

JAPAN AVIATION PROFILE

Understanding the Japan to Australia Aviation Environment

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, Air Transport Intelligence, Bureau of Transport and Regional Economics and Department of Immigration and Citizenship.

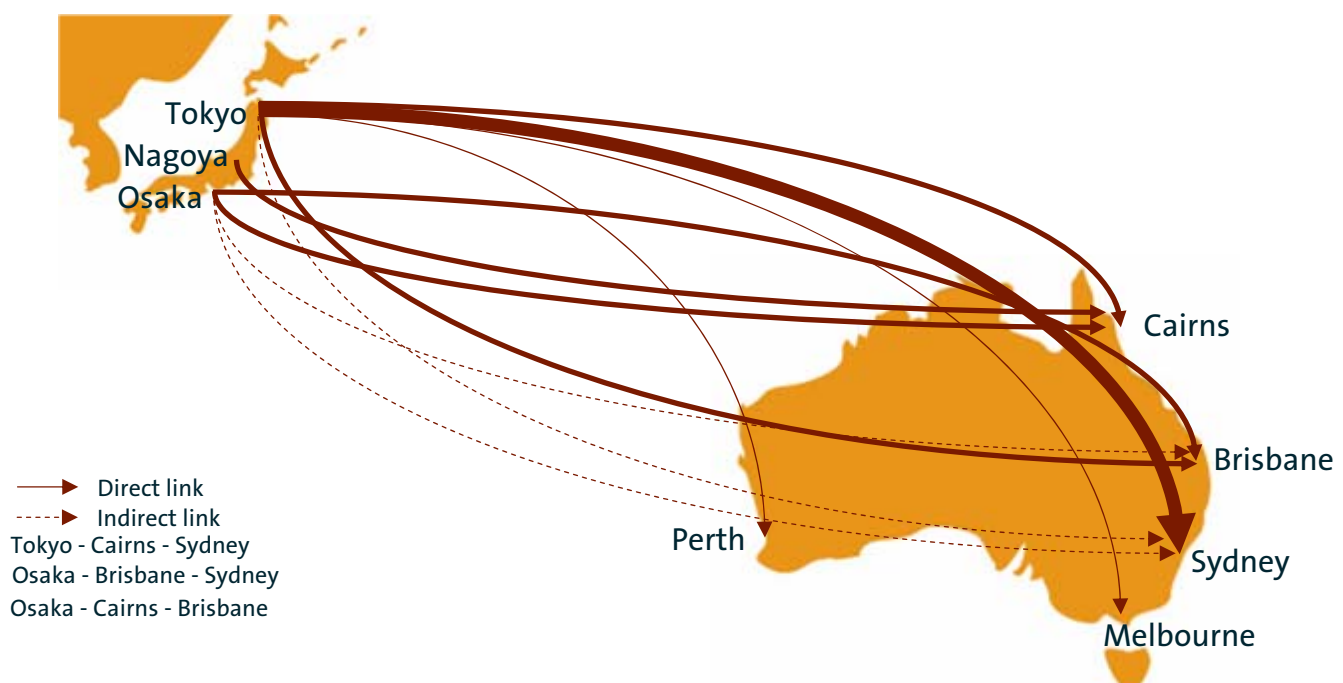
At a Glance

Arrivals Growth		Direct Seats		Load Factors		Major Carriers		Seasonal Peaks		Aus. Ports Serviced		Origin Traffic	
2006	-5.0%	2006	1.1mil	2005	71%	Qantas	43%	January, February,	6 / 8	82% High proportion of traffic is Japanese residents			
2007(F)	-0.2%	% ch	-8%	2006	72%	JAL	30%	July, October,					
2008(F)	+1.9%	Rank	4 th	Nat. Av.	74%		December						

Japan is an important inbound market for Australia that has been hard hit by the declining value of the Japanese yen against the Australian dollar. Tourism Australia expects a 10% fall in seat capacity in 2007, after a similar fall in 2006. Falling seat capacity is particularly affecting Western Japan. A key aviation related challenge for inbound Japanese market is to minimise the impacts of declining capacity from Japan to Australia and monitor load factors to ensure sufficient capacity is provided. A second key challenge is to encourage Australian airlines to build strong relationships with trade to raise its profile as a new airline.

Coming into Australia

Tokyo-Sydney is the busiest route with around a third of direct capacity from Japan to Australia operated on this route. Similarly, Tokyo-Cairns is a busy route with around 20% of capacity operated on this route.



Prepared: June 2007

Feedback or Suggestions?
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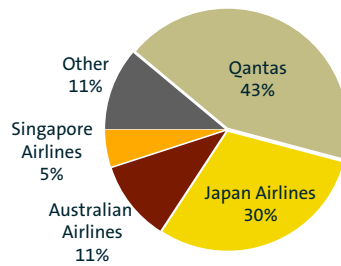
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Airlines on the Route

Qantas is becoming an increasingly dominant airline on the route with almost half of all Japanese tourists entering Australia on Qantas in 2006 and around two thirds expected in 2007.

Share of Passengers - 2006



Airline	2003	2004	2005	2006
Qantas	33%	33%	32%	43%
Japan Airlines	35%	32%	33%	30%
Australian Airlines	21%	23%	23%	11%
Singapore Airlines	4%	4%	4%	5%
Other	8%	8%	8%	11%

Key Airline Players



- Qantas offers 43 direct weekly flights from Japan to Australia. 31 direct services are from Tokyo; 14 to Cairns (7 onto Brisbane and 7 onto Sydney), 11 to Sydney (one onto Melbourne), 3 to Perth and 3 to Melbourne (one onto Sydney). The carrier also operates daily Nagoya-Cairns and 5 weekly Osaka-Cairns services.
- In July 2006 its subsidiary, Australian Airlines, ceased operations and Qantas replaced many of these services
- Profits were USD542 million in 2005/06, down 6% compared to 2004/05 (peak) but up 17% compared to 2003/04.
- Across all QF services, 18% of all inbound passengers on Qantas services to Australia are Japan residents. Japan is Qantas' largest inbound market.

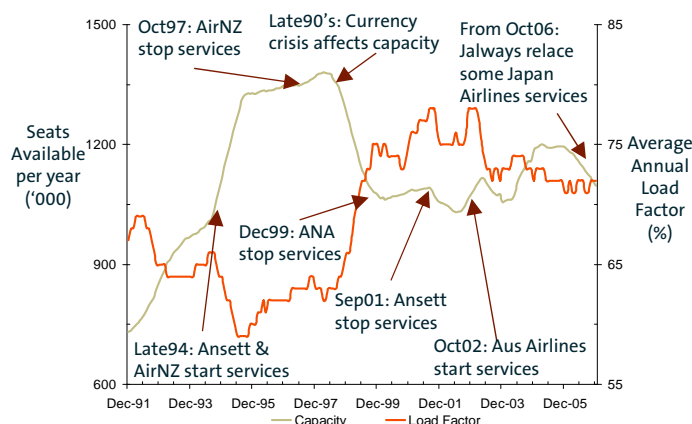


- Japan Airlines (JAL) offers daily services from Tokyo to Sydney and to Brisbane (operated by JALways, its lower cost subsidiary).
- Australia has become less of a priority as JAL focuses on domestic and short haul international markets like China. The carrier plans to expand other international routes through codes shares, shift more operations to lower cost subsidiaries (eg. Tokyo-Brisbane services) and operate more charter services (e.g. Alice Springs, Ayers Rock and Darwin).
- Net losses were ¥16.2 billion (US\$135 million) in year ended 31 March 2007 compared to net losses of ¥47.2 billion a year earlier. Losses were a result of extraordinary items but also due to high fuel prices and a series of publicised safety issues affecting domestic routes (with some traffic diverting to ANA).
- Japan Airlines carriage of inbound tourists to Australia is predominantly from Japan (82% in 2006) followed by South Korea (10%).
- Joined 'Oneworld' alliance in April 2007 allowing improved domestic code sharing with Qantas.



- Jetstar launched daily Osaka-Brisbane-Sydney services on 25 March 2007. Also expected to take over Qantas' Nagoya and Osaka to Cairns services in August/September 2007.
- Has gained approval for JAL to code share on its Osaka-Brisbane-Sydney services. This gives Jetstar access to JAL's extensive sales and distribution network.
- Established Jetstar Holiday in April 2007 though it expects 90% of Jetstar's ticket sales to be booked through wholesalers and the rest online.
- 24 B787 variants on firmed order to commence delivery from August 2008.
- Expected Jetstar capacity increase by end 2009 is equivalent to around 10 per cent of total seats from all Asian ports including Japan to Australia.

Direct Capacity



In 2006, direct capacity on the Japan-Australia route fell 8% year-on-year. This fall was focused on the Cairns region as Australian Airlines operated a number of services to this region before it ceased operations in July 2006. Despite recent falls in capacity, load factors have remained relatively low.

This route is highly seasonal, with peak periods in January, July and October/November and trough periods in April to June, August and December. 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.

There are currently no binding bilateral capacity constraints between Japan and Australia. Under the current air services agreement, there is approval for 15,800 seats per week with Japanese carriers using just over 30 of their available capacity allocation and Australian carriers using 80 per cent. The agreement was expanded in January 2006, to include enhanced code share arrangements on international and domestic services.

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