Source: Survey of 983 GCC travellers, February 2014

Nationality of the respondents⁴: The nationality of the respondents was categorised into locals, expatriates of Middle Eastern origin, expats of Asian/African origin and Western expats. Overall (in the GCC), nearly 27 per cent of the sample set comprised local respondents, which was highest in Oman (47 per cent), Bahrain (41 per cent) and in the KSA (36 per cent). The Middle Eastern expats were highest in Kuwait and in the KSA, whereas the UAE and Qatar had the highest ratios of Asian, African and Western expats (Exhibit 28).

⁴These are the respondents who are resident in six GCC countries (The KSA, UAE, Oman, Kuwait, Qatar and Bahrain)

Exhibit 28

Nationality profile of the respondents

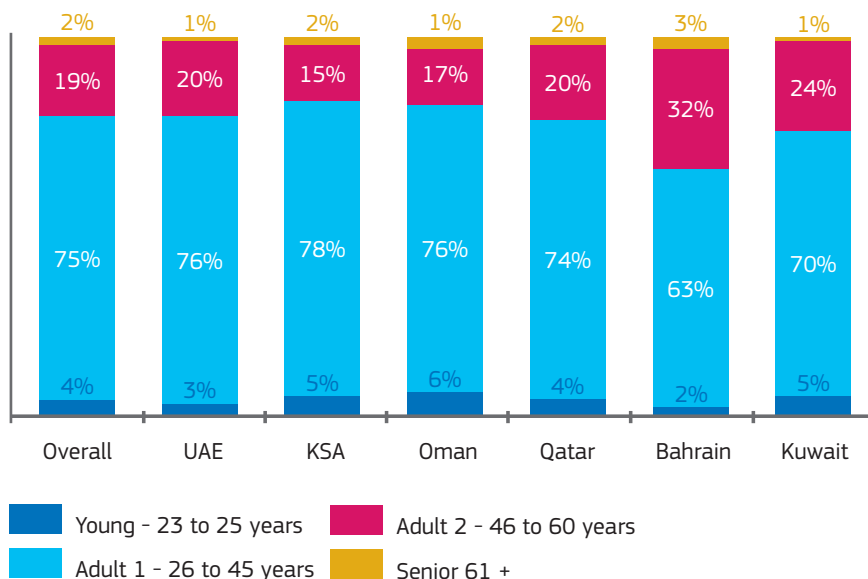


Source: Survey of 983 GCC travellers, February 2014

Age profile: The age profile of the sample set was grouped into four categories, namely 23-25 years (young), adults aged 26 to 45 years, adults aged 46 to 60 years and seniors aged over 61 years. The bulk of the respondents were in the age group of 26-45 years (adults); their share was as high as 75 per cent for the overall set. Amongst individual countries, the KSA had the highest share at 78 per cent and the lowest share was in Bahrain at 63 per cent. The next biggest category was adults aged 46-60 years, comprising 19 per cent of the total population, followed by the young population at 4 per cent. (Exhibit 29).

Exhibit 29

Age Profile of the Respondents

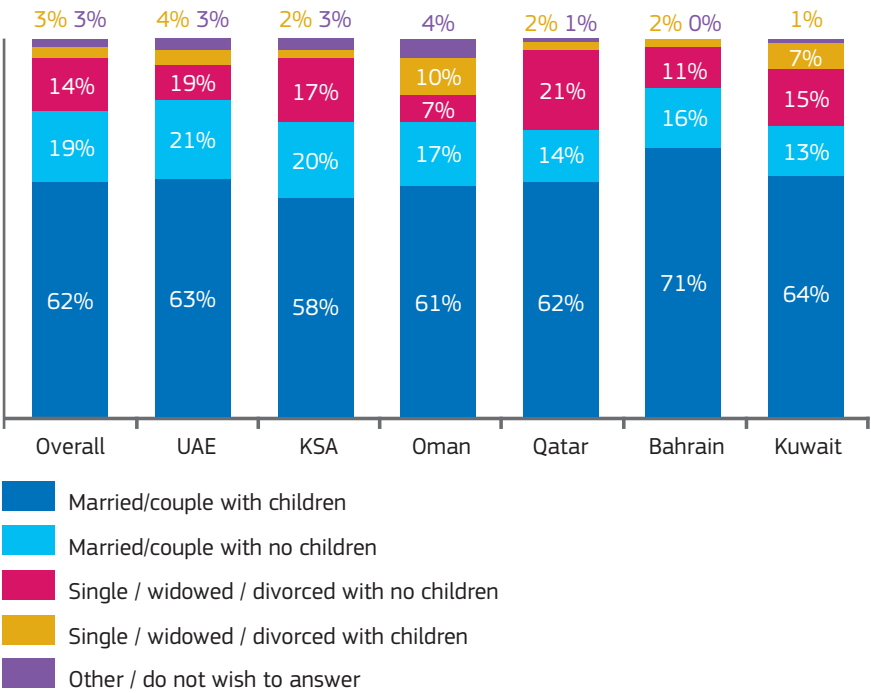


Source: Survey of 983 GCC travellers, February 2014

Marital status and household profile: The household profile of the sample set has been split depending on the marital status of the respondents and the presence of children in the family unit. Accordingly, an overwhelming 81 per cent of the sample set is married with the highest in Bahrain at 87 per cent followed by UAE at 84 per cent (Exhibit 30). Within the set of married respondents, nearly three-quarters have children.

Exhibit 30

Marital status and household profile



Source: Survey of 983 GCC travellers, February 2014

Contributors

We are extremely grateful to all the individuals who contributed their time and ideas to the development of this report:

- Mr. James Hogan, *President and CEO, Etihad Airways*
- Mr. Akbar Al Baker, *Chief Executive Officer, Qatar Airways*
- Mr. Abdul Mohsen M. Jonaid, *Chief Commercial Officer, Saudia*
- flydubai
- Mr. Lorne Riley, *Head of Corporate Communications, Dubai Airports*
- His Excellency Helal Saeed Almarri, *Director General of Dubai Department of Tourism and Commerce Marketing*
- Mr. Hamad Mohammed bin Mejren, *Executive Director, Business Tourism at Dubai Department of Tourism and Commerce Marketing*
- Mr. Issam Kazim, *CEO of the newly formed Dubai Corporation of Tourism and Commerce and Marketing*
- Tourism and Culture Authority (TCA) of Abu Dhabi
- Mr. Mohamed Mounib, *Chief Executive Officer, National Corporation for Tourism & Hotels*
- Mr. Abdul Wahab Teffaha, *Secretary General, Arab Air Carriers Organisation (AACO)*
- Mr. Issa bin Mohammed Al Mohammadi, *Chairman, Qatar Tourism Authority (QTA)*
- Mr. Duncan Alexander, *Regional Director – Western Asia, PATA*
- Mr Ihab Ayoub, *General Manager – MENA, Visa*
- Mr. Omer Z. Kaddouri, *CEO, Rotana*
- Mr. Neal Jones, *Chief Sales & Marketing Officer – MEA, Marriott International*
- Mr. Daniel Hajjar, *Managing Partner, Teal Hospitality*
- Mr. Tarique Khatri, *Senior Vice President, Cleartrip*
- Mr. Terry Kane, *Director of Digital Strategy, Jumeirah Group*
- Mr. Diego Lofeudo, *Director of Market Management – ME & IO, Expedia*
- Mr. Daniel Ponzo, *Chief Executive Officer – Leisure, Fursan Travel*
- Mr. Naseer Khan, *Regional Corporate Manager, Kanoo Travel*
- Mr. Ivan Jakovljevic, *Head of Travel, Middle East, Google*
- Mr. Lee McCabe, *Head of Travel, Facebook*
- Dr Mohammed Al Zarooni, *Vice Chairman, Dubai Silicon Oasis Authority*

The opinions and viewpoints expressed in this report do not necessarily wholly reflect those of the contributors.

About Amadeus

Amadeus is a leading transaction processor and provider of advanced technology solutions for the global travel and tourism industry. Customer groups include **travel providers** (for example, airlines, hotels, rail, ferries, etc.), **travel sellers** (travel agencies and websites), and **travel buyers** (corporations and individual travellers). The group operates a **transaction-based business model** and processed more than 947 million billable travel transactions in 2011.

Amadeus has central sites in Madrid (corporate headquarters), Nice (development) and Erding (operations – data processing centre), and regional offices in Miami, Buenos Aires, Bangkok, and Dubai. At a market level, Amadeus maintains customer operations through 73 local Amadeus Commercial Organisations covering 195 countries.

Amadeus is listed on the Madrid, Barcelona, Bilbao, and Valencia stock exchanges and trades under the symbol “AMS.MC”. It is a component of the IBEX 35, STOXX Europe 600 Index, and the Dow Jones Sustainability Index (DJSI).

To find out more about Amadeus please visit www.amadeus.com

To visit the Amadeus Investor Relations centre please visit www.investors.amadeus.com

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, works in collaboration with clients to leverage visionary innovation that addresses the global challenges and related growth opportunities that will make or break today's market participants.

Our "Growth Partnership" supports clients by addressing these opportunities and incorporating two key elements driving visionary innovation: The Integrated Value Proposition and The Partnership Infrastructure.

- The Integrated Value Proposition provides support to our clients throughout all phases of their journey to visionary innovation including: research, analysis, strategy, vision, innovation and implementation.
- The Partnership Infrastructure is entirely unique as it constructs the foundation upon which visionary innovation becomes possible. This includes our 360 degree research, comprehensive industry coverage, career best practices as well as our global footprint of more than 40 offices.

For more than 50 years, we have been developing growth strategies for the global 1000, emerging businesses, the public sector and the investment community.

Is your organization prepared for the next profound wave of industry convergence, disruptive technologies, increasing competitive intensity, Mega Trends, breakthrough best practices, changing customer dynamics and emerging economies?

Contact Us:	Start the discussion
Join Us:	Join our community
Subscribe:	Newsletter on "the next big thing"
Register:	Gain access to visionary innovation
Visit us:	www.frost.com .

About Insights Middle East

Dynamic, energetic and passionate, Insights Middle East is a hospitality and service industry focused practice with a speciality in consumer and business research, marketing, distribution and sales. Already widely respected for their work in establishing new hotel brands, re-energising ailing properties and for ground breaking research in the online space IME are retained by independents, regional and global brands alike to ensure their business is correctly positioned, new properties are carefully researched, teams are trained and distribution is optimised.

With a team of professionals who have extensive experience in sales and marketing, launching, managing and operating business across the GCC, Middle East and North Africa, IME are well prepared to advise on feasibility, pre-opening, on-going strategy and business positioning to optimise investment or current performance. From their Abu Dhabi HQ and with offices in UK, Egypt and Lebanon IME's connectivity to many of the hospitality industry decision makers, leaders and influencers means they are well placed to provide key information, on the ground intelligence and real customer facing sentiment.

Clear vision is the key to our insights coupled with a level of astute, proactive service that can only be offered from a base of experience, leading-edge information and genuine passion for our partners' success; for more, please visit www.insightsmc.com

