

DESCENT INTO JAL BANKRUPTCY / Unpopular airports albatross around necks

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This is the final installment of a three-part series examining the failure of Japan Airlines.

In a recent edition of The Yomiuri Shimbun, there were a handful of advertisements for travel agencies: One offered a three-day, two-night package to Okinawa Prefecture for 28,200 yen (\$313); another offered a three-day, two-night trip to Sapporo and Asahikawa's Asahiyama Zoo for a mere 22,000 yen (\$244).

These low-priced packages are made possible through a kickback system by which high-volume travel agencies receive massive discounts from All Nippon Airways and Japan Airlines.

Documents provided by travel agency sources are shocking.

In one, JAL guaranteed 7,000 yen to 8,000 yen in kickbacks to a travel agency for a package from Tokyo to Hokkaido. Considering the normal price for that route averages about 10,000 yen, JAL earns only 2,000 yen to 4,000 yen on each discounted package tour.

The companies that benefited most were the major travel agencies with high advertising budgets. "Kickbacks accounted for more than half of the regular cost of a flight. This trend has become chronic," one government official said.

When asked about this trend, a former JAL executive, said: "There are a number of [unprofitable] routes where these kickbacks are the only way to keep seats filled."

"But it's only natural: We didn't build airports where they were in demand, we created demand so we could build airports," he said.

Back when he was heading a project to build an airport in the Tohoku region, he was tasked by the transport ministry to create usage projections. He found that only 150,000 people would fly through the airport on domestic routes annually, while no more than 50,000 would use it for international flights.

"Are you stupid? We wanted figures showing how desperately we need an airport in this area," a high-ranking ministry official said in response to the projection. "Your projection should have been for 800,000 or 1 million."

Unable to refuse the ministry official's request, the JAL executive "padded the figures," assuming that the Tohoku region would experience a 20 percent economic growth rate and that agriculture cooperatives would use the airport for flights--all to please the official.

But not once in the many years since the airport's opening has the number of passengers approached 800,000.

Ibaraki Airport, which is scheduled to open on March 11 in Omitama, Ibaraki Prefecture, will begin operations with no domestic flights and just one daily international round trip--an Asiana Airlines flight to Seoul. It will be an extremely strange airport.

The central government projected about 810,000 people would use the airport annually with four domestic routes. Only about 77,000 annually are expected to use the airport's lone service to Seoul--if each flight operates at 75 percent capacity.

Ibaraki Gov. Masaru Hashimoto openly criticizes the central government.

"They unilaterally build a state-run airport and then do nothing to get people to use it," he said.

The central government, however, denies this.

"We built that airport on the supposition that the prefecture would be responsible for getting the flights," said an official at the Civil Aviation Bureau of the Land, Infrastructure, Transport and Tourism Ministry.

While JAL has applied to be placed under court-administered bankruptcy protection and will restructure its unprofitable routes, other airlines may stop flights on local routes altogether if the economic slump continues. Ibaraki Airport may be a harbinger of virtually flightless airports to come.

Nationwide, there are currently 98 airports, each of which will validate or invalidate the aviation policy of the central government and the local government policies that allowed for the construction of airports with little solid statistical foundations.

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