

### 50th Anniversary of Deregulation of Overseas Travel-Part 1

#### The Dawn of Overseas Travel

#### Overseas Travel Deregulation: The Second Opening of Japan

The year 2014 marks the 50th anniversary since Japan deregulated overseas travel for tourism purposes in April 1964. We will look back on the history of the travel industry during these 50 years of overseas travel by Japanese people. We will also look at how the travel industry played an extremely large role in forming the overseas travel market and establishing a Japanese travel style, from the early days through the development phase and the mature phase, up to today when Japan in the 21st century is becoming a “tourism-oriented country.”

In this first part of the series, we will look at the travel industry as well as the social and economic environment surrounding the industry in the early days of overseas travel during the 1960s. In subsequent installments, we will follow the major trends in each decade, from the jumbo jet travel in the 1970s to explosive growth of overseas travelers in the 1980s, the increase in trips by individuals through the 1990s, and expansion of bi-directional exchanges in the 2000s.

#### Travel Agencies and Airlines Work as One for Market Development

In April 1964, looking forward six months to the opening of the Tokyo Olympics – the first Olympic Games to be held in Asia – the regulation was lifted that limited to \$500 per trip the amount of foreign currency that one person traveling for tourism purposes could carry out of the country.

In the previous month, the executive board of the International Monetary Fund had approved Japan as an IMF Article VIII country, which made the yen freely convertible. Subsequently, Japan became a member of the Organization for Economic Cooperation and Development (OECD) on April 1, and thus the internationalization of Japan began to accelerate in a visible way.

Isao Matsuhashi, JTB advisor and former JATA chairman from 1997 to 2002, recalls, “In 1962, two years prior to travel deregulation, we hired a large number of new graduates in preparation for the expansion of our outbound travel business. An opportunity for the company to enter a new business field had suddenly arisen.” At that time, he says, “We tied up with financial institutions to offer savings plans for overseas trips. That way, people would be ready to depart on trips as soon as deregulation took effect.”

He goes on to say, “Roles were divided so that airlines did the PR by aggressively advertising tours under their own name brands, while travel agencies concentrated on planning and arrangements at the destinations. We united to work actively on development of the new market and development of demand.”

#### Package Tours Appear in Quick Succession

In January 1965, Jalpak Tours went on sale. In November 1968, JTB and Nippon Express announced a business tie-up for overseas package tours, and in January 1969, Look Tours, their joint brand of package tours, went on sale. Then in quick succession, Yusen Air & Sea Service Co., Ltd., launched Diamond Tours that same year, Nippon Travel Agency offered Mach Tours in 1971, and Kinki Nippon Tourist released Holiday Tours in 1972. Distribution channels were formed for overseas travel products that revolved around wholesale sales by large travel agencies.

“Fundamentally, the merchandising of travel should be done by travel agencies that are well informed about the complex multiple features of travel products,” states Matsuhashi. Recalling the attitudes of his early days, he reminisced, “Travel agencies’ strong confidence that the travel products they planned and developed would be selected by consumers over other travel

products was backed by their pride in doing what travel agencies do best, which is their *raison d’être*. I think that this confidence and pride was the starting point of the past 50 years of history of travel agencies.”

#### “9 Days in Hawaii” Cost 19 Times the Starting Salary of a College Graduate

The “First Hawaii Diamond Course Tour,” a 9-day, 7-night trip which initially departed on April 8, 1964, was offered by JTB at a cost of 364,000 yen. In those days, it was an extremely high-priced tour, at 19 times the starting monthly salary of a national government official with a college education, which was 19,100 yen. Since the 2013 starting salary of a government official with a college education is 203,600 yen, the relative cost of the trip nowadays would be 4 million yen. Even so, there were more than 127,749 outbound Japanese travelers in 1964. The cost of “Jalpak’s European 16-day Course” which first departed on April 10, 1965, was 675,000 yen, or 7 million yen in today’s terms.

(Source: Kokka Koumuin no Shoninkyu no Hensen [Changes in national government officials’ starting salaries], National Personnel Authority; Shutsunyukoku Kanri Toukei [Immigration and emigration control statistics], Ministry of Justice; and JALPAK Gurafiti 25 [Jalpak Graffiti 25].)

#### Travelling in a Suit and Necktie; Souvenirs of Wine and Spirits, Tobacco, and Perfume

Because a trip that cost many times the starting salary of a college graduate was a special event, it was standard for many well-wishers to go to the airport to say “bon voyage,” and travelers would dress in suit and tie.

At the dawn of overseas travel, lucky charms, umeboshi (pickled plums), rice crackers, tea, and pickles were considered necessities for the traveler to take along. As souvenirs from overseas trips, wine and spirits, tobacco, and perfume were popular because customs tax was high and there were restrictions on the volume that could be brought into the country.

#### Tokaido Shinkansen between Tokyo and Osaka Launched; Social Infrastructure is Expanded in Conjunction with Travel Deregulation

In 1964 when overseas travel was deregulated, the first Olympic Games held in Asia took place in Tokyo in October. In preparation for the Tokyo Olympics, Japan developed various facets of its social infrastructure, particularly in the capital city of Tokyo. It is remembered as a period when considerable modernization of infrastructure occurred all at once.

The construction of the domestic high-speed transport system was particularly remarkable. In Tokyo, there was the development of the Shuto Expressway, the opening of the monorail between Haneda Airport and Hamamatsucho, and the addition of a runway for international flights at Haneda Airport.

On October 1, ten days before the Olympic’s Opening Ceremony, the Tokaido Shinkansen began to run between Tokyo and Osaka. This marked the completion of five years and six months of construction which had begun in April 1959. It symbolized the modernization of Japan, and throughout the Olympic Games, media personnel from different countries reported on the new bullet train to people around the world. When the Shinkansen started operation, it carried 60,000 passengers per day, and in the following year of 1965, passengers had increased to 85,000 per day. Thanks to this boost in speed and transport capacity, a boom in domestic travel took off.

### 10,363,900 Foreign Travelers Visited Japan in 2013;

### Record-setting 10-million Mark Reached with 24.0% Increase

According to the Japan National Tourism Organization (JNTO), the number of inbound foreign tourists in 2013 overall reached 10,363,900 persons, a 24.0% year on year increase, aided by December's 25.4% year on year growth to 865,000 persons. Not only does this surpass the goal of 10 million by over 300,000 to set a new annual record, but new records were also set for a number of different nationalities visiting Japan, making 2013 a year of great progress in the inbound visitor market.

The number of inbound travelers in December alone set a new record for the month, exceeding the previous record of 690,000 travelers set in December 2012 by 175,000. Looking at December by country, while visitors from South Korea declined, China, Taiwan, Hong Kong, Thailand, and Singapore, etc., set new records for the month, and even long-haul markets such as Australia, the US, and France set new records for the month.

Cumulative figures for January through December 2013 show that South Korea declined in the latter half of the year but still maintained the top share in Japan's inbound market with 2,456,100 persons, a 20.2% year on year increase. Taiwan grew sharply to 2,210,800 persons, a gain of 50.8% year on year, thereby narrowing the gap between it and first-place South Korea. In the East Asian market, Hong Kong also set a new record with 745,800 travelers, a gain of 54.8% year on year. China showed signs of recovery in the second half of the year, and with an annual inbound figure of 1,314,500 travelers, the rate of decline in Chinese visitors slowed to minus 7.8% year on year for the year.

The Southeast Asian market experienced an upward leap in inbound travel due to the easing of visa requirements, etc. Thailand displayed phenomenal growth of over 70% with

453,600 visitors, a gain of 74.0% year on year. In share by market, Thailand moved up to sixth place following South Korea, Taiwan, China, the US, and Hong Kong. Significant growth was also displayed by Singapore, Malaysia, Indonesia, and Vietnam, each of which set new records for inbound travel to Japan for the year.

The trend toward recovery in the long-haul market also progressed. Led by the US's increase of 11.5% year on year with 799,200 persons, Australia, Canada, Great Britain, France, and Germany also recorded double-digit increases. Australia (with 244,600 persons) and France (with 154,900 persons) set new records for the year as well.

December figures and 2013 annual figures for countries and regions that are priority markets in the Visit Japan Campaign are as follows.

South Korea=	182,800 persons (-8.6%)	2,456,100 persons (+20.2%)
Taiwan=	149,400 persons (+34.6%)	2,210,800 persons (+50.8%)
China=	96,700 persons (+84.8%)	1,314,500 persons (-7.8%)
US=	68,200 persons (+17.7%)	799,200 persons (+11.5%)
Hong Kong=	72,100 persons (+61.5%)	745,800 persons (+54.8%)
Thailand=	56,000 persons (+119.0%)	453,600 persons (+74.0%)
Australia=	30,300 persons (+19.2%)	244,600 persons (+18.5%)
Great Britain=	14,700 persons (+10.1%)	191,900 persons (+10.3%)
Singapore=	38,100 persons (+38.8%)	189,200 persons (+33.1%)
Malaysia=	28,500 persons (+65.5%)	176,500 persons (+35.6%)
France=	10,400 persons (+1.4%)	154,900 persons (+18.8%)
Canada=	14,600 persons (+24.0%)	152,800 persons (+12.9%)
Indonesia=	17,000 persons (+27.3%)	136,800 persons (+34.8%)
Germany=	7,800 persons (+7.1%)	121,800 persons (+11.8%)
Philippines=	11,100 persons (+50.1%)	108,300 persons (+27.4%)
Vietnam=	5,100 persons (+45.7%)	84,400 persons (+53.0%)
India=	4,900 persons (+4.1%)	75,000 persons (+8.8%)
Russia=	4,100 persons (-2.5%)	60,500 persons (+20.6%)



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### Travel Agencies Promote Value Creation and Market Expansion

At a New Year's interview held on January 8, Jungo Kikuma, chairman of the Japan Association of Travel Agents (JATA), stated that his resolution for 2014 is "to strengthen measures in all sectors, including outbound, domestic, and inbound travel." The policy is to promote the strengthening of value creation and expansion of the travel market by travel agencies. The mainstay measures in each sector are the commemoration of the 50th anniversary of travel deregulation in the outbound market, an increase in demand for overnight travel among younger people in the domestic market, and the spread of the Quality Assurance System for Tour Operators for the inbound market. Regarding the first JATA Tourism Expo Japan which will be held in September this year and is co-sponsored by JATA and the Japan Travel and Tourism Association, Chairman Kikuma expressed a strong desire "to rally the growing enthusiasm for travel not only in the travel industry but also among other industrial sectors and to work together in unison to cause an explosion of interest."

### Communicating the Significance of the Travel Industry on the 50th Anniversary of overseas Travel Deregulation

Looking back on 2013, Chairman Kikuma emphasized that "it was a year when we established the infrastructure in preparation for our next big leap forward" with the start of the Quality Assurance System for Tour Operators, the decision to hold the Olympics and Paralympics in Tokyo, and the achievement of over 10 million inbound foreign visitors. At the same time, he pointed out, "It was a year when a bright light shone on the travel industry."

He explained further, "It was a year in which we were able to prepare the stage for the future" of the tourism industry with the launch of the Quality Assurance System for Tour Operators for inbound travelers, the merging of the Japan Travel and Tourism Association's Tabi Fair Japan and JATA Tabihaku Travel Showcase, the signing of the comprehensive partnership agreement between JATA and the UN World Tourism Organization (UNWTO), and the establishment of a council on aviation-related matters such as the fuel surcharge.

Given this situation, the highest priority in 2014 will be expansion of demand among younger people for both outbound trips and domestic trips. In addition to deploying new measures for inbound trips, the plan is to encourage JATA members to make greater efforts for inbound travel in order to promote further expansion of the inbound travel market.

Because this year marks the 50th anniversary of overseas travel deregulation, JATA plans to fully communicate the role and the significance of overseas travel and the travel industry in Japan's internationalization by tracing the history. Chairman Kikuma states, "Fifty years ago, young people had the pluck and spirit to venture overseas and learn about new things. I want to start activities to reawaken that pluck and spirit in young people today."

JATA also intends to give high priority to efforts to recover demand for travel to China and South Korea, which remains in a slump. Chairman Kikuma points out that while China and South Korea "are the main destinations in Japan's overseas travel market, they are also major sources of

travelers for the inbound market." Recognizing that "it is extremely important to return both countries to their former growth track," he emphasized the importance of JATA, as a private organization, in continuing ongoing activities to expand exchanges with those countries.

Chairman Kikuma himself served as the head of a JATA group that visited South Korea and paid courtesy calls to the Ministry of Culture, Sports and Tourism, the Korea Tourism Organization, and the mayor of Seoul, among others. He has a strong desire to communicate "a message of welcome to the Japanese people."

JATA is also considering the dispatch of a group to visit China, and Chairman Kikuma said he would "like for that to happen in March or April."

### A New Campaign Targeted at the Young Segment

Concerning the annual number of outbound travelers in 2014, Chairman Kikuma stated, "I am certain that we will once again achieve 18 million persons." He thinks that "the entry of low-cost carriers (LCC) will provide a tailwind for expansion, and the travel industry will promote activities to achieve the previous record of 18.50 million persons." Using as a springboard the recovery of the two major markets of China and South Korea to their former levels, the plan is to aim for further expansion of demand for outbound travel.

In 2014, JATA plans to pour energy into boosting the inbound travel sector as well. Chairman Kikuma notes, "The number of inbound foreign travelers exceeded 10 million persons for the first time in 2013. However, there is a strong feeling that this was achieved due to government initiatives such as the easing of visa requirements. In order to reach the goal of 20 million inbound travelers, travel agencies will have to play a larger role." Recognizing that "the job of travel agencies is to convey the true attractions of Japan to foreign visitors," he mentioned means to strengthen efforts to boost inbound travel, such as seminars on inbound travel for JATA member companies.

JATA also intends to popularize and spread the Quality Assurance System for Tour Operators which started last year for inbound travelers. Chairman Kikuma stressed the importance of coming up with a plan "to quickly expand to 100 companies" from the 33 companies that are currently certified and the importance of "communicating the existence and the significance of the system to people overseas in order to popularize it so as to boost the presence of Japanese travel agencies."

For the expansion of domestic trips, in continuation from the "One More Night, One More Time" campaign which JATA promoted for five years to expand overnight trips, JATA plans to deploy a new campaign this year targeted at the younger customer segment. Promotional materials will appear on YouTube and Facebook, etc., featuring World Order, a dance performance group popular with younger people. The materials will introduce the attractions of Japan's various regions with "Play hard, Japan" as the catchphrase.

Moreover, Chairman Kikuma expressed the wish that "JATA engage firmly from the first year in communicating to the world at the JATA Tourism Expo Japan because inbound travel business talks at the Expo's Visit Japan Travel Mart will be sponsored by the Japan Tourism Agency, making a "three-in-one event" in both name and fact by combining the outbound, domestic, and inbound sectors.