

Flying High

For Japan's air transport industry, 1987 was a year of encouraging developments. Domestic passenger traffic began to recover rapidly in the second half of fiscal 1986 from the setback following a disastrous JAL (Japan Air Lines) crash in August 1985. The upturn continued into 1987 as the domestic business climate improved. For the whole of fiscal 1987, passenger traffic is expected to increase by nearly 6% over the previous year. Although overall domestic cargo transport has leveled off in Japan, air cargo is posting rapid growth in the 7-8% range, though air cargo transport has only a 0.1% share of a total domestic cargo in terms of ton-kilometers. This rapid growth is due to the increase of fresh foodstuffs flown from Hokkaido and Kyushu to other parts of the country.

International passenger traffic continued to grow at a rapid pace; the growth rate in fiscal 1987 as a whole is expected to be in double figures. The number of outbound Japanese tourists increased sharply as the strong yen and lower package tour charges reduced the cost of foreign travel. In 1987, the number of outbound passengers is believed to have increased by more than 1 million over the previous year's 5.52 million. The decline in foreigners visiting Japan, a result of the strong yen, finally hit bottom in 1987 as well; foreign visitors are now on the upswing.

All Nippon Airways (ANA) continued to expand its scheduled international services in accordance with the Transport Policy Council's decision to have more Japanese airlines offer international flights. After inaugurating routes to



Rivalry among international air carriers intensified in 1987, with several foreign airlines starting services to Japan.

Guam, Los Angeles and Washington in 1986, ANA last year began flying regularly to Beijing, Dahlian, Hong Kong and Sydney. Conversely, Delta Air Lines and American Airlines of the U.S. and British Caledonian Airways of Britain started services to Japan last year as rivalry among international air carriers became more intense.

International air cargo continues to increase by more than 10% annually on a volume basis. Among the reasons is a sharp increase in imported air cargo encouraged by the strong yen, in particular increased imports of fresh seafoods to satisfy Japan's gourmet food boom. Since fiscal 1986, the volume of inbound air cargo has outpaced that of outbound cargo. There has also been a conspicuous increase in transit cargo (bound for the U.S. from Southeast Asia via Japan, for example). Meanwhile, the volume of cargo originating in Japan increased

modestly beginning in mid-1987, reversing a prolonged decline.

With demand rising and fuel prices comparatively low, airline companies are expected to record sharply higher profits in fiscal 1987 despite lower yields on international routes.

In accordance with a recommendation of the Transport Policy Council, JAL was fully privatized in November 1987 and is now being managed independently as a private corporation.

Part of the planned expansion of Haneda Airport into Tokyo Bay will be completed in July 1988, permitting more flights on heavily traveled domestic routes. Domestic air passenger volume should thus continue to increase, as will the number of Japanese traveling overseas, although growth in international passenger traffic may slow slightly. Air cargo volume is also expected to continue to rise. The business recovery both at home and overseas will spur the air transport of high value-added products and also of fresh foods.

ANA will further expand its international service in 1988. In addition, Toa Domestic Airlines will inaugurate scheduled international flights to nearby countries. In order to survive the intensifying competition on international routes, airline companies will need to reduce their operating costs and strengthen their financial foundations.

(Makoto Amada, economist)

Air Transport Volume

	FY 1985	FY 1986	FY 1987 (estimate)	FY 1988 (forecast)
Domestic passenger traffic (1,000 persons)	41,291 (-2.4)	43,675 (5.8)	46,185 (5.7)	48,170 (4.3)
Domestic cargo volume (1,000 tons)	458.5 (8.1)	496.5 (8.3)	534.0 (7.6)	577.0 (8.1)
International passenger traffic (1,000 persons)	17,585 (5.3)	18,650 (6.1)	21,200 (13.7)	22,690 (7.0)
International cargo volume (1,000 tons)	307.8 (6.3)	356.0 (15.7)	416.0 (16.9)	453.0 (8.9)

Notes: 1. Figures in parentheses represent percentage growth over the previous year.
 2. Domestic passenger and cargo volume figures are for three major airlines.
 3. International cargo volume figures are for JAL and Japan Asia Airlines.