

# Analysis of Domestic Airfares after the Start of LCC Service in Japan

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## 1. Purpose and background of the study

Air traffic demand forecasting is an important source of basic data for the formulation of aviation policy. As airfares are one factor that affect air traffic demand, it is necessary for forecasting methods (forecast models) to reflect actual airfares (real airfares), in other words, not only standard fares, but also discount fares for each route. Airlines have set their own airfares since the liberalization in 1990, and airfares systems have become more complicated since the entry of Low Cost Carriers (LCCs) in 2012. In this study, in order to better understand real airfares for each route reflected in the forecast model, the most recent airfares have been analyzed.

## 2. Changes in domestic air fares after the entry of LCCs

Real airfares for each route were estimated based on the type of tickets obtained from “Dynamicsurvey for domestic air passengers” (Figure -1). Estimated real airfares in 2015, after the entry of LCCs in Japan, tended to be lower on many routes than in 2010, before LCCs

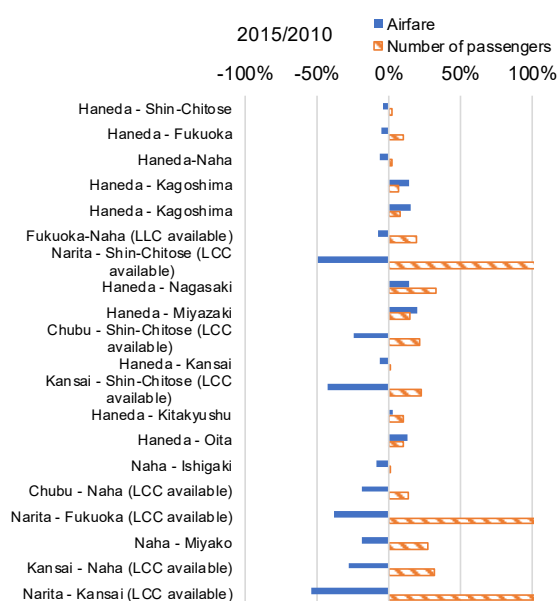


Figure -1: Change in estimated real airfares and number of passengers for each route

entered service. In particular, there was a tendency for airfares to decline significantly on routes where LCCs competed with FSCs (conventional airlines).

## 3. Fluctuation in airfares depending on the season and date of purchase

Comparing seasonal fluctuations for the cheapest airfares for each route, there was a tendency for large fluctuations, such as increases in airfares during the Obon festival, particularly for FSC routes (Fig. -2).

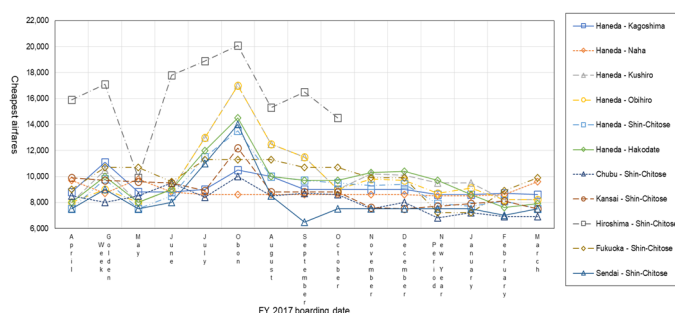


Figure -2 Seasonal fluctuation in FSC Airfares (cheapest airfares) (FY 2017)

Source) Compiled from the Civil Aviation Bureau's "Disclosure of Information on Air Transport Services"

Regarding dynamic pricing, in which airfares for the same month change depending on the date of purchase, we were able to gather some statistics from the Civil Aviation Bureau.

## 4. Future developments

Based on this study, we will further examine methods of setting scenarios for domestic airfares by each route in the aviation demand forecasting model. This is expected to lead to the development of a reliable air traffic forecasting method that appropriately reflects aviation service standards.

See below for more detailed information.

- 1) Technical Note of NILIM No. 1165 <http://www.y.sk.nilim.go.jp/kenkyuseika/kenkyusyosiryou.html>