

Load Factor Rising

Air Transport

As in fiscal 1989, the civil aviation industry has made solid progress in fiscal 1990, in both domestic and international services. Brisk expansion in demand, supported by Japan's favorable economic climate, has made this possible.

In the first half of fiscal 1990, the number of domestic passengers rose above 34 million—an increase of more than 10% from the comparable period a year earlier. The figure for the entire fiscal year is also expected to rise some 10%, to 66 million. The number of seats available, however, rose by only some 4%. The airlines could easily increase this figure were it not for the fact that Japan's major airports are now at nearly full capacity, and new flights cannot be added. The load factor is therefore rising steadily. It increased sharply, to 76% in the first half, from 71.5% for the same period in fiscal 1989. The load factor is projected to reach 75% for all of 1990.

As for international services, the number of passengers carried is continuing to show an annual increase of more than 10%. The strong yen has sent increasing numbers of Japanese abroad, and foreign visitors to Japan have also swelled in number thanks to Japan's presently robust economy.

The number of passengers is expected to continue to increase further in fiscal 1991. Two matters of serious concern, however, loom darkly over the air transport industry. One is the drastic rise in fuel prices caused by the Gulf crisis. In fiscal 1990, fuel price increases are expected to be covered by the rise in the number of passengers, and profits this



Photo: Nihon Keizai Shinbun

Construction work continues on the New Kansai International Airport. Its opening has been put back by over a year to the summer of 1994 due to the sinking of reclaimed land.

year will likely equal those of fiscal 1989. But profits may well decline in fiscal 1991, if they have to continue to use high-priced fuel.

The second concern is the fact that Japan's international airports are now operating at virtually capacity levels. Expansion projects are presently under way at the Tokyo International Airport in Haneda and at the New Tokyo International Airport in Narita. The New Kansai International Airport is also presently under construction. All of these projects will require from two to five more years for completion. For the time being the airlines, despite their best efforts and intentions, will therefore be unable to offer enough seats to meet demand.

Railways

Three major JR railway firms (three of the seven formed following the 1989 breakup of the Japanese National Rail-

ways) are scheduled to offer their stocks on the market as early as fiscal 1991, and to become completely private entities. With the proceeds of this sale these three companies plan to purchase Shinkansen bullet train facilities, which are now owned by a government-affiliated corporation. Negotiations are now under way among the three firms on the exact date and price of the purchase, as well as the selling price of their stocks. The latter has become difficult to assess due to the presently sluggish state of Japan's stock market.

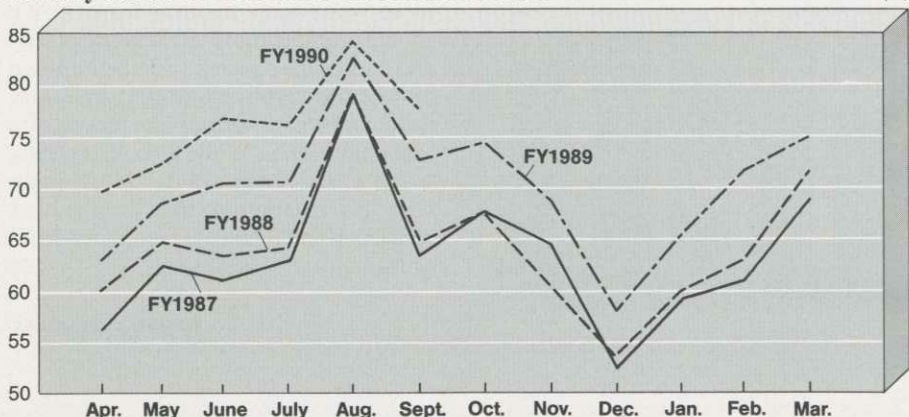
Trucking

A partial deregulation of the trucking, forwarding and other physical distribution industries was implemented in December 1990. As 90% of cargo is hauled by trucks in Japan, the partial relaxation of governmental regulations in the physical distribution sector is expected to increase the weight of the forwarding business.

Increasing international concern about carbon dioxide emissions, however, suggests that the Japanese trucking industry and government regulators will have to find ways to limit the volume of cargo truck transportation, and at the same time shift from trucks to other modes of transportation through the expansion of forwarding business and the use of railways.

(Takuya Mizukami, economist)

Monthly Trends of Load Factor on Domestic Routes



Sources: Air transport monthly statistics and data of Ministry of Transport