



# quarterly market report

Japan

July - September 2008

## Market Highlights

# of outbound travellers previous quarter (Q2):	Q2 - 3,734,142
% change from previous quarter last year (Q2):	down 6% vs. Q2 2007
# of visitors to Canada previous quarter (Q2):	Q2 - 68,317
% change from same quarter last year (Q2):	down 16% vs. Q2 2007

### Comments / Other information:

Additional market statistics available through [Tourism Snapshot](#).

## Air Capacity

Airlines have been rethinking levels of Fuel Surcharges in Japan

With crude oil prices dipping to lower levels since August, some airlines operating in Japan plan to lower fuel surcharge levels from October 2008, the first turnaround in many months.

Delta Airlines (DL) will lower its fuel surcharges on the Pacific routes departing from Japanese airports to 20,000 JPY on a one-way basis from the current 28,000JPY

Air New Zealand (NZ) decided to retain its current fuel surcharge level JPY 24,000 per segment on the Japan/New Zealand route unchanged for air tickets to be issued on and after Oct. 1 up to Dec. 31, 2008, in its effort to avoid a further slump in travel demand.

However, Air Canada (AC), Japan Airlines (JAL), All Nippon Airways (NH), and Northwest (NW) will all increase full surcharges to North America on October

1st. Likely to be around JPY60,000 (CA\$600)

#### NW to Reduce Flights on Kansai/Detroit Route

Northwest Airlines (NW) will reduce its operational frequency on the Kansai/Detroit service to five flights weekly from current daily from Oct. 21, 2008, suspending the Tuesday and Wednesday departures.

In the North American-bound services at Kansai Airport, with Air Canada (AC) to suspend its Vancouver flights from the winter schedule, the NW decision will further erode air capacity bound for East Canada and the U.S. East.

From Narita, Air Canada will suspend its Toronto flight; effectively reducing overall direct air service capacity to Canada by 47% between November 2008 to April 2009.

Kinki Nippon Tourist (KNT) has consolidated air transportation for its Holiday-brand's U.S. tour products departing from Osaka to NW but it is now forced to make necessary arrangements as consumers already began booking tours for the year-end/New Year holiday. The NW decision also will force KNT to look for alternatives for its tours after October.

H.I.S. said it will approach airlines capable of securing flights between Itami and Narita airports for consumer convenience.

Meanwhile, U.S.-bound traffic has been picking up since EVA Air (BR) inaugurated the Kansai/Los Angeles service this spring. In addition, since Thai Airways International (TG) will start operating its Kansai/Los Angeles flights from the upcoming winter schedule, travel agencies are expected to create more North American tours centering on the U.S. west-coast.

#### **Economic / Political Environment**

GDP growth:	-0.7%
forecasted economic growth:	1.2%
unemployment rate:	4.0%
inflation:	2.4%
consumer price index:	102.4 (2005=100)

exchange rate: 1 CAD buys 98.5JPY

### **Comments / Other information**

The Japanese economy contracted at its fastest pace in seven years, driven by a slump in domestic and foreign demands. Annualized GDP for the second quarter was revised lower to -3.0% from an initial reading of -2.4%. Meanwhile, the quarterly reading was ticked lower to -0.7% from -0.6%. Fading export demands has left the world's second largest economy on the brink of a recession, while private-sector consumption may fall further as Japanese consumers deal with higher living costs.

Canadian dollar declines 7% vs. Japanese Yen in Q3 2008 - this will help improve Canada's price competitiveness over the short term. Forecast is for the Yen to stabilize at the current level following recent sharp appreciation against major counterparts on clear financial market distress.

Japan - \$18 billion stimulus plan - Even with inflation at the highest level in almost 11 years, the country attempts to juice its sagging economy.

August 29, 2008 TOKYO (AP) -- Japan unveiled a stimulus package with \$18 billion in fresh spending to shore up its flagging economy on Friday as figures showed that inflation has spiked to its highest in nearly 11 years, denting consumer spending.

Measures in the package span discounts on expressway tolls to assistance to farms and help for part-time workers to find better jobs. Funds are also earmarked for better medical care, ecological technology, housing loans and education, according to the Cabinet Office.

Economists are skeptical that the package will help revive Japan's economy, which shrank 2.4% at an annual pace in the second quarter. And critics call it a publicity stunt to lift Prime Minister Yasuo Fukuda's dismal approval ratings.

September 2nd, 2008 the OECD, the Paris-based group of 30 mainly developed countries, said growth in the Japanese economy would be 1.2 percent down from 1.7 percent

The Economist.com - Why Japan keeps failing

Demographics darken Japan's prospects further. Its population is greying

faster than that of any other big economy, so the old will become an increasing burden on workers. Today, one-fifth of Japanese are over 65; by 2015 the proportion will grow to one in four, or about 30m. Now, with Japan's birth rate well below replacement, at 1.32, and with little immigration to speak of, the population of 127m has already started to shrink and will fall each year by about 0.6% over the next half-century. It is predicted to drop below 100m by mid-century. Already, rural regions are emptying, and the shutters are closing on the centres of more and more small towns. Without robust economic growth, Japan faces pain, especially since the government has racked up high levels of national debt in an attempt to spend its way out of its post-bubble slump.

### Emerging Tourism Trends

Japan will lag behind other countries in the Asia/Pacific region during the second half of 2008 despite facing global issues, according to the latest MasterCard Worldwide Index of Travel report.

Lackluster Outbound Traffic Reported in July

The latest hikes in fuel surcharges in July had a marked impact on overseas travel as the number of Japanese travelers during the period fell 4.40%.

According to the provisional figures released by the Japan National Tourist Organization (JNTO), the count of Japanese traveling overseas in July -- the same month fuel surcharges were revised upward by carriers -- fell to 1,351,000, marking the 15th straight month of declines. Other factors contributing to the downturn included the boost in consumer prices and falling of share prices.

Domestic travel has increased and overseas travel has decreased due to high fuel surcharges and concerns over the economy.

Inbound travel is growing as a result of Visit Japan Campaign.

Anne of Green Gables is catching broad consumer interest and the number of Japanese traveler to PEI has increased 3-fold vs. last year

TJI ONLINE Agencies> Aug 13, 2008

## June Agency Sales Fizzle After Strong May Results

After posting strong sales in May, Japan's top travel agencies in June saw revenues generated by overseas travel fall 3% to 219.33 billion yen.

The fall in June reflects the ups and downs faced in the marketplace today as the dip was the second following that in April for the first half of the fiscal year 2008 that also began in April. For the calendar year from January, it also was the second drop.

Travel agencies again cited the impact of fuel surcharges on consumer demand for the downturn during the month and uneasiness consumers feel about the economy and rising prices of goods such as food and gasoline. It is expected that sales could take a bigger tumble in July when new increases in the fuel surcharges went to effect, just as the summer travel season started.

Combined sales of overseas travel at the 14 JTB Group companies reached 38.19 billion yen, down 8.7% compared to a year ago but JTB Corp. alone posted a 33.4% plunge in sales to 1.89 billion yen.

Kinki Nippon Tourist welcomed a 6.7% rise to 16.43 billion yen while Nippon Travel Agency handled some 13.43 billion yen in overseas travel sales, up 5.9%. However, H.I.S. saw sales dip 0.4% to 21.70 billion yen.

Domestic travel sales slipped 0.9% to 321.97 billion yen, bringing to 546.26 billion yen the consolidated figure of sales for the month, off 1.6%

The shining sector continues to be inbound travel, which generated a 24% surge to 4.96 billion yen. Over the past 12 months from July 2007, sales from inbound travel has shown positive growth with the exception for August 2007 and March 2008.

## Traffic's Downward Spiral Goes to 13th Month

The number of Japanese heading overseas in May 2008 dipped 1.12% to 1,291,000 amid dwindling consumer confidence in international travel, according to the Japan National Tourist Organization (JNTO).

The monthly dip represented the 13th straight month of a continual decline since May 2007, the second-longest run after the 16-month stretch of lower growth between September 1997 and December 1998 when the economy

plunged amid poor consumer confidence.

The sluggish figures were attributed to several factors, including consumer concerns involving food safety in China, riots involving political issues in Tibet, hikes in fuel surcharges, rising prices of goods in Japan and the dip in traffic to China as a result of the massive Sichuan earthquake in May.

#### New Campaign to Push for Longer Travel Holidays

A new campaign is being planned for 2008 to promote travel of up to seven days for the period between Sept. 1, 2008 and Mar. 31, 2009 by the Tourism Industry Association of Japan (TIJ).

During the seven-month period, TIJ said it aims to work on urging Japanese consumers to take longer holidays for travel on an annual basis by creating tour products suitable for seven-day holiday travel.

Under the slogan "One-week Vacation Campaign," TIJ-member companies are expected to create respective products for the campaign to make them available in the marketplace. TIJ said it will also create campaign logos and posters and conduct contests and quiz/questionnaire surveys in which travel consumers can participate.

This approach is one of the major pillars for the fiscal 2008 project master plan that TIJ approved at its annual general meeting of the board of directors held on Jun. 9.

TopTour reports a 5.2% drop in June sales.

Outbound sales at JTB Group Drop 8.7% in June.

In the outbound travel sector, overall group sales dropped 11.0% due to sluggish general group sales. Sales from agent-planned tours also fell 3.7% year on year. Of the agent-planned tours, sales of its LOOK JTB brand tours slightly fell 1.0%, prompted by a 3.4% decrease in the number of tour participants. Sales from media-planned tours slipped 12.8% but those from FITs edged up 0.5%.

June Overseas Travel Sales at HEI Fall 9.1%

----- Due to sluggish demand for China, Taiwan, Australia

Overseas travel sales in June 2008 at Hankyu Express International (HEI) slipped 9.1% to 24.33 billion yen, despite strong gains for the U.S., Russia and South Korea.

HEI cited sluggish demand for travel to China, Taiwan and Australia as factors for the drop in sales for the month.

## Market Development Activities

### CTC Activities

#### Trade Development

Ongoing development/coordination of new Canada Specialist Program launch in October 2009.

Ongoing development/coordination of Kanata 2008 B2B event in October 2009.

Sales calls with key agencies for review of summer campaign results and winter campaign planning. CTC/Partner Winter advertising campaign will partner with travel agencies, Fellow Ski, JTB World, ISM (CTS), H.I.S. and OTA.

#### Consumer Development

JATA World Travel Fair

The CTC will coordinate a 200sq m. booth with partners, BC, Alberta, Ontario, Air Canada and Atlantic Canada Tourism Partnership at the World Travel Fair in Tokyo, September 18-21. – Congress and Travel show. The booth will be branded with CTC hero imagery from across Canada, feature performers Anne of Green Gables, Kingston Fort Henry Guards, and the Checkerboard guy, street performer from Vancouver. The booth will also offer free Canadian Club cocktail samples to visitors through a partnership with Suntory, and also feature 6 laptop terminals for consumers to enter the CTC database for a trip to win a

free trip to Canada..Over the 3 day program, an estimated 100,000+ consumers will attend the event.

CTC will also be a partner in the JATA trainjack of 6 train/metro lines for two weeks, September 1-15 in Tokyo just prior to the JATA World Travel Fair event. That will provide over 400 Canada branded posters in trains across Tokyo, prompting consumers to visit our Go Canada campaign website for a chance to win one of two pairs of tickets to Canada every week, and also of our booth location at World Travel Fair

Q3 saw the planning and development (for launch in Q4) of a CA\$1.2 Million Winter Canada campaign, partnering with BC, Alberta, Ontario, Air Canada, Northwest Territories and Banff Lake Louise Tourism. Building on the success of our summer campaign in generating over CA\$3.7 Million in advertising value, 50,000 new consumers to our database, and 600,000 page views on our campaign site, we are taking the key learnings and building a more robust and focused program for the winter. Our focus is to communicate five key Canadian winter products to the Japanese consumer - products that are unique, experiential and leverage off of Canadian winter highlights, and each with a key trade partner call to action to complete the sale.

The products selected for this campaign are;

- 1) Aurora - Nature's lightshow
- 2) Arctic/Northern Safai - Polar Bear viewing in Churchill, MB.
- 3) Winter activities on the Ottawa Rideau Canal - World Heritage site
- 4) Castles in the Canadian Rockies - Stay at Fairmont castles in Banff National Park and World Heritage site.
- 5) Whistler 2010 - Best Ski Resort in North America, visit it first before the Olympics.

Media mix:

\* 16 x 5 dan newspaper advertisement from SEP25-NOV15 (10 Nikkei Keizai Shimbun, 6 Yomiuri Shimbun)

\* 2 week trainjack on JR Yamanote Line OCT16-31 (11 cars, millions of



consumer impressions)

\* Online banner advertisements on Sankei MSN, Excite.co.jp, Yahoo Japan, and Chikuyu no Arukikata

\* Special all-Canada edition of Metropolitana Magazine 15th October (24pgs, 100,000 copies) distributed in 52 Metro and Rail stations in Tokyo.

\* Special promotional Campaign site [www.canada.jp/gocanada](http://www.canada.jp/gocanada) - tie up with '100 Go Canada' free tickets prize campaign - two pairs of free tickets given away each week.

\* 6 Mail Mags to CTC Japan consumer database (110,000 members).

### **Media**

TV Asahi drama show "Four Lies" was filmed in Vancouver, and aired from July to September.

Movie "Looking for Anne" was filmed in Prince Edward Island, which will be shown in June 2009.

CTC and Travel Alberta invited a celebrity witer Shiho Tanimura and LaLa TV, HERS magazine, and Nikkei Newspaper reported her experiences in Canadian Rockies.

CTC invited 8 qualified media to GoMedia. (5TV, 2 print and 1 internet)

TBS popular travel show "Sekai Fushigi Hakken (Discovery of the World Mystery)" featured PEI and Nova Scotia.

TBS popular travel show "World Heritage" filmed in Canadian Rockies, which will be aired on September 21.

VIA Rail and CTC hosted a media reception inviting 50 travel media and journalists.

CTC supported 13 magazine visits and 8 TV filmings in Q3

Total PR Value (media coverage) in Q3 CAD \$25 million

## Public Relations

Anne of Green Gables 100th Anniversary Exhibition was held at Mitsukoshi in Tokyo, Takashimaya in Nagoya, Fukuya in Hiroshima and Takashimaya in Osaka from June to September. The anniversary and the exhibition were well reported by Japanese media. The great exposure from the events and a series of "Anne" and "PEI" related programs aired by NHK created a buzz for Anne 100th Anniversary in Japan.

Shincho-sha (a publisher) jointly hosted a special essay contest for Anne 100th Anniversary with CTC and Tourism PEI. Shinchosha ran bookstore promotion and received 1200 entry for the prizes. The three judges will choose winners in November.

A well-known actress Keiko Matsuzaka, NHK news anchor Miki Yamamoto, a TV reporter Mitsuyo Kusano, and a well-known writer Shiho Tanimura talked and wrote about their previous experiences in Canada on media as well as on their blogs.

A Novelist Kenichi Kawakami has written 7 heart warming stories with Canada. Canadian lifestyle as well as tourism destinations and products are well featured as the setting of drama

## Competitive Environment

Travelmole August 28

It's the Gold Coast calling

GOLD COAST – A tourism industry mission will this weekend attempt to bring the Japanese back to Australia's Gold Coast.

Gold Coast Tourism will head a delegation representing 23 tourism businesses to showcase the destination in Tokyo, Yokohama, Nagoya, Kyoto and Osaka.

The group will meet with around 600 travel trade, travel retailers, airlines, government and agencies which directly influence the travel habits of the Japanese. The mission is timed to stimulate interest in the Gold Coast before the launch of direct Jetstar flights from Osaka and Tokyo later this year.

Gold Coast Tourism CEO Martin Winter said the Gold Coast was going to reignite Japan's passion for Australia's playground. "We need to be active,

creative and unified if we are to make an impact in today's highly competitive tourism environment," he said.

"We are on a mission to promote the ever evolving Gold Coast experience, with new and rejuvenated products, a focus on our natural assets and the ease of direct access into the destination which many Japanese have a great desire for.

"More than just a great show and tell, we will be launching new Japanese language destination guides, direct air access with Jetstar and the first ever Gold Coast Travel Café in the heart of Tokyo."

The Gold Coast Travel Café is a joint promotion by Gold Coast Tourism, Tourism Queensland and Tourism Australia. The café will be set up in Tokyo and feature destination displays, information and a quirky Australian inspired menu.

"We will be hosting several highlight events at the Travel Café including a media launch, celebrity event, the Aussie Beer Party and the Gold Coast Wine Party – these are great ways for us to further push the Gold Coast's key messages," said Winter.

Around \$1 million will be spent in cooperative marketing of the Gold Coast to Japanese consumers over the next 12 months by Gold Coast Tourism, Tourism Queensland, Tourism Australia and Jetstar Airlines, with all four companies aligning strategies and activities to achieve maximum results for the city.

In the 12 months of March 2007 to March 2008, Tourism Research Australia data shows 132,601 Japanese tourists visited the Gold Coast (down 25.8% on the previous 12 months) and spent \$106.5 million in the city (down 22% on the previous 12 months).

Jul 02, 2008 Tourism Australia to Keep Strategic Course in Japan----- Despite Reduction in Flights by Qantas Airways

Despite a sharp reduction in flights planned by Qantas Airways (QF) between Japan and Australia, Tourism Australia (TA) will not deviate from its ongoing marketing strategy under the "World Heritage Campaign" to lure more Japanese travelers.

In June, QF announced plans to suspend its thrice-weekly Narita/Melbourne

service and reduce frequency of the Narita/Sydney route to seven flights weekly from the current nine weekly in September, while it plans to discontinue its Narita/Cairns service currently operating 14 flights on a weekly basis and transfer the service to JQ to operate direct runs on a daily basis from December.

The moves are expected to affect access to Queensland, which attracted some 349,716 Japanese visitors in 2007, representing some 66% of travelers from Japan.

Richard Hugh Allert, chairman of TA, said during a visit to Japan this week that it is determined to keep up marketing efforts to maintain the flow of Japanese visitors to Australia.

While Tourism Australia is disappointed with Qantas (QF's) decision to reduce flights between the two countries, Allert said it will work closely with the Queensland government to resolve the issues.

Desley Boyle, Minister of Tourism, Regional Development and Industry, Queensland, said that it has met with Japanese wholesalers in finding ways to resolve the situation, including developing more two-way tourism between Australia and Japan.

Kazunori Hori, TA's general manager Japan, said that will continue the World Heritage Campaign as planned in the Japanese market to leverage the growth of the 55-and-over market sector, which has grown annually since 1995. Efforts will continue to support airlines offering direct flights between the two countries.

He added that it has begun discussions with third-country airlines to inaugurate services to smaller markets outside the major cities in Japan. Airlines include Japan Airlines (JL) and Continental Airlines (CO).

Discussions also include the possibility of having charters operated during the peak and high-demand periods.

Traffic to Australia from Japan has fallen each year since 2005, with 2007 posting an 11.99% drop to 573,025. In the first five months of 2008, the count of visitors from Japan trails by 17.50% to 197,349 compared to a year earlier.

Meanwhile, Tourism Australia has signed a marketing partnership with 20th

Century Fox to promote the epic movie "Australia" through the "See the Movie, see the Country" project, said Richard Beere, TA's executive general manager international-Asia, Japan and Gulf.

Starring Nicole Kidman and Hugh Jackman, the romantic adventure movie will be shown in Japan in early 2009. Because of its broader appeal, the movie will be able to reach a larger audience than blockbuster hits such as "Crocodile Dundee," said Beere, referring to the 1986 Australian comedy film set in the Australian Outback and in New York City that starred Paul Hogan. The Australian Tourism Commission will work with the travel industry to create products to take advantage of the opportunity the movie will generate.

#### Thailand Eyes More Demand With Phuket Service

The return of direct service between Japan and Phuket by Thai Airways International (TG) from July 17 will be a big boon for tourism to Thailand.

Patchaneelux Swatdee, director of the Tourism Authority of Thailand, Tokyo, said that seats for the first two months of the service are nearly sold out, just as the summer travel season will begin.

TG from April has launched its "Thai Beauty" campaign aimed at women travelers wanting to enjoy relaxation and beauty treatments. As part of the campaign, it introduced the "Beauty & Healthy" guidebook that features spas, restaurants and attractions.

Coinciding with the resumption of the Phuket service which was suspended October 2005, ending a hiatus of two years and eight months, TG has started promotions centering on "Weekend Phuket" using the twice-weekly service that will run Thursdays and Saturdays. Prompted by strong demand, TG said the service could be increased to a daily frequency.

Meanwhile, some 43 suppliers from Thailand, including hotels, attractions and tour operators recently participated in the three-day Thailand Road Show in Japan in the cities of Fukuoka, Osaka and Tokyo as part of the Amazing Thailand marketing promotions worldwide.

Part of the promotions include the Seven Amazing Wonders concept. In many travel magazines and lifestyle surveys, Thailand is consistently ranked in the Top Ten for its beaches, entertainment and dining, value of products,

recreational facilities, and shopping that led to the Seven Amazing Wonders.

The "Seven Amazing Wonders" theme products are as follows:

Thainess: Experience the Art of Thai Living -- which refers to traditional Thai hospitality, lifestyle and friendliness of the people

Treasure products: Land of Heritage and History -- covering the World Heritage sites and historical places, temples, and Thai museums

Beaches: Fun, Sun, Surf and Serenity of Thai Beaches -- the long-standing popularity of Thai beach resorts for international and domestic tourism

Nature: Encounter the Sheer Beauty of Thai Nature -- focus on conservation and environment, and market Thai products within the framework of the worldwide attention being paid to global warming

Health and Wellness: Land of Healthy Smile -- a rapidly growing market, highlighting Thailand's preventive and curative therapies

Trendy: Excite Yourself with a Myriad of Thai Trends -- targeted at the new generation of young travelers, and covering the new boutique hotels, shopping centers, restaurants, nightlife, and entertainment

Festivities: Enchant Yourself with International Festivities in Thailand -- the "sanuk" (fun) factor, featuring popular Thai events and festivals such as the Phuket Regatta, Elephant Polo, etc.

### **Future Outlook**

Consumer confidence remains extremely low for the foreseeable future, economic growth is expected decline following massive losses on the domestic and international investment markets,

Significant reduction of direct air capacity to Canada over the November to March period, combined with soaring fuel surcharges greatly reduces the ability for any potential stop of decline or recovery in this market.

The CTC however, continues to position itself as a leader in the market with such initiatives as our Winter Advertorial campaign, and is using consumer

feedback and knowledge learned from these campaigns to plan more focused and effective campaigns for 2009. Support from Provincial, Travel Trade and airline partners continues to be very positive and in spite of dampened consumer demand, increased fuel surcharges and strong competition.