

TRAVEL CONSUMER DAILY

Monday, August 3, 2009

Australians head for the exits

■ASK seasoned Australian travellers about the world, many will tell you in a flash Australia is the best country on earth.

Ask Australians under 35 about the country of their birth and, in the fashionably inarticulate language of youth, they'll mumble something about "good – but boring. Rather be somewhere else".

That's what the research is showing – and, increasingly, it is backed up by the facts of Australians' travel habits.

Travel by Australians within Australia is in a terminal state of decline. Only domestic travel to the Northern Territory – growing by barely 2% a year and slowing – has held its own while elsewhere it is at best static or falling.

Australian tourism is obsessed with a narrow strip of the east coast from Sydney to Cairns.

TOURISM STUCK ON THE RUNWAY: PAGE 4

In New South Wales, the trend is a horror show for the accommodation providers and others that rely on domestic tourism, with holiday visitor nights declining by 12.3% over the past decade.

The trend of the past decade mirrors consumer resistance to every-increasing fuel prices, which has progressively choked the number of domestic holidays taken by car.

But, when the price of fuel fell dramatically last year

after climbing to \$1.70 a litre, the domestic tourism picture didn't suddenly come right.

Australians have been heading for the international exits in record numbers, encouraged by a strong Australian dollar, and the trend is for continuing strong growth, according to the latest research Tourism Australia's Tourism Forecasting Committee (TFC), released last month.

After being settled at three to 3.4 million Australians a year

who took overseas trips every year early in this decade, the rate suddenly took off in 2004.

It has almost doubled since then, reaching 5.8 million in 2008, after a 10.6% jump in 2007 and a 9.5% in the first half of last year.

The global financial crisis has stopped the trend in its tracks – but that will be only temporary. The number of Australians heading overseas is heading for eight million a year by 2018.

"The current cost of outbound trips to many destinations remains near historical lows," the TFC says in its latest analysis. "Further, while Australia's economic prospects are weak in the short term, the outlook CONTINUED PAGE 2

MELBOURNE'S NEW JAKARTA NON-STOP

■INDONESIA'S national carrier, Garuda, today begins the first non-stop services ever scheduled between two of south-east Asia's key business destinations, Jakarta and Melbourne, defying a downturn that has decimated business travel.

The three-a-week Melbourne-Jakarta return services will complement three a week being introduced between Sydney and Jakarta, also Garuda's first non-stops on this city pair. Qantas already operates four weekly Boeing 767 services between Sydney and Jakarta.

The Garuda flights will be operated by the first of four new Airbus A330:200s that

join join six larger Airbus A330:300s, which Garuda has operated since 1997 on regional routes, including Melbourne and Sydney to Jakarta, via Bali.

The A330-200s feature a revamped interior, with new individual touch-screen LCD TVs throughout executive and economy classes with video on demand (VOD) entertainment systems offering 25 feature films and 250 audio tracks.

The full lie-flat beds in executive class feature a 74-inch seat pitch per seat row, compared with 58 inches in the current A330s. Garuda's economy-class pitch, at 33-34 inches, is one of the more



Artist's impression of a Garuda Boeing 777.

generous allocations in the Asia-Pacific area.

The new services are part of the carrier's new "Quantum Leap" business plan, launched last month after Garuda was removed from the European Union's list of banned carriers.

All Indonesian carriers were prohibited from using European air space in June 2007 because of the country's poor safety record.

In March 2007, 21 people,

including a number of Australian diplomats and journalists, were killed when a Garuda Boeing 737:400 crash-landed at Jogjakarta airport in eastern Java.

In April this year, the captain of the jet was jailed for two years for negligence after he ignored 15 automated cockpit warnings and attempted to land at nearly twice the normal speed.

It was Garuda's second CONTINUED PAGE 2

AUSSIES HEAD OVERSEAS

FROM PAGE 1

remains more positive than for most western economies.

"Overseas tourism operators and national tourism offices are therefore expected to intensify their marketing to Australians."

The downside is that domestic tourism is "facing a long, steady decline", as tourism industry newspaper Travel Today reported last month, quoting data from Roy Morgan Research.

"Looking forward, it doesn't look good," said Morgan's director of tourism, travel and leisure, Jane Ianniello, at a trade seminar. "The industry will have to work harder and smarter. Despite low consumer confidence, people are refusing to drop their holiday plans. The bad news for domestic operators is that people are going overseas."

A survey by Morgan of 20,000 Australians, found that those intending to stay in Australia for their next break fell from 61 per cent to 57 per cent.

Ianniello said consumers increasingly regarded themselves as "attracted to new ideas" while fewer describe themselves as "cautious", further fuelling a desire to travel overseas to seek new experiences.

Under-35s, in particular, were becoming hard to attract, Ianniello said. ■

An edited version of this article by CLIVE DORMAN first appeared in The Age on Saturday, August 1, 2009.

The travel game: here's one for the punters

UNTIL now, the web has been a barren place for people interested in travel value – and that's most of us, the statistics tell us, in countries like Australia, our home base, which has one of the most avid travelling populations on the planet.

There are websites for travel wholesalers, websites for travel retailers, websites by the dozen for those interested in the mechanics of the airline industry.

But there's virtually nothing for the ordinary punter, trying to make sense of the sometimes confusing array of deals in the market that come and go – sometimes in a flash.

Thankfully, it is getting harder for the unscrupulous to attempt trickery and deceit in pricing thanks to a crackdown by competition regulators in Australia, for example, which has had a

in HOUSE

ripple effect across the Asia-Pacific region in the past few months in encouraging transparency.

Into this maelstrom dives Travel Consumer Daily, but not through any new-found zeal. As the publisher, I have been writing about prices and deals and value in travel for almost 20 years. It's fascinating work and

it's a passion. There's a simple principle guiding the development of the website in the coming weeks and months: where is the value?

It will be our job to know. We will attempt to provide the web's most useful range of intelligence to inform your travel-buying decisions.

We also live in a dynamic era of travel where value air fares – as opposed to business air fares – are increasingly dominated by low-cost carriers. While that may sound like the best of all possible worlds, it raises issues of fairness as airline managements, in their enthusiasm to cut costs and create value, sometimes go too far in dispensing with customer service that people are entitled to expect.

There is much for us to do. You're welcome to hitch a ride.

CLIVE DORMAN
Publisher

MELBOURNE'S NEW JAKARTA NON-STOP

FROM PAGE 1

crash in a decade after Indonesia's worst aviation disaster, when a Garuda Airbus A300 crashed on approach to Medan airport in Sumatra in September 1997, killing all 235 people aboard.

Garuda's only international crash seriously damaged the carrier's Japanese market in June 13, 1996, when a DC-10 overshot a runway after an aborted take off while leaving Fukuoka, Japan. Three people were killed.

Under "Quantum Leap", Garuda will nearly double its fleet from 62 aircraft to 116 in the next five years.

By June next year, Garuda plans to be flying to Europe again after a break of almost a decade, initially operating three A330:200 services a week to Amsterdam, the main city of former colonial power The Netherlands, via Dubai.

Garuda also has on order 10 ultra-long-range Boeing 777:300ERs, which could fly non-stop to Amsterdam from either Jakarta or Denpasar, Bali.

Garuda's operations director, Captain Ari Sapari, told TCD that the introduction of the non-stop services to Europe would depend on the delivery schedule for the Boeing 777s.

Garuda also wants to restore services to London and the German business capital, Frankfurt. There's no word yet about whether Garuda will return to Los Angeles, which the carrier abandoned after the Asian financial crisis of the late 1990s.

Poerwoko Soeparyono, Garuda Indonesia Pacific head, said the non-stop services from Australia represented a key element of Garuda's transformation strategy.

"These new direct services to Jakarta now offer our customers an alternative gateway into Asia – and eventually into key destinations in Europe, following the decision last month by the EU to clear the way for Garuda and other Indonesian airlines to resume operations to the Continent," he said.

"In addition, the new Sydney-Jakarta and Melbourne-Jakarta flights reflect a more fundamental and wide-ranging directional change for the airline. Garuda has long been known in this market – and others – predominantly as a leisure carrier, servicing destinations such as Bali.

"While our leisure business will remain a critical segment of our operations into the future, the airline is now also looking to place increased emphasis on the corporate sector.

"Increasingly, we will be looking to target the business traveller, as well as looking to promote and market many of the wonderful destinations beyond Bali. We will also be seeking to promote our connections beyond Indonesia to other key Asian cities such as Singapore, Bangkok and Hong Kong."

Garuda last month announced a net profit of IRD669 billion (\$USD65.2 million) for the 2008 financial year, despite the severe economic conditions. ■

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Aussie trips to US show signs of recovery

NOT EVEN the addition of 10 services a week from Sydney and Brisbane to Los Angeles with fares as low as \$1000 or less return could stem the fall in the number of Australians visiting the US in the first three months of this year, US statistics show.

But in the first two months of the second quarter, the bleeding seems to have been stabilised.

Nevertheless, the number of Australians visiting America was down 7.1% on the year to date by the end of May, according to figures from the US Office of Travel and Tourism Industries.

Of more interest to the Australian tourism industry will be the emerging trend for the number of Americans visiting Australia, particularly with fares below \$1000 return remaining in the market at Delta Airlines beginning a daily return service between Los Angeles and Sydney last month.

The number of Americans visiting Australia has been stuck below 500,000 a year for most of the past decade. Meanwhile, US Bureau of Transportation Statistics show a record fall in average US domestic air fares in the first quarter of this year.

Average domestic air fares dropped 9.1 percent in the first quarter of 2009 from the fourth quarter of 2008, the biggest quarter-to-quarter drop on record.

The \$315 average first-quarter fares were down 5.9 percent from the first quarter of 2008 and down 12.5 percent from the record high average fares of \$360 in the third quarter of 2008. First quarter 2008 fares were also 9.4 percent below the pre-9/11 first quarter high of \$348 in 2001.

YOU KNOW IT'S BAD IF SIA STRUGGLES

IT WAS not unexpected but when one of the world's most consistently profitable carriers, Singapore Airlines, announced a quarterly loss on Friday, it underlined how, even



Japan Airlines retired the last of its Boeing 747:300 Classics on Friday amid signs that the Queen of the Skies faces an uncertain future with orders slowing to a trickle. On the same day, Singapore Airlines revealed that it has only nine 747:400s left in its fleet of 107 planes, but no fewer than 77 Boeing 777s, which are all the rage, along with the Airbus A380 super-jumbo.

surrounded by the bullish economies of Asia, the region has been seriously buffeted by an economic recession that began in the US and Europe.

The global economic downturn, swine flu and unfavorable fuel hedges produced SIA's first quarterly deficit since 2003, a \$307.1 million (\$US212.6 million) loss.

SIA said it has initiated measures that will result in \$60 million in employee cost savings in the fiscal year ending March 31, 2010. It said it also is "continuing its efforts to eliminate wastage and duplication and to negotiate with vendors to reduce rates".

The company said that if the "adverse business conditions" currently facing airlines continue, it will report a full-year loss.

THREAT OF INDIAN STRIKE RECEDES

AFTER some fierce sabre-rattling in a campaign to have the Government reduce airport and airline charges, a plan by India's private airlines to suspend all domestic flights on August 18 has run out of fuel, the *Times of India* reported yesterday.

Late on Saturday night, low-cost airline IndiGo pulled out of the threatened strike while the Federation of Indian Airlines adopted a more conciliatory stance, with all private airlines continuing to accept bookings. "We should all engage in a dialogue with the ministry. IndiGo will be operating its normal scheduled service on August 18," said Aditya Ghosh, president IndiGo in

a late-night statement. IndiGo controls about 14% of domestic market share. The Government, which has stuck firmly to its guns, is, however, taking no chances. Air India has chalked out contingency plans to deploy 430-seater B747s on routes like Mumbai-Delhi, so that air travellers are not stranded.

The Director General of Civil Aviation also issued a stern letter to all private airlines threatening possible jail penalties. "In accordance with Para 6 to Appendix 3 of your Permit to Operate Scheduled Air Transport Services, you are required to inform about flight cancellations to this office along with reasons thereof," the letter said. Any violation of these rules or doing something not mentioned in them like en masse suspension of operations would invite a penalty and jail term under the relevant civil aviation requirements, said a DGCA official.

STAR CUSTOMERS CAN BOOK RTW

STAR Alliance added functionality to its website allowing customers to book and purchase round-the-world tickets. Such transactions previously required the assistance of an airline call center, ticket office or travel agent.

BREKKY, BUT THAT'S IT FROM BA

AT TUCKERTIME

British Airways will remove in-flight meals in economy class on flights shorter than 2.5 hr. from today, although it will continue to serve breakfast on flights departing before 10 a.m. and offer free drinks and snacks. It expects to save £22 million (\$US36.1 million) annually as a result. However, the BBC reported that the British Airlines Stewards and Stewardesses Association said BA was considering cutting additional amenities such as chocolates in first class, hot towels in business class and pretzels in economy.

RYANAIR AT WAR WITH DUBLIN

EUROPE's Ryanair continues to punish airports that increase charges, announcing it will reduce Dublin, Ireland, winter capacity by 22% year-over-year, or by four aircraft to 14 based aircraft. Weekly

flights to and from DUB will drop below 1000 from about 1200 in winter 2008-09. Ryanair will move the capacity to lower-cost European airports.

Ryanair said the newest cuts were the result of "high and rising costs at Dublin Airport, combined with an insanely stupid 10 Euro (\$US14.12) tourist tax" imposed by the Irish Government. It lodged a formal complaint with the European Commission about the duty last week, atwonline.com reported

Dublin Airport Authority said Ryanair's move was "purely related to the current economic downturn" and that recent experience demonstrated the carrier "announces large cuts in capacity to the media but subsequently reduces capacity by a much smaller amount in reality".

DJ GOES TO QUEENSTOWN

Low fare airline Pacific Blue will add a new destination to its New Zealand domestic network, with weekend flights from Auckland to Queenstown scheduled to begin in September to compete with daily services by Jetstar and Air New Zealand.

Queenstown will be the airline's fifth New Zealand domestic port. Pacific Blue has been flying between the three main centres of Auckland, Wellington and Christchurch since November 2007, and added domestic Dunedin services in July 2008.

Return flights from Auckland to Queenstown will be offered year round on Saturdays and Sundays with the first flights due to begin on Saturday 19 September 2009. Fares are on sale from today, with a special one-way internet launch offer of \$69.95*. Regular internet one-way lead-in fares will start from \$89.95*.

UA GOES AGAIN ON ULTRA-CHEAPIES

UNITED Airlines on Friday re-committed to the ultra-low fares it has been promoting on the Australia-US route, with a \$931 return special between Sydney and New York.

In fact, the return fare to San Francisco, \$1031, is now \$100 dearer than the fare to New York, even though it is five hours' closer.

UA fares to the US from Melbourne are even cheaper through lower airport taxes.

Too much of not enough: why Aussie tourism is stranded on the runway

ANALYSIS

TCD Publisher CLIVE DORMAN kicks off a discussion of what the tourism industry is dishing up for consumers — in Australia.

THE ANALOGY of the Australian tourism industry and the Australian cricket team is irresistible: After a decade and a half of winning all the prizes, both are crashing to earth, destined for an era of rebuilding if they are to reclaim former glories.

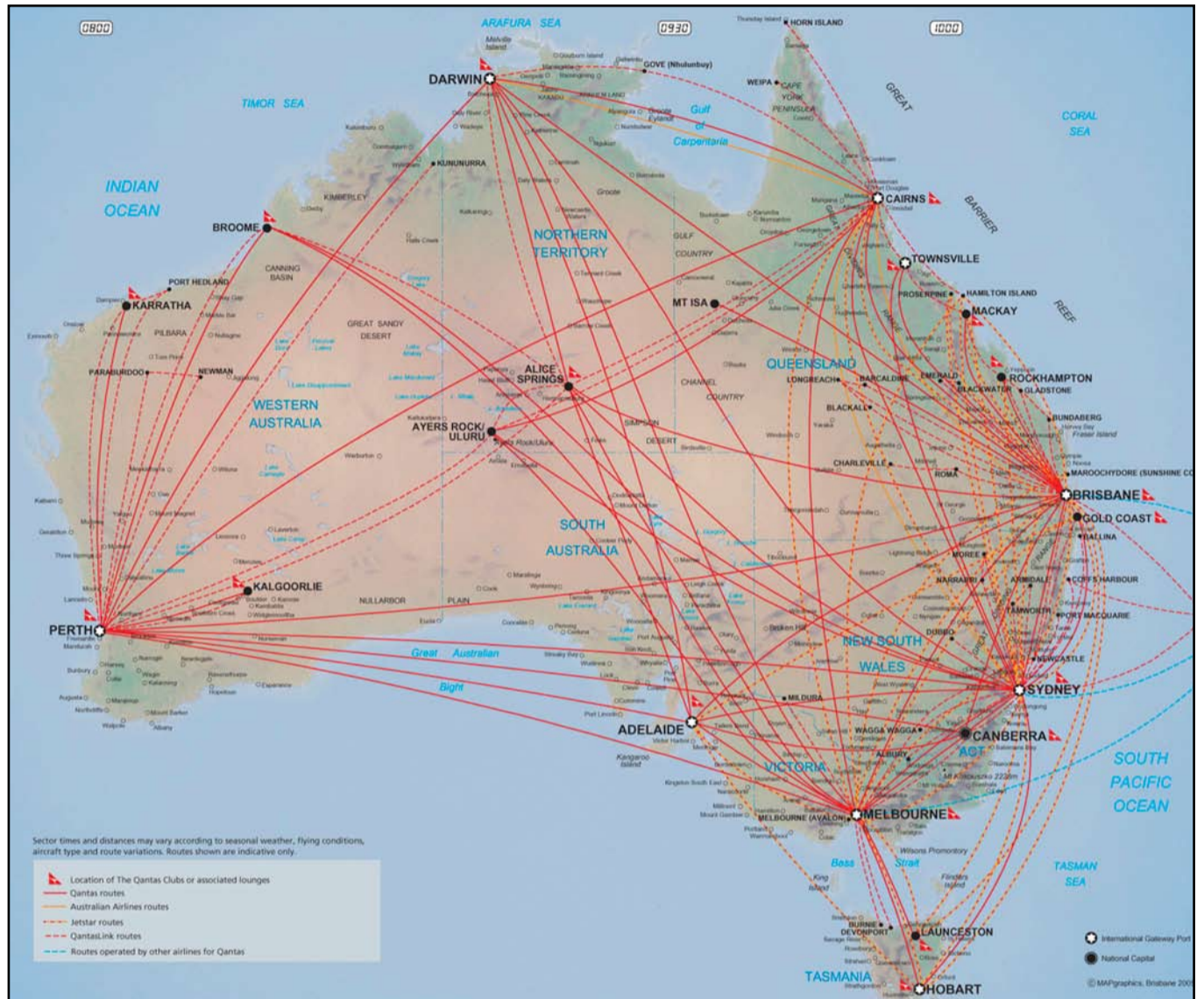
While cricket fans have the Australian selectors in their sights for failing to blood new talent, Australian tourism is under the gun for complacency, for refusing to recognise the industry's underlying problems, for backing marketing duds like the movie *Australia* as a panacea for its ills.

Stripped of the hype as one of the world's most desirable destinations, Australia's problems are stark:

- For at least the last decade, and despite regular shocks (terrorism, disease, recessions), which the rest of the world has also faced, Australian inbound international tourism has been a chronic under-performer, growing at an average annual rate of 2.7%, when the world average is 4%.

- Virtually uncanvassed in public discussions, the Japanese market, formerly Australia's second-biggest source of overseas visitors, is in a state of collapse. Australian tourism is now hoping Chinese tourists will do what the Japanese market used to do.

- The cost of Qantas's domination of the Pacific route,



ALL BUSINESS: Qantas has left unflown many routes formerly operated by Ansett.

which the airline has used to drive profits by restricting capacity in the past decade when its weakened American competitor (United) was fighting for survival, is coming home to roost. It's now dearer to fly between Australia and the US than between Australia and Europe, even though the US is far closer. The number of Americans visiting Australia hasn't increased since the late 1990s. Three times as many Europeans (1.3 million a year) visit Australia.

- The conservatism of the Australian industry means little new real "product" has

been developed for decades. Australian tourism is obsessed with a narrow strip of the east coast from Sydney to Cairns.

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Access to the rest of the coast and country outside the capital cities is generally primitive and expensive.

The case of the vanishing Japanese is instructive. In the 1980s, Australia, almost by accident, became the flavour of the month in Japan and the fad — a characteristic for which the Japanese were affectionately known, whether consumer electronics, fashion or international travel — lasted

almost two decades.

Qantas and Australian tourism took a punt three decades ago that the Japanese would love the Great Barrier Reef, unspoiled, warm year-round and unlike anything in Japan. There happened to be a 3000-metre runway at Cairns, which could land a Boeing 747 jumbo, and it was just seven hours flying from Tokyo.

The mix proved a goldmine for Qantas because the Japanese took to the idea and weren't particularly fussed how much they paid. They could buy the Australian experience for around \$3000 (a fortune for an Australian traveller) and fares alone were never less than about \$1600 return. As a high-cost Government-owned monopoly, that suited Qantas down to the ground, as it was serving a new international leisure

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Too much of not enough: why Aussie tourism is stranded on the runway

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market for what were effectively discounted business-class fares.

The Japanese, mostly young office workers and honeymooners, started arriving 400 at a time at four in the morning at Cairns. No less conservative then, Australian hoteliers started building much of the accommodation required to service the new market only after Qantas had proved the demand.

It was an operation that had to be executed with military precision as Japan's traditional work culture married young Japanese to their jobs. They often had just eight or 10 days to "see" Australia before they were required back at work, so a triangle which became known as the Reef-Rock-Opera House circuit developed.

From Cairns, the Japanese would (and many still do) fly to Uluru for a day, then to Sydney for some shopping before boarding the plane home to Tokyo.

Japanese interest in Australia peaked at more than 800,000 visitors a year in the late 1990s and it has been all downhill from there. There are now fewer than 500,000 and the number is expected to stabilise at about 400,000 in the next decade. Ironically, the Japanese have become more like Australians and Australians more like Japanese. The average Japanese stay in Australia is now 24 days, more than half of Japanese visitors are on their second trip here and are showing they're interested in hard-to-get-to parts of the country like the Northern Territory.

When once Australians took

one big holiday a year, most are now scared to leave their work desks for more than a long weekend or, at a stretch, a week – especially now that jobs are at risk.

Since domestic tourism accounts for two thirds of the \$90 billion tourism industry, that's a key reason for the tunnel-vision focus on the east coast, where most people live. The biggest markets (Sydney and Melbourne) can fly non-stop to Byron Bay, the Gold Coast, the Sunshine Coast, Hamilton Island, Proserpine or Cairns.

But there's precious little else to choose from – even though there are 15,000 kilometres of captivating coastline that's unexplored as far as the mass tourism business is concerned and can't be reached without a massive time commitment and expense; even though all of it is within non-stop flying range of

Packaged "product" to the Kimberley is generally designed to separate superannuants and the rich from between \$5000 and \$15,000 of their savings.

even small modern regional jets from the big east coast cities. Few except grey nomads towing caravans have ever seen the beauties of the South Australian west coast, from Port Lincoln to the "top of the bight" past Ceduna. You can fly the 650 kilometres from Melbourne to Adelaide for under \$100 return. The last 250 kilometres across Spencer Gulf to Port Lincoln costs \$250 because it is served only by a business airline, Rex.

From the east coast, there's



THE REEF: A fading attraction for Japanese tourists.

little change from \$1000 to see the white beaches of Esperance on WA's south coast, because Perth to Esperance is a State Government-mandated monopoly route operated by local operator Skywest, which makes most of its money from mining contracts; its costs aren't geared to tourism. Ditto the heritage-protected Monkey Mia (Shark Bay airport) and Ningaloo Reef (Learmonth) up the west coast – and Cape York and the Torres

Strait in far north Queensland.

Broome, first developed as a destination by Ansett in the 1980s and 1990s, is now served infrequently and expensively from Sydney and Melbourne by the business airline, Qantas, and (increasingly its lookalike) Virgin Blue.

Packaged "product" to the Kimberley is generally designed to separate superannuants and the rich from between \$5000 and \$15,000 of their savings (air fares not in-

cluded). It's what you do after you've seen Peru's Macchu Picchu and Kenya's Masai Mara.

It takes a nearly day to get to Kakadu because the cheap flights to Darwin generally go at night and it's a three-hour bus ride to the park the next morning. There are no flights to Kakadu, even though it has two runways suitable for big, efficient (50-80-seat) propjet planes that could turn three hours into 40 minutes. No one's interested.

Low-cost holiday carriers like Jetstar and Tiger, meanwhile, are jostling for market share between the big cities and – you guessed it – between the cities and the Queensland coast. Inexplicably, Qantas has never allowed its subsidiary Jetstar to fly to the Red Centre and Broome, for example, even though it was designed for that purpose.

But don't expect anything more than more of the same from the airlines at home or the Australian tourism industry, which, as in Cairns 30 years ago, will not punt on new markets without a quick buck in return. ■

A version of this article first appeared in The Age, Melbourne, Australia, on January 19, 2009.