

**Japan's Leading Tourism and Aviation Weekly**

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***\*JTB will begin the business of its independent corporation in Shanghai***

JTB announced on March 29 that it would begin full-scale business of JTB (Shanghai) International Tours Co. Ltd., the local independent corporation of JTB that has already authorized by China National Tourism Administration (CNTA), in this autumn. The new corporation will function as a core base for JTB to develop its business strategy for China. Also, JTB has revealed that it is preparing to launch a new independent corporation for the growing event and convention business market in Beijing.

JTB is the 6th travel company of Japan to launch a local independent corporation, following JAL PAK (Beijing), ANA Sales (Beijing), Nippon Travel Agency (Shanghai), Kinki Nippon Tourist (Beijing) and Hankyu Express International (Beijing).

The JTB local corporation first aims to improve service qualities by strengthening purchase, arrangement and placement functions for the outbound market in Shanghai. Also, it intends to extend sales activities to Japanese companies in the region for incentive-related businesses particularly. After consolidating its business base in the Shanghai region, the new local company will exploit new businesses, including potential services except the travel business, in China.

JTB hopes to have 80,000 customers served by the new company for the first fiscal year and to expand them to 170,000 annually for FY2010.

With the launch of JTB (Shanghai) International Tours Co. Ltd., JTB Group will have seven companies and three offices in China. Main business bases for the travel business will be the new independent corporation in Shanghai and joint venture JTB New Century International Tours in Beijing. A new independent corporation in Beijing, which is waiting for a business license, in addition to Shanghai JTB Jing-Jiang International EC, will play key roles for the event and convention business.

Also, JTB provides consulting services in Beijing, Shanghai and Guangzhou and collects information through local offices in the three cities.

JTB (Shanghai) International Tours Co. Ltd. has a capital of 5.3 million yuan (approximately 80 million yen) invested 100% by JTB Group. The organization consists of the inbound business section (group and LOOK JTB), the sales section for Japanese companies, the hotel purchase section and the general affairs and financial section.

### *\*TA starts a new tourism campaign for experience seekers*

Tourism Australia (TA) announced at a news conference in Tokyo on March 27 that it is developing “Aussie Invitation Campaign” globally to invite “experience seekers” to Australia. The campaign has already been launched in New Zealand, the United States, Germany, the United Kingdom, Hong Kong and China and will start in Japan from April 1 this year, followed by Korea. TA is investing 1.8 billion yen to the Japanese market for the two-years campaign.

TA conducted market researches in five major countries including Japan. As a result, it finds a lot of travelers to seek chances for adventurous experiences and active exchanges with local people, placing overseas travel as one of their life styles. TA Managing Director Scott Morrison, who visited Japan for the announcement, said, “Australia is one of the most preferable overseas destinations. We are developing the campaign for experience seekers to change Australia from ‘a destination to go someday’ to ‘a destination to go now.’” Under the new campaign, TA is proposing travels to enjoy life styles with Aussies.

The TA market research finds that Japanese experience seekers account for 42% of all 24 million potential overseas travelers of Japan. TA particularly expects that the baby boomer generation will strongly seek experience-oriented or target-oriented travels, as Morrison said that the baby boomer generation is a very important market to increase experience seekers in Australia, in addition to the traditional office lady and young generation segments.

Also, Morrison emphasized that cooperation from the travel industry and the airline industry is essential for development of the campaign. TA will support the travel industry of both Japan and Australia to produce experience-oriented products and work on airlines to keep or expand seat availability on flights for Australia, in link with “Japan Action Plan,” which was launched in January this year when Fran Bailey, Minister for Small Business and Tourism of Australia, visited Japan.

Japan Association of Travel Agents (JATA) said, “We largely expect that the campaign will activate tourism promotions to Australia particularly for Australia-Japan Year Exchange 2006.” Regarding Australia as one of the promising destinations with a wide variety of tourism attractions, JATA also expects that the campaign will help the JATA’s plan to send 20 million overseas travelers for 2007 and the TA’s plan to invite 1 million Japanese travelers to Australia for 2010.

TA makes a catchphrase of “So Where The Bloody Hell Are You?” for Aussie Invitation Campaign, expressing a message of personal invitation to unique experiences in Australia. Advertising for the campaign will be provided on a variety of media.

### *\*Mongolia attracts Japanese tourists with the Chinggis Khaan anniversary events*

“Chinggis Khaan 800th Anniversary of Mongolian States” was announced at a news conference in Tokyo on March 29, joined by Mongolian Prime Minister Miyeegombyn Enkhbold and members of the executive committee of Japan for the anniversary events, including former Japanese prime minister Toshiki Kaifu as honorary advisor, major writer Taichi Sakaiya as special advisor and HIS Chairman Hideo Sawada as chairman.

The official anniversary events will be provided at a special site in the suburbs of capital city Ulan Bator from an opening ceremony on July 10



this year to August 31 this year. The largest event will be a spectacular show performed by cavalries with 500 military men and 500 horses. This will be the largest-ever tourism event in Mongolia.

The anniversary events will be held in cooperation between Mongolia and Japan, for which the executive committee was launched in Japan, joined by HIS, Dentsu and Itochu, and the same kind of an executive organization was also launched in Mongolia, led by Prime Minister Enkhbold.

The event organizer estimates to collect 100,000 travelers at maximum or 60,000 travelers at least from the world, out of which 7,000 Japanese travelers are expected to visit Mongolia for the anniversary events. The number of Japanese visitors to Mongolia is 14,000 to 15,000 every year on average. To encourage Japanese tourists to visit the country, the Mongolian government has decided to exempt visa from Japanese entries temporarily from April to December this year.

Prime Minister Enkhbold said, "It will be events drawing attentions from the world." Sawada said that the events would help Mongolia create new jobs and develop economy. Mongolia will make efforts to develop tourism infrastructures to welcome tourists from the world.

HIS will offer tours for the anniversary events with JAL's direct charter flights. One of the three tour products is a six day-itinerary with special lecture by Taichi Sakaiya. HIS will offer the tour products on July 22 from Kansai International Airport, July 23 and 26 from Haneda Airport, expecting to collect a total of 600 customers.

Other two tour products are a free plan six-days itinerary without a tour conductor, which is offered at a reasonable price as a Ciao brand product, and a six-day itinerary with a tour conductor, which is a higher-grade product of Impresso brand. Each product includes unique experiences in Mongolia in addition to the anniversary events.

#### *\*JAL CEO says B787 and B737-800 will play key roles on its international network*

Next JAL President and CEO Haruka Nishimatsu, who will officially take office in June this year, said at a joint new conference on March 24 that he believe the international passenger flight business will drastically change in 2009, for which JAL Ways (JAZ), a low-cost carrier of the JAL Group, will play a key role." After completion of the re-expansion of Haneda Airport in 2009, short-haul international flights based on Haneda will possibly be operated like domestic flights, he added.

The JAL Group plans to expand a share of JAZ operations on international flights from 22% today to 28% in FY2010, and the competitive operator will serve international flights for Southeast Asia and Oceania mainly, changing its fleet from B747-400 today to B767.

JAL is likely to emphasize charter flights on its international resort routes after reviewing scheduled flights on those routes, as Nishimatsu said that it is time to nicely separate schedule flight business from charter flight business.

One of the business strategies for the international passenger flight business is to use smaller aircraft. Introduction of B787 from FY2008 will be a turning point for the strategy, as Nishimatsu said that the new aircraft would help JAL develop its international flight network more flexibly. JAL plans not to reduce seats for first and business classes but to reduce seats for economy class when it begins operating B787. Also, JAL expects to collect more individual passengers for the B787 operations, carefully considering airfare strategy at the same time.

Through use of smaller aircraft, JAL expects to raise the average load factor on its international flights from 65% for FY2005 to 72% for FY2010.

Nishimatsu also mentioned A380: "I think major airlines have too many B747s. I don't think we have passenger needs enough to use larger aircraft than B747 right now." However, JAL does not eliminate a possibility to introduce A380, as Nishimatsu added that JAL would examine carefully how A380 operators can use the largest aircraft on their Japan routes.

#### **+JEX will also boost its existence value**

Nishimatsu explained that JAL Express (JEX) will take care of short-haul international flights based on Haneda Airport,

particularly on its China routes, after completion of the Haneda re-expansion program in 2009. It is possible for JEX to operate B737-800 on both domestic and international routes, as the aircraft flies from Haneda to Shanghai after flying to Haneda from a certain domestic city, for instance. Moreover, Nishimatsu said, "It is probable for us to serve flights for Korea with the same aircraft as that for domestic flights in the future."

Regarding a business plan for domestic flights after 2009, JAL will serve more frequent flights rather than increase seat supplies largely. Although it is alleged that newcomer airlines will possibly expand its business as LCCs after departure slots of Haneda increase in 2009, Nishimatsu doubts if those airlines will be able to become real LCCs, citing real LCCs in Europe or America as an example. JEX's operating cost is 10% cheaper than JAL's, however Nishimatsu revealed that it would be difficult to reduce the JEX's operating cost more than today as long as the current business structure is considered.

JAL has signed MOU with Oneworld to join the alliance. Nishimatsu said, however, that JAL could not estimate business effects from the participation in the alliance yet. JAL will have to reconsider its original systems or know-how, he added.

Also, Nishimatsu hopes that JAL will continue the current business relations with Thai Airways International or Air New Zealand, which is a member of Star Alliance. He revealed that JAL and Air France have almost decided to continue the tie-up without change.

#### *\*JAL will introduce a new integrated maintenance system*

JAL is preparing for the introduction of a new integrated maintenance system from March 2007, investing about 27 billion yen as part of the 60 billion yen investment program for improvement of safety operation under the midterm corporate plan. The integrated maintenance system, one of the largest systems in the world, will integrate around 60 individual systems from parts management to qualification control of maintenance engineers into one system, based on the R/3 software of SAP.

In the first phase, JAL will begin operating systems for qualification control of more than 6,000 maintenance engineers and for training records in March 2007, sequentially followed by systems for aircraft maintenance, supply of parts and shop-maintenance. In August 2008, it will begin operating systems for all fleets of JAL International (B777, B767, B747-400, B737-800 and B787) and for all fleets of JAL Domestic (A300-600 and MD series).

JAL operates individual maintenance systems separately today, however it possibly has problems, such as input mistakes into each system or overlapped inputs. The new integrated system will enable JAL to share the same information on real time by linking with all systems, which is expected to help JAL reduce potential risks of human errors. Also, the new system will be cost-effective, as it is possible for JAL to reduce parts inventory (equivalent to about 200 billion yen for the whole JAL Group today).

JAL names the project "DREAM Maint," placing it as one of the business structure reforms. "DREAM" stands for Dynamic Revolution of Engineering And Maintenance. To solve the consecutive maintenance problems, JAL will improve maintenance quality through introduction of the new integrated maintenance system.

#### *\*ANA revises upward its financial outlook for FY2005 again*

ANA announced on March 29 that it has revised upward its financial outlook for the full fiscal year of 2005 (April 2005 to March 2006) again, following the first revision announced on January 31 this year. According to the announcement, ANA has increased revenue outlook from 1,350 billion yen (as of January 31) to 1,366 billion yen, operating profit outlook from 80.5 billion yen (as of January 31) to 86 billion yen, recurring profit outlook from 56 billion yen (as of January 31) to 64 billion yen and net profit outlook from 6 billion yen (as of January 31) to 23 billion yen on a consolidated basis.

ANA has also revised upward non-consolidated financial outlook as follows: revenue from 1,600 billion yen to 1,700 billion yen, operating profit from 62 billion yen from 69 billion yen, recurring profit from 42.5 billion yen to 50 billion yen and net profit from 20 billion yen to 27 billion yen.

The upward revision mainly results from ANA's estimation to increase revenue of the domestic flight business because of more passengers and higher unit price than expected. Also, ANA expects to increase revenue of the international passenger flight business, as it succeeds in carrying 4% more passengers for March this year than a year ago mainly because of recovery of tourist demand for China.

ANA will release its official financial statement for FY2005 in late April this year.

### *\*Narita reduces aircraft movements during this summer schedule*

Narita International Airport Co. (NAA) recently reported that the number of aircraft movements during the summer schedule this year is 3,533 on a weekly basis, 24 fewer than a year ago mainly because of flight reductions by JAL International and JAL Ways and of flight suspension by Varig-Brazilian Airlines.

The number of aircraft movements for international passenger flights is 2,771 weekly, 13 fewer than a year ago. JAL International and JAL Ways each reduce aircraft movements by 16 and 14 weekly compared to a year ago, and Varig suspends its flight services with eight aircraft movements weekly. On the contrary, Japan Asia Airways, MIAT Mongolian Airlines and Pakistan International Airlines respectively add 14, two and two aircraft movements weekly.

Reductions of aircraft movements for international cargo flights on a weekly basis are ten by JAL International, seven by ANA and eight by Aeroflot Russian Airlines. Increases of those on a weekly basis are two by Air France, one by Air Nippon and seven by Northwest Airlines. As a result, the number of aircraft movements for international cargo flights during the summer schedule 2006 is 539 on a weekly basis, 15 fewer than a year ago.

The runway occupation rates are 97.3% on A runway and 84.4% on B runway during the period.

Meanwhile, Central Japan International Airport or Centrair handles 368 aircraft movements for international passenger and cargo flights on a weekly basis during the summer schedule 2006, eight more than a year ago.

New flights are four flights weekly for Dubai by Emirates Airlines (from June 1), which will increase to seven flights weekly from July 1 this year, and three flights weekly for Helsinki by Finnair (from June 4). Also, Korean Airlines increase its Cheju flights from three flights weekly to five flights weekly, and Air China restores its Beijing flights to seven flights weekly.

Centrair handles the same aircraft movements for international cargo flights as those during the winter schedule 2005, totaling 52 on a weekly basis. However, ANA and Air Nippon will begin operating four cargo flights weekly for North America after October this year.

### *\*Japan and Taiwan have agreed on increase of air transport volumes*

The Ministry of Land, Infrastructure and Transport announced on March 24 that Interchange Association, Japan (IAJ) and Association of East Asian Relations have agreed on increase of air transport volumes and new flights between Japan and Taiwan.

When the diplomatic relation between Japan and Taiwan broke up in September 1972, IAJ and Association of East Asian Relations were launched as private exchange organizations for Taiwan and for Japan respectively, instead of the governmental relations.

The new agreement approves new flights for Kansai International Airport by China Airlines, for Central Japan International Airport by Eva Airways and for Sapporo by China Airlines. At the same time, Taiwan is able to add passenger flights for Japan as follows: 11 flights weekly for Kansai International Airport, seven flights weekly for Central Japan International Airport, nine flights weekly for Sapporo, two flights weekly for Sendai and four flights weekly for Hiroshima.

Also, additional three cargo flights weekly, except service for Tokyo, are approved for Taiwanese carriers.

The agreement requires the equivalent increase of air transports will be authorized for Japan. In addition, Japan and Taiwan each will be able to add one more operator to charter flight operations between Japan and Taiwan. Code-sharing flights with third countries' airlines are also approved.

*\*NAA aims to expand non-aviation revenue to 45% of the total*

Narita International Airport Co. (NAA) aims to earn consolidated revenue of more than 200 billion yen for FY2010 under its five-years midterm corporate plan called "New Stage 2010," raising a share of non-aviation revenue to 45% from 35% today.

The midterm corporate plan also calls for non-consolidated operating profit of more than 38 billion yen for FY2010, although NAA estimates to reduce operating profits for each of the next two fiscal years to 28 billion yen from 36 billion yen for FY2005 because of reduction of landing charges. For FY2009, NAA expects to increase operating profit up to 33 billion yen because the extension of the B Runway enables the airport to increase flight frequencies.

NAA forecasts that the extension of the B Runway will allow the airport to increase aircraft movements to about 193,000 for FY2010 from about 18,900 today and passengers to about 34.8 million for FY2010 from about 33 million today.

NAA estimates to reduce non-consolidated revenue for FY2005 (April 1 2005 to March 31 2006) to 159 billion yen from the initial goal of 163 billion yen because NAA has reduced landing charges since October last year. The revenue target for FY2006 is 170 billion yen. Also, NAA hopes to post operating profit of 36 billion yen for FY2005 and 25 billion yen for FY2006, however it forecast it is difficult to accomplish the operating profit target for FY2006 because of large-scale reduction of landing charges and expenses on facility developments.

*\*Kansai still suffered year-on-year losses of international passengers*

Kansai International Airport Co. reported on March 30 that the number of international flight passengers for February this year was down 4% to 843,500 over the same month last year. It was year-on-year decline for five consecutive months. On the contrary, the airport still increased domestic flight passengers as the number of those for February was up 21% to 367,538 over the same month last year. It was year-on-year growth for 11 consecutive months. The total number of passengers for February this year was up 3% to 1,211,038 compared to a year ago.

The airport handled cargos of 60,405 tons for February this year, 2% more than a year ago. International cargos increased by 1% to 57,416 tons, which represents year-on-year growth for the first time since January 2005. Those were divided into 29,461 tons for loading and 27,955 tons for unloading.

The number of aircraft movements for February this year was up 9% to 8,422 compared to a year earlier because of increase of domestic flights. The number of those for international flights was 5,377, which were broken down into 4,349 for passenger flights, 957 for cargo flights and 71 for others. The number of those for domestic flights was 3,045, which were broken down into 2,894 for passenger flights, six for cargo flights and 145 for others.