

# JAPAN AVIATION PROFILE

## Understanding how Japanese tourists travel to Australia

*This briefing has been prepared by the Tourism Australia Aviation & Economics Team, but was significantly assisted by the research of the Centre for Asia Pacific Aviation and data from Air Transport Intelligence, Bureau of Infrastructure, Transport and Regional Economics and Department of Immigration and Citizenship.*

### At a Glance

Arrivals Growth		Direct Seats		Load Factors		Major Carriers		Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2008	-20%	2008	0.9mil	2007	74%	Qantas	34%	February/March, July/August	5/ 8	70% High proportion of traffic is Japanese residents
2009(F)	-12%	% ch	-12%	2008	72%	JALways	26%			
2010(F)	0%	Rank	6 <sup>th</sup>	Nat. Av.	77%	Jetstar	26%			

(F) Forecast. Source: Tourism Forecasting Committee, 2008 Issue 2

Japan is an important inbound market for Australia that has been hit hard by the declining value of the Japanese yen against the Australian dollar and demographic change within Japan. In 2008, seat capacity from Japan to Australia fell by 12 per cent, contributing to a 26 per cent fall between 2005 and 2008. 2009 is expected to record even larger declines (around 20%) but the outlook from 2010 is more positive with Jetstar reinstating some services in late 2009. In addition, the strengthening Yen (against the A\$ in the last year) and significantly reduced fuel surcharges provide a brighter outlook. A key aviation related challenge for inbound Japanese market is to minimise the impacts of the declining capacity and monitor load factors to ensure sufficient capacity is provided.

### Coming into Australia

Tokyo-Sydney is the busiest route with around a third of direct capacity from Japan to Australia operated on this route. Gold Coast is also an important Australian airport on the route, gaining significant services in the recent year.



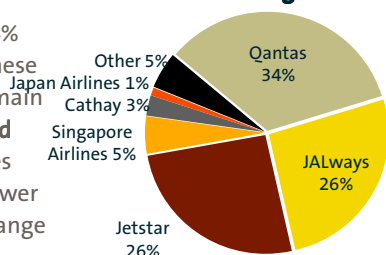
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### Airlines on the Route

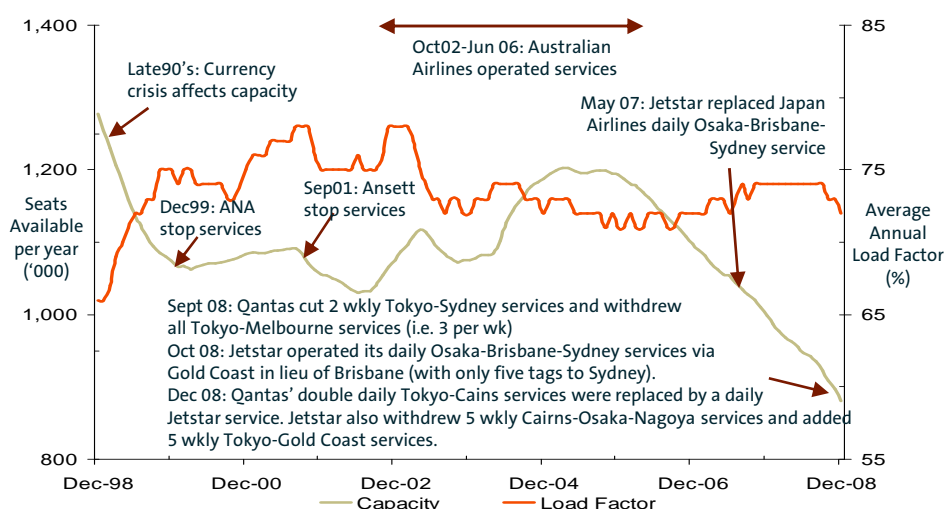
In 2008, 26% of all Japanese tourists entered Australia on Jetstar, while 34% arrived on Qantas. The share of Japanese inbound tourists by Qantas group remain unchanged at 60% between 2007 and 2008. In 2006 and 2007 Japan Airlines transferred services to JALways, its lower cost subsidiary, as reflected in the change in market shares.

Share of Passengers - 2008



Airline	2004	2005	2006	2007	2008
Qantas	33%	32%	43%	48%	34%
JALways	0%	0%	3%	22%	26%
Jetstar	0%	0%	0%	12%	26%
Singapore Airlines	4%	4%	5%	5%	5%
Cathay Pacific	2%	2%	3%	2%	3%
Japan Airlines	32%	33%	30%	7%	1%
Other	29%	29%	16%	4%	5%
Total	100%	100%	100%	100%	100%

### Direct Capacity: Japan to Australia



In 2008, direct capacity on the Japan-Australia route fell 12% year-on-year. This fall was driven by JAL group and Qantas group reductions, while transferring some capacity to their lower cost subsidiaries.

This route is highly seasonal, with peak periods in February/March and July/August and trough periods in April to June and September. This suggests that there are marketing opportunities to stimulate inbound tourism from Japan in the trough periods as there will be substantial spare seat capacity during these times.

**Bilateral Capacity Restrictions:** There are currently no binding bilateral capacity constraints between Japan and Australia. Under the current air services agreement, there is approval for 37.5 frequencies (approx. 15,800 seats per week) with Japanese carriers currently operating 3,500 seats per week and Australian carriers 7,100 seats per week. The agreement was expanded in January 2006, to include enhanced code share arrangements on international and domestic services. No bilateral talks are scheduled for the remainder of 2009.

### Looking Ahead

- The outlook for the Japan-Australia route does not look positive, at least in the short term. Tourism Australia forecasts a significant (-20%) decline in capacity in 2009, following large declines in 2008 and 2007 (12% and 9% respectively). In March 2009 JALways transferred its Australian B747-400 services to smaller B777/B767s. Qantas and Jetstar also introduced a series of changes in the fourth quarter of 2008, which will have a full year impact in 2009. Although Jetstar replaced many of the services withdrawn by Qantas, there has been a net decrease in direct capacity (with largest impacts on Cairns and Melbourne regions). New Jetstar routes, Tokyo-Gold Coast (five per week in December 2008, increased to daily in March 2009), Osaka-Cairns (four per week in December 2009) and Cairns-Gold Coast (three per week in February 2009; improving access from Osaka to Cairns) have provided some offsetting relief on the inbound direct capacity between Australia and Japan.
- Australia's price competitiveness continues to improve as Jetstar expands services to Japan and fuel surcharges on the route continue to decline. In April 2009, Japan Airlines reduced fuel surcharges on return Japan-Australia flights from ¥44,000 (USD408) to ¥7,000 (USD68) and from July 2009 the airline will remove all international fuel surcharges. Jetstar also removed all fuel surcharges in February 2009 and Qantas has reduced fuel surcharges three times since October 2008 (currently A\$110 on a return Japan-Australia flight).
- Australia remains a priority for Japan Airlines as the airline focuses on expanding international routes through code shares (e.g. Jetstar's Osaka-Gold Coast-Sydney and Tokyo-Cairns services), shifting more operations to lower cost subsidiaries (e.g. JALways Tokyo-Brisbane services) and operating more charter services (e.g. Alice Springs, Ayers Rock and Darwin).
- AirAsia X is likely to become a more important airline on the Japan-Australia route as it expands its Japanese and Australian networks. The airline plans to launch services to three Japanese destinations (Hokkaido, Osaka, Fukuoka) in 2010 and has recently increased services to Melbourne and Perth, and expects expansion in Sydney.
- The Japanese government continues to take a more liberal stance in recent bilateral negotiations. Recent bilateral negotiations with other Governments (e.g. UK, France, Singapore, India, Netherlands, Thailand) have provided open skies capacity beyond Tokyo Narita.

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Feedback or Suggestions?

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