JAPAN AVIATION PROFILE

Understanding how Japanese tourists travel to Australia

This briefing has been prepared by the Tourism Australia Industry & Strategic 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

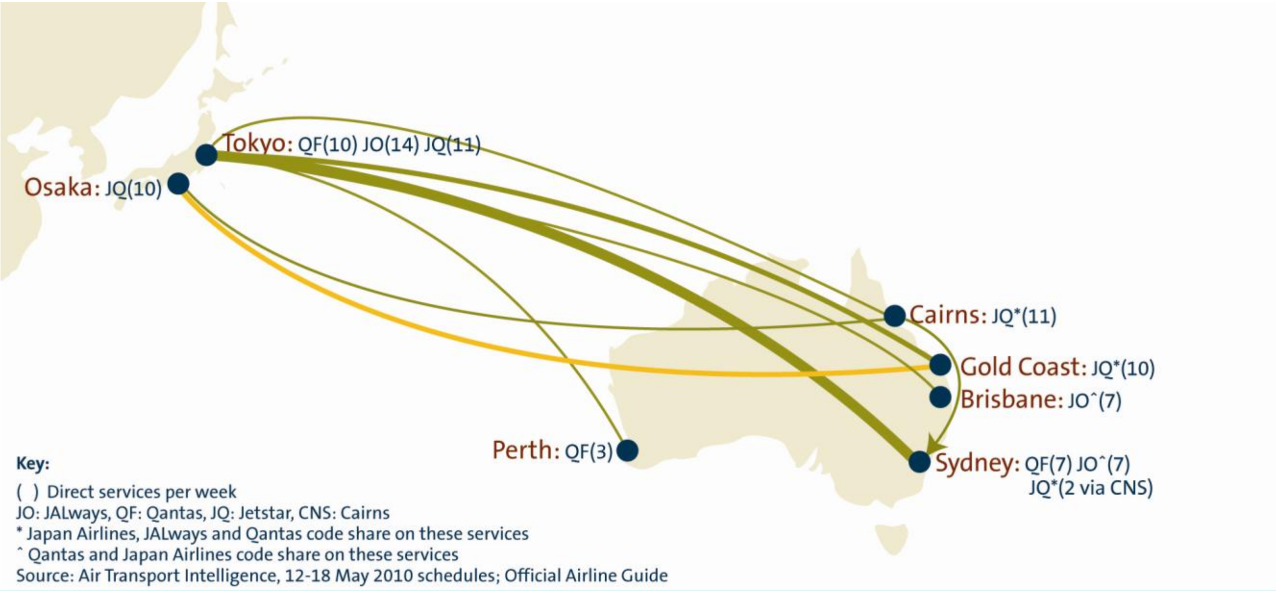
Arrivals Growth	Direct Seats	Load Factors	Major Carriers	Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2009 -22% 2010 (F) -6% 2011 (F) -1%	2008 0.62mil % ch -29% Rank 10th	2008 72% 2009 76% Nat. Av. 75%	Jetstar 40% JALways 25% Qantas 14%	February/March, July/August	5/ 8	65% High proportion of traffic are Japanese residents

(F) Forecast. Source: Tourism Forecasting Committee, 2009 Issue 2

Japan arrivals to Australia and associated aviation capacity reached their lowest point in 2009, declining 22% and 29% respectively. Overall capacity levels are expected to remain relatively stable over the next two years. While JAL's withdrawal of its daily Tokyo-Brisbane services in September 2010 will continue to impact the market, there are opportunities for growth as Jetstar and Qantas increase capacity on the route. In 2009 Jetstar became the key carrier on the route, overtaking JALways. This rapid growth of low cost services is however changing the dynamics of the market (e.g. strong growth in FIT). The issue of sufficient capacity for group traffic (especially at peak seasons) remains a challenge and supplementary services will again be required. Consistency of services is also a challenge as is the limited number of routes and declining frequencies.

Coming into Australia

Tokyo-Sydney is the busiest route with just under a third of direct capacity from Japan to Australia operated on this route. Gold Coast and Cairns have gained services in the recent year.



Prepared: May 2010
Feedback or Suggestions?
Tel: +61 2 9361 1374
lfletcher@tourism.australia.com

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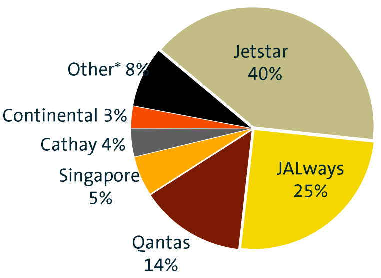
Airlines on the Route

In 2009, 40% of all Japanese tourists entered Australia on Jetstar, while 25% arrived on JALways. In 2009 Jetstar became the primary carrier on the route as Qantas transferred capacity to it's low cost subsidiary.

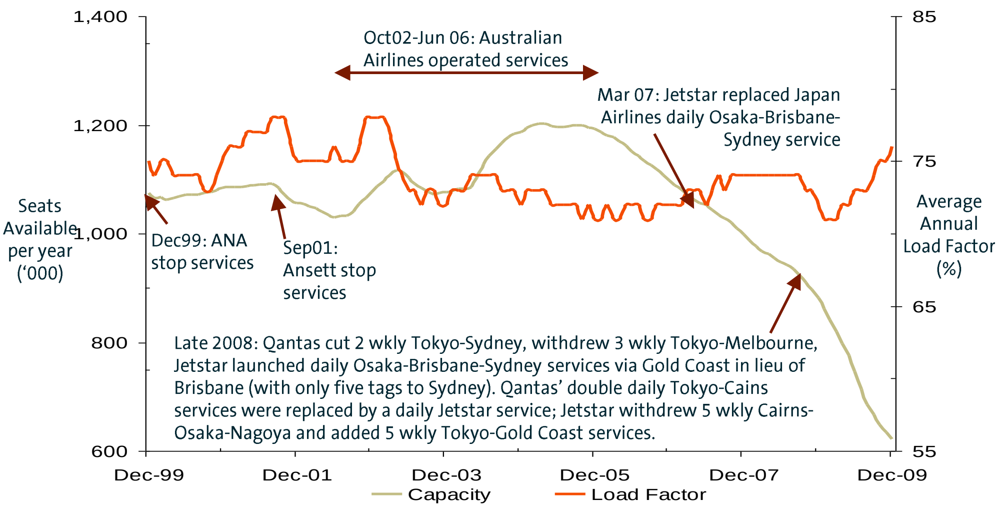
Share of Passengers - 2009



Airline	2005	2006	2007	2008	2009
Jetstar	0%	0%	12%	26%	40%
JALways	0%	3%	22%	26%	25%
Qantas	32%	43%	48%	34%	14%
Singapore Airlines	4%	5%	5%	5%	5%
Cathay Pacific	2%	3%	2%	3%	4%
Continental Airways	1%	1%	1%	1%	3%
Other*	60%	46%	11%	5%	8%
Total	100%	100%	100%	100%	100%

* Japan Airlines operated services to Australia up until October 2007 hence boosting the 'other' figures for 2005-2007.

Direct Capacity: Japan to Australia



In 2009, direct capacity on the Japan-Australia route fell 29% year-on-year. This fall was driven by Qantas (-62%) and JALways (-36%) reductions. Jetstar capacity increased 27% during the same period.

This route is highly seasonal, with peak periods in February/March and July/August. Japanese tourists are increasingly finding it difficult to travel from Christmas to early March due the increasing number of Australians travelling to Japan to ski and their earlier booking habits. There are however marketing opportunities to stimulate inbound tourism from Japan in the trough periods (April to June and September) 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 2010.

Looking Ahead

Following a substantial fall in capacity in 2009, Tourism Australia forecasts direct aviation capacity from Japan to Australia will increase slightly (+1%) in 2010 followed by a slight decline (0 to-2%) in 2011. There will however be major changes to routes serviced, and to airline market shares, which may in turn affect the ability to meet various traveller segment requirements.

- Jetstar reinstated four weekly Cairns-Osaka services from 1 April 2010. Jetstar also plans to triangulate some Japan services during North Summer 2010 resulting in fewer seats.
- JAL suspending daily Tokyo-Brisbane services from 30 September 2010. Qantas is conducting a review of the route following JAL announcement.
- Two charters operated on Nagasaki-Cairns and Fukuoka-Cairns routes in March 2010.
- Qantas is increasing capacity on its Sydney- Tokyo services from 5 July 2010.
- The expansion of capacity-constrained Tokyo (Narita and Haneda) Airports could benefit Australia as more slots become available from late 2010.
- Tourism Australia will focus on securing charters for the majority of the school excursion market in October/November 2010.

JAL recently (January 2010) entered a three year restructuring process after it filed for bankruptcy earlier this year. Brisbane is one of the 11 airports JAL is pulling out of its network as part of this cost cutting plan to reduce its operations/workforce/retire aircraft. The carriers has also decided to stay with Oneworld (despite attractive offers from other airlines) and recently expanded its code share agreement with Jetstar to include Jetstar's new Osaka-Cairns services. The carrier has recently applied to increase airfares on its Sydney-Tokyo services and currently imposes a higher fuel surcharge on its Australian services (than relatively similar haul destinations), reducing Australia's price competitiveness.

AirAsia X, like other third country carriers, will be a new option 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.

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