

KOREA AVIATION PROFILE

Understanding how Korean 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	-14%	2008	0.33mil	2007	74%	Korean	33%	January/February, July/August	3 / 8	+90% Little to no through traffic
2009(F)	-7%	% ch	+4%	2008	74%	Asiana	20%			
2010(F)	+10%	Rank	13 th	Nat. Av.	77%					

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

In 2008, aviation capacity on the Korea-Australia route increased four per cent while Korean arrivals to Australia fell a further 14 per cent (related to the weak Korean Won and economic downturn). Surprisingly, average load factors did not fall during the period as the additional services were largely supported by Australians travelling to Korea and third country passengers as well as high load factors on a growing number of charter services (e.g. Korean Air reported loads of 97 per cent on its seasonal charters to Cairns in July/August 2008). In recent years Qantas has also operated charters to Korea during peak periods (e.g. January) to relieve capacity constraints. In 2009, Qantas and Korean Air decided not to operate charter services and some 6,400 direct air seats were lost for the year. The key aviation related challenge is to ensure sufficient capacity is available for Koreans travelling to Australia when demand returns.

Coming into Australia

Just over a half of all Korean tourists who travel to Australia fly directly to either Sydney, Brisbane or Melbourne and the other half fly via intermediate points including New Zealand, Japan or Hong Kong. Seoul-Sydney is the busiest route, followed by Seoul-Brisbane (shown as three services per week in the below map but usually operated five times a week outside slow months)



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Feedback or Suggestions?

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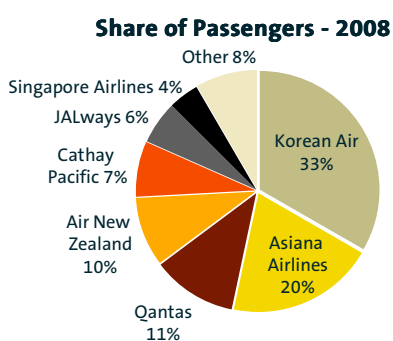
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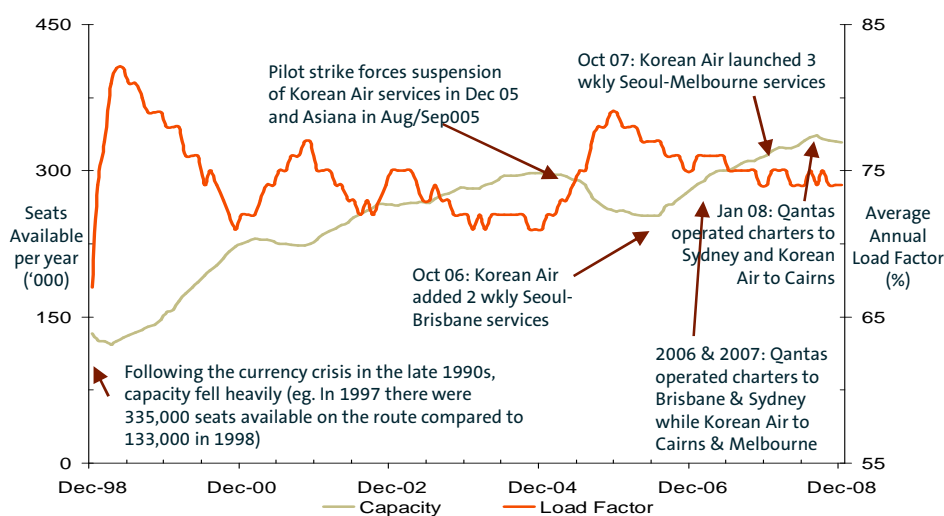
Airlines on the Route

Korean Air is the dominant airline on the route with a third of all Korean tourists entering Australia on this airline in 2008. Recent years have seen a growing number of Koreans travelling to Australia on indirect services via NZ, Japan and Hong Kong, but the opposite occurred in 2008.



Airline	2004	2005	2006	2007	2008
Korean Air	35%	31%	30%	32%	33%
Asiana Airlines	22%	17%	17%	20%	20%
Qantas	16%	16%	13%	8%	11%
Air New Zealand	10%	10%	12%	11%	10%
Cathay Pacific	4%	7%	7%	8%	7%
JALways	0%	0%	1%	7%	6%
Singapore Airlines	3%	5%	4%	5%	4%
Other	10%	14%	15%	9%	8%
Total	100%	100%	100%	100%	100%

Direct Capacity: Korea to Australia



In 2008, direct capacity on the Korea-Australia route increased 4% year-on-year, largely driven by Korean Air increases (up 6%). During the same period, load remained unchanged at 74% while Korean arrivals fell 14%, suggesting that strong through-traffic is supporting these services.

This route is seasonal, with peaks in demand during January/February and July/August. Trough periods are from March to June. This suggests that there are marketing opportunities to stimulate inbound tourism from Korea 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 Korea and Australia. Under the current air services agreement, there is approval for 9,500 seats per week with Korean carriers using 60 per cent of their capacity allocation and Australian carriers using none. This agreement was expanded in August 2007 by an additional 1,000 seats per week, with a potential for another 1,000 seats available to the airlines of each country if certain conditions are met. There are no bilateral talks scheduled for the remainder of 2009.

Looking Ahead

- The outlook for the Korea-Australia aviation market is unclear. While current capacity on Korean Air and Asiana Airlines' Australian services is being supported by Australians travelling to Korea and third country passengers such as Taiwanese, there is a risk that some services may be suspended if this secondary traffic starts to decline (coupled with further expected falls in Korean arrivals). So far this year, average load factors on the route remain strong and yields continue to grow (while other routes decline significantly). In March 2009, Korean Air and Asiana increased airfares on the route by 11 per cent while removing fuel surcharges from all flights to Australia in the same month (effectively lowering airfares by 100,000 Korean Won or A\$112). Qantas has reduced fuel surcharges three times since October 2008 (currently A\$110 on a return Korea-Australia flight) making it relatively cheaper to travel to Australia.
- The implementation of the US VISA waiver program to South Korea is likely to increase Korean long-haul visitation to the U.S at the expense of travel to Australia. In December 2008, Korean Air launched three weekly services to Las Vegas and a month later added three weekly services to both Washington and San Francisco, suggesting there is growing demand for travel to the US.
- The Korean market continues to grow with new opportunities emerging in the secondary regions such as Busan. Currently, all direct services from Korea to Australia originate from Seoul's Incheon. In the medium to long term, direct seat capacity between the countries may become more diverse with new city pairs. In December 2008, Tiger Airways abandoned plans to launch domestic services in Korea due to the weakening economic environment and regulatory uncertainty.