

J-WING TRAVEL

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This Week Headline

- *JTBF optimistically forecasts 5.1% reduction of Japanese overseas travelers
 - *The downturn of China and Europe damages the whole market
 - *JAL to increase its short-haul international flights from Kansai
 - *Air Asia X is positive to fly into Ibaragi Airport
 - *Vietnam Airlines to start Hanoi-Nagoya flights
 - *Kansai still suffered from reduction of Japanese passengers
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***JTBF optimistically forecasts 5.1% reduction of Japanese overseas travelers**

Japan Travel Bureau Foundation (JTBF) held an overseas travel trend symposium on July 23 to release its forecasts of Japanese overseas travelers in 2008 and in 2009. For 2008 (January to December 2008), the number of Japanese overseas travelers may be down 5.1% to 16.4 million compared to 2007, mainly damaged by reductions of those to China and Europe. The forecast of below 17 million is made for the first time in the past four years.

JTBF adds the reduction rate may reach 10%, depending on worse economy condition, worse trend in the China market or another negative factors. If the reduction rate reaches 7.5%, the annual number of Japanese overseas travelers will be below 16 million.

JTBF analyzes that the severe forecast is attributed to weaker growth potential of the overseas travel market as well as multiple negative factors including high fuel surcharge and exchange rate. "It is a totally different crisis from before," JTBF explains.

The forecast of Japanese overseas travelers in 2009 is 16.75 million, 1.2% more than the 2008 forecast, if another negative factors do not happen.

To expand the market and to create new demands, JTBF points out that it is crucial to make ideas to motivate young travelers, particularly 20's, to go abroad. "No investment, no growth," JTBF emphasizes.

After 2010, the capacity expansion at Narita and Haneda is expected to stimulate the overseas travel market. JTBF says that the point is how much short-haul destination products can be sold, adding that it is necessary to create cheaper and easier products for short-haul destinations especially toward young travelers in addition to high value added products for high-end travelers. In that case, one of the important roles will be played by low-cost carriers. It is time for the travel industry to consider LCC as a leisure part seriously, JTBF says.

***The downturn of China and Europe damages the whole market**

In 2007, Japanese departures overseas resulted in the year-on-year reduction for the first time in the past four years or since the SARS confusion in 2003. Main reasons were attributed to the downturn in the markets of China and Europe.

In the Europe market, heavy-repeaters of more than 50 years old female travelers have reduced, and at the same time demands of each age segment of more than 35 years old have stagnated, according to JTBF. Although female travelers of 20 to 34 years old with less than nine overseas travel experiences have slightly increased, further rise of fuel surcharges may hesitate many of them to choose Europe as a leisure destination.

JTBF forecasts the travel demand in the Europe market will be in reduction trend until the first half of 2009. However, it is also true that there are new destinations increasing Japanese visitors, such as Slovenia, Hungary or Estonia.

In the China market, JTBF points out that the demand has decreased slowly, not suddenly. The demand trend will largely depend on how male travelers, who account for three-fourth of the market, will move. Also, female travelers of more than 50 years old have recently lost their interests in traveling in China, JTBF adds.

JTBF forecasts the travel demand for China will seesaw even after the Beijing Olympics and will recover slowly through 2009.

***JAL to increase its short-haul international flights from Kansai**

JAL has decided to increase its international flights between Kansai International Airport and Shanghai, Hangzhou, Seoul and Hanoi from the end of October this year, while it has already decided to suspend its Kansai-London flights and several domestic flights from/to Kansai.

According to the announcement, JAL will increase Shanghai flights from double daily to triple daily, Seoul flights from double daily to triple daily, Hanoi flights from four days a week to seven days a week and Hangzhou flights from three days a week to seven days a week.

Struggling against high fuel cost, JAL is suspending unprofitable flights and at the same time increasing profitable short-haul flights to Asian destinations.

Also, JAL is discussing another suspensions of Narita-Xian, Central Japan International-Pusan and Fukuoka-Shanghai in its international flight network.

JAL says that it clearly has a business direction to review unprofitable flights further to survive the current severe situation. However, JAL will not focus on

leisure-oriented flights only for its network restructuring but maintain both domestic and international flight networks from a comprehensive point of view.

***Air Asia X is positive to fly into Ibaragi Airport**

Air Asia X CEO Azran Osman-Rani said at a news conference in Ibaragi Prefecture on July 18, "I expect that Ibaragi Airport will function as the third airport in the Tokyo Metropolitan area, as Narita and Haneda have limited capacities. London Stansted Airport succeeds in receiving LCC flights. I hope Ibaragi Airport will become such an airport," when he visited Ibaragi Prefecture to inspect the new airport that is supposed to open in March 2010.

Azran Osman-Rani said that the Malaysia-based LLC would make a final decision half year before the airport opens. "We will choose one or two airports of Japan for our international flight business. Also, I think one of the business models is to tie up with a LLC of Japan to expand our network," he added.

He also said, "You may need 30 minutes more times to go to Ibaragi Airport from the center of Tokyo than Narita International Airport. However, I don't think it is a big disadvantage because immigration procedure at Ibaragi Airport may be simpler and shorter than that at busy Narita."

The LLC is confident of offering 50% cheaper airfares between Japan and Malaysia than the today's airfares. "We will probably be able to offer airfares of less than 20,000 yen at the lowest price and of around 35,000 yen on average including fuel surcharge and tax," he said.

Air Asia X is a start-up LLC for international flight business under the umbrella of Air Asia. Today it serves international flights between Kuala Lumpur and Gold Coast of Australia and Hangzhou of China. It has ordered 25 new airplanes.

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