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Thai aviation and air travel continue to see a bright future after EASA spared a Thai-registered airline from blacklist.

Event

European Aviation Safety Agency (EASA) announced the results of safety audit on a Thai airline. The airline is spared blacklist status on EU Air Safety List, and thus continues to be allowed operations in and out of Europe. The EASA committee, however, will closely monitor and assess future developments of the airline's safety standards.

Analysis

As expected, EASA spared a Thai airline from blacklist status, confirming high safety standards of the airline.

Unlike ICAO and FAA audits that emphasize the qualities of government oversights and aviation licensing, EASA audits focus on qualities of safety standards and airline personnels. Therefore, EASA committee rules that Thai-registered airlines, particularly Thai Airways that have been granted the IATA Operational Safety Audit (IOSA) Certificate, meet its standards. As a result, the airlines will continue their operations in the European Union airspace.

The announcement supports Thailand's tourism industry. EIC previously assessed that in case EASA blacklisted Thai-registered airlines, the tourism business will be adversely affected for around 2-3 weeks. This is because Thai Airways, the only airline with scheduled flights to Europe, will need time to transfer passengers to other airlines, while foreign tourists with Thai Airways tickets may not have enough time to change their travel arrangments. But since EASA did not issue a ban on Thai airlines to operate in the European Union, the growth in European tourists should continue unaffected. Moreover, the tourism industry will benefit from the growing number of European visitors following the recovery of Eurozone economy. European tourists currently constitute 15% of overall tourists in Thailand, with Thai Airways maintaining one-third of total Thailand-Europe routes, equivalent to 1.6 million out of 5.6 million seats per year.

Implication

The positive results from EASA audit will boost confidence in the Thai aviation business, supporting 2016 growth. Thai airlines suffered downgrades from ICAO and FAA audits earlier this year. However, the impacts on aviation industry has remained mild and limited. That is, Thai airlines are prohibited from adding new flights to and from certain destinations, namely Japan, Korea, Indonesia, and the United States. As such, the positive results from EASA should support growth of the aviation industry next

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year. EIC expects revenues in 2016 for premium and low-cost airlines to grow steadily by 4-6% and 20-25%, respectively.

- All relevant agencies need to urgently address problems in the aviation industry systematically, in order to avoid future impacts to the industry that is named among the nation's new engine of growth. Aviation and logistics are named among 10 industries to recieve government support under the New Engine of Growth plan. Therefore, all public and private agencies involved have to come together to solve issues such as aviation licensing and insufficient number of inspectors, so as to eliminate the bans from ICAO and FAA as soon as possible.
- Tourism and hotel industries need to monitor future results of EASA audits, which will be released twice a year. Hotels, especially those in Bangkok, Samui, Phuket, and Pataya that rely heavily on European visitors, should seek out for new groups of tourists, in case the Europeans cancel their reservations in the future. For example, they may focus more on Asian tourists in order to avoid any loss from future results of EASA audits.

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