

Japan's Leading Tourism and Aviation Weekly

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San-Miyanaga Building, 5-12 Moto-Akasaka 1-chome, Minato-ku, Tokyo 107-0051, Japan
Phone: 81-3-3796-6646, Fax: 81-3-3796-6645
mailto:jwtw@jwing.com , http://jwing.com/e/ (English) , http://jwing.com/ (Japanese)
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**Club Tourism is offering new services to baby boomers for deeper communications*

Club Tourism Chairman and CEO Hideo Takahashi said at an interview with the Wing Travel Weekly that the travel company will start innovative services for baby boomers, placing 2006 as a year to consolidate the business toward full-scale retirement of baby boomers in 2007. For innovative services, Club Tourism has already launched a business development section on January 1 this year. It will start a financial service as a securities intermediate business as early as May this year and is planning to start a new service to support retiring baby boomers for reemployment next year.



Takahashi said that Club Tourism will deepen communications with baby boomer customers by providing them with "employment" and "investment" services that may be large interests for them after retiring. For a financial service, Club Tourism will host investment-related seminars periodically, in which financial experts will lecture a variety of money plans to participants, and intends to establish a senior club for investment in the future. Also, it is planning to introduce detailed investment information or financial products to participants in cooperation with financial organizations.

Seventy percent of the total deposit and saving of 1,400 trillion in Japan are likely to be owned by over 50's. It is true that personal asset management is not so popular in Japan, however Takahashi expects that it will extend further in Japan like in America. The Club Tourism's offering financial service will not be a key business but one of the communication ways to deepen friendships with potential customers for the travel business.

At the same time, Club Tourism is preparing a reemployment support program for baby boomers this year to start offering full-scale service in 2007. Takahashi said, "I think we can introduce a variety of jobs for retiring baby boomers who may hope to work again at ease because we can grasp needs from those people based on our customer data base." The service will also follow the basic concept of Club Tourism to develop "customer-joining business."

+Proposing value experiences or exchanges of experiences to Golden Ages

Placing baby boomers as Golden Ages, Takahashi understands that the target may reach 10.9 million including not only people born in 1947 to 1949 but also people born in 1950 to 1951. For Golden Ages, travels with value experiences or exchanges of experiences must be more preferred than conventional excursion tours. "It is necessary for Club Tourism to change its business style from hardware-centric tourism to software-centric tourism," Takahashi added.

For experience-style travel, it is important to establish collaborative systems with local suppliers, as Takahashi said that a key is how Club Tourism can incorporate "software," including learning or chances for interaction with local society, into World Heritage tours, for instance. Takahashi believes such efforts will heighten the travel industry's value.

Meanwhile, many baby boomers, who have already had rich overseas travel experiences, are likely to prefer FIT to group tour. Takahashi emphasized that Club Tourism will begin improving a variety of systems to respond change from large-volume sales of some sorts of products to low-volume sales of many sorts of products and finally to medium-volume sales of many sorts of products.

+Propelling "Club 1000" concept

Propelling "Club 1000" concept, Club Tourism has formed about 300 clubs, which are classified into the large-scale category and the middle-scale category. The large-scale category consists of ten clubs: World Heritages outside of Japan, World Heritages inside Japan, Art and Music, Culture/History/Buddhism, Sports, Mountain Climb/Hiking, Nature/Health, Food Culture, Hobby and Making Friends. Club Tourism especially emphasizes tourism for World Heritages as it provides lecture courses for "World Heritage Certification," which is authorized by NPO World Heritage Academy. Takahashi said that such efforts for World Heritages will meet intellectual appetite of seniors.

Another new approach of Club Tourism is the business collaboration with Hakuhodo and Nomura Research Institute, in which "Community Research & Marketing (CR&M)" was launched as a think tank exclusively for senior-oriented businesses. CR&M releases in-house magazine "Live Forward" once three months to focus on before- and after-travel particularly. Takahashi said, "We will further enhance a primary function of marketing to senior travelers."

**Rakuten Travel will soon release its dynamic packages*

Yoshihisa Yamada, President of Rakuten Travel, revealed at "New Year Conference 2006" for contract accommodation suppliers that the Japan's leading online travel company will soon release its dynamic package products, which are combined air tickets and hotels online. "As we have considerably studied dynamic package, we are now confident of providing wider services than other providers," he added.



In the Rakuten's system, most of the contract accommodations (10,582 facilities) will be able to pack- aged, and at the same time air tickets of 39 airlines flying into Japan will be available. Yamada highlights a variety of products, more competitive prices and easy-to-use as major features of Rakuten's offering dynamic packages. Also, Rakuten Points will be effective to customers who purchase dynamic packages.

Yamada said, "Our targets are both business and leisure customers, particularly frequent travelers from late 20's to late 30's because most of the products package air ticket and hotel only. The largest merit is that a customer can purchase a product without taking the trouble of paying a visit to a retail shop. Also, the service will be available 24 hours."

+Business scale of international air ticket selling is expanding

In the meantime, Yamada explained that selling of international air tickets, which Rakuten has started since January last year, has already reached sales of some 100 million yen monthly. Rakuten intends to expand the business scale of international air tickets further, expecting that monthly sales will reach billions of yen in the future. Users are well balanced in male or female and business or leisure, according to Yamada.

Yamada also revealed that Rakuten will step up the inbound travel business. Today Rakuten offers about 1,000 hotels that can accept reservations from foreign countries, which accounts for one tenth of all contract accommodation suppliers. Four languages of English, Korean, traditional Chinese and simplified Chinese are now available online. Yamada

said, "The inbound travel business is not so a large scale for us yet. It is important how we can penetrate the business market. For that, we are examining business links with the government's leading Visit Japan Campaign or partnerships with overseas online providers."

**HKTB targets 1.43 million Japanese visitors for 2006*

Hong Kong Tourism Board (HKTB) announced on February 9 that it targets 1.43 million Japanese visitors for 2006, particularly developing "2006 Discover Hong Kong Year" campaign from this coming April. Based on a campaign concept of "Evolving Hong Kong, unchanging Hong Kong," HKTB is making efforts to improve satisfactions of Japanese visitors and to expand their spending in Hong Kong.

The number of Japanese visitors to Hong Kong for 2005 was up 7.5% to 1,210,848 compared to 2004, according to HKTB.

Kunio Kano, HKTB Regional Director North Asia, said, "HKTB will introduce new tourist attractions, including Hong Kong Disneyland, and unchanged charms, such as food or culture, to Japanese consumers who do not know well about Hong Kong after returning to China ten years ago." Also, the tourism authority is appealing Pearl River Delta, where "Hong Kong Wet Land Park" for bird watching will open, as a new tourist destination.

Hong Kong will increase from 125 hotels and 49,431 available rooms in 2005 to 140 hotels and 56,216 available rooms in 2008, according to HKTB.

**JAL further scales down its international passenger flights for turnaround*

JAL Group released its route, frequency and fleet plan for FY2006 on February 6 to shrink its international passenger flights and instead to increase international cargo flights from Narita Airport. According to the plan, JAL will suspend its Narita-Las Vegas flights, Kansai International-Los Angeles flights, Komatsu-Seoul flights and Hiroshima-Seoul flights. At the same time, JAL Ways, the low-cost operator of JAL Group, will play more roles on international routes, increasing its share to 21% as of the end of FY2006 compared to FY2005. Also, JAL expects that the business scale of international cargo flights will expand by 10% approximately, using Narita slots available after the suspension of passenger flights.

With the business approaches and the cost-down efforts, JAL expects to add about 8 billion yen to its annual revenue from the international flight passenger business and aims to restore profitability of the business for FY2006. JAL forecasts that ordinary loss for full year of FY2005 may reach 47 billion yen.

International passenger route plans for FY2006 are as follows:

Increasing from 10 to 14 flights a week (double-daily service every day) on Narita-Chicago route from March 26 2006

Increasing from 7 to 8 flights a week (double-daily service on Saturday) on Narita-Los Angeles route from April 1 to October 28 2006

Increasing from 7 to 11 a week on Narita-Vancouver route from July 1 to August 31 2006

Increasing from 2 to 3 flights a week on Narita-Moscow route from June 4 to September 4 2006

Increasing from 21 to 28 flights a week on Narita-Taipei route from March 26 2006 (operation by JAL Ways)

Suspending 3 Narita-Las Vegas-Los Angeles-Narita flights a week from September 30 2006

Suspending 7 Kansai International-Los Angeles flights a week from October 1 2006

Suspending 4 Komatsu-Seoul flights a week from March 26 2006

Suspending 3 Hiroshima-Seoul flights a week from March 24 2006

To take care of current passenger demand on Kansai International-Los Angeles route, JAL is planning to increase flights between Itami and Narita to improve convenience for Narita-Los Angeles flights. On Komatsu-Seoul route, JAL will seek tie-up with a Korean carrier if it decides to fly into Komatsu.

Reducing from 14 to 7 flights a week on Narita-London route from March 26 2006

Reducing from 21 to 14 flights a week on Narita-Bangkok route from March 26 2006

On Narita-Bangkok route, JAL will continue several code-sharing flights with Thai International Airways, a Star Alliance member, for FY2006 even after JAL officially joins Oneworld.

In the meantime, JAL will expand Boring 777 operations on its Europe routes as follows:
 Changing from 747-400 to 777-200ER on Kansai International-London route from March 26 2006
 Changing from 747-400 to 777-300ER on Narita-Paris route from September 1 2006
 Changing from 747-400 to 777-200ER on Narita-Amsterdam route from October 29 2006

JAL Ways will newly operate Narita-Jakarta, -Ho Chi Minh, -Hanoi and -Sydney flights and Kansai International-Hanoi flights, which will bring JAL Ways' operations to 157 flights a week for FY2006 from 129 flights a week as of the end of FY2005.

Other changes are as follows:

Changing from 747 Classic to 747-400 on Kansai International-Taipei route from October 1 2006
 Combining Narita-Jakarta and Narita-Denpasar routes into a single route from March 26 to June 30 2006

For the international cargo business, JAL will enhance its flight network from Narita worldwide by introducing Boeing 747-400 freighters (converted from passenger models). The number of international cargo flights is expected to increase from 51 a week as of the end of FY2005 to 61 a week for FY2006.

Regarding the fleet plan for FY2006, JAL Group will operate 275 aircraft for FY2006, four less than at the end of FY2005. It will retire a total of 13 aircraft, including six B747s, three A300-B2/B4s and four YS11s, while it will introduce nine new aircraft, including two 777-300ERs, one 767-300ER, three 737-800s, two DASH8-400s and one DASH8-300.

**JAL suffered from loss of profit for the first nine months of FY2005*

JAL released the consolidated financial result for the first nine months of FY2005 (April 1 to December 31 2005) on February 6, reporting that it fell into loss of profit although it increase revenue by 3.6% to 1,669 billion yen over the same period in the pervious year mainly because of the rise of fuel expenses. According to the result, JAL dropped to operating loss of 800 million yen from operating profit of 83 billion yen a year ago and to ordinary loss of 10.8 billion yen from ordinary profit of 108.8 billion yen a year ago. Finally JAL posted net loss of 23 billion yen for the first nin months of FY2005, worse than net profit of 79.2 billion yen a year ago.

The financial outlooks for full year of FY2005 are still revenue of 2,195 billion yen, operating loss of 34 billion yen, ordinary loss of 57 billion yen and net loss of 47 billion yen.

The total revenue for the first nine months of FY2005 was broken down into 528.2 billion yen from the international passenger flight business (up 3.1%), 504.2 billion yen from the domestic passenger flight business (down 1.4%), 138.6 billion yen form the international cargo flight business (up 4.6%) and 498.2 billion yen from other businesses (up 9.4%).

For the international passenger flight business, better businesses on transpacific, Taiwan and Europe routes were offset by inactive businesses on Southeast Asia, Oceania and China routes. RPK was down 1.4%, but unit price was up 4.5%. For the domestic passenger flight business, group passengers grew, while individual passengers reduced primarily because of a series of the safe operation troubles.

Average \$71.3 per barrel on a Singapore Kerosene basis for the first nine months of FY2005 forced JAL to need fuel expenses of 284 billion yen, 66.4 billion yen more than a year ago.

In the meantime, JAL is propelling cost-reduction efforts, such as 37 billion yen in cost structure reform, 43 billion yen in improvement of financial balance and 40 billion yen in countermeasures against rise of fuel cost (including rise of fuel surcharges). Out of the total effort, JAL announced to have accomplished reduction of 55.5 billion yen so far.

JAL Group carried a total of 44,044,330 passengers for the first nine months of FY2005, 1.8% fewer than a year ago, broken down into 10,689,357 international flight passengers (down 2.8%) and 33,354,973 domestic flight passengers (down 1.5%).

**JAL completed the first step to join Oneworld*

JAL announced on February 8 that JAL and Oneworld have signed a memorandum of understanding on JAL's joining the alliance, three months after JAL decided to join the global alliance. JAL and Onworld will discuss details for the next

few months and will start full-scale alliance services after a series of procedures completes.

Oneworld Managing Partner John McCulloch said: "Adding Japan Airlines will be one of the most significant developments in Oneworld's history. We are delighted that we have been able to reach this key stage in our discussions so soon. It signals an excellent relationship going forward. Bringing JAL on board is a top priority for the alliance. Oneworld and all its member airlines have committed to do whatever is necessary to complete this process as smoothly and speedily as possible. We look forward to working with the team at JAL to complete the steps necessary before we can issue a formal invitation to join."

JAL Group Chief Executive Officer Toshiyuki Shinmachi said: "Discussions between Japan Airlines and Oneworld have progressed at an extremely swift pace. The memorandum of understanding signifies Japan Airlines' first major step towards obtaining full membership of Oneworld. We hope that we can maintain this pace and successfully complete all the stages ahead of us, so JAL can enter oneworld as soon as possible, to the benefit of our customers."

**JAL air transport result for December 2005*

INTERNATIONAL FLIGHT (JAL, JAS, JAA, JAL Ways)

Passengers = 1,150,514 (93.7%)

RPK = 5,510,631 thousand passenger kilometers (96.3%)

ASK = 7,995,179 thousand seat kilometers (93.1%)

Load factor = 68.9%

<Results by destination>

Trans-Pacific routes

Passengers = 283,914 (102.5%)

RPK = 2,174,911 thousand passenger kilometers (102.5%)

ASK = 2,828,305 thousand seat kilometers (94.7%)

Load factor = 76.9%

Europe routes

Passengers = 118,961 (97.0%)

RPK = 1,107,075 thousand passenger kilometers (97.1%)

ASK = 1,643,878 thousand seat kilometers (95.1%)

Load factor = 67.3%

Southeast Asia routes

Passengers = 348,956 (90.0%)

RPK = 1,212,890 thousand passenger kilometers (92.1%)

ASK = 1,952,917 thousand seat kilometers (92.9%)

Load factor = 62.1%

Oceania routes

Passengers = 68,965 (91.9%)

RPK = 479,501 thousand passenger kilometers (90.8%)

ASK = 651,848 thousand seat kilometers (88.9%)

Load factor = 73.6%

Guam

Passengers = 51,745 (60.7%)

RPK = 131,885 thousand passenger kilometers (62.4%)

ASK = 196,873 thousand seat kilometers (56.1%)

Load factor = 67.0%

Korea routes

Passengers = 140,220 (102.0%)

RPK = 146,597 thousand passenger kilometers (105.1%)

ASK = 222,483 thousand seat kilometers (118.7%)

Load factor = 65.9%

China routes

Passengers = 137,753 (96.4%)

RPK = 257,771 thousand passenger kilometers (96.6%)

ASK = 498,875 thousand seat kilometers (99.0%)

Load factor = 51.7%

DOMESTIC FLIGHT (JAL, JAS, JTA, JEX, J-Air, JAC, HAC, RAC)

Passengers = 3,376,996 (99.4%)

RPK = 2,516,343 thousand passenger kilometers (101.7%)

ASK = 4,218,163 thousand seat kilometers (96.4%)

Load factor = 59.7%

**NWA to increase its Narita-Saipan flights to ten a week*

Northwest Airlines (NWA) has recently announced to increase from seven flights weekly today to ten flights from April 24 this year on its Narita-Saipan route. The additional three flights will be offered with 430 seats B747. According to the announced flight schedule, NW18 departs from Narita at 20:55 to arrive at Saipan at 1:20 next day (Monday, Thursday and Sunday). NW17 departs from Saipan at 5:20 to arrive at Narita at 5:50 (Tuesday, Friday and Monday).

Since JAL suspended its Saipan flights, only NWA has been offering flight services between Japan and Saipan. With the increase of flights, more than 5,000 available seats monthly will be added.

**Haneda largely increased international flight passengers for 2005*

The Ministry of Land, Infrastructure and Transport recently reported that the number of international flight passengers at Haneda Airport for calendar year of 2005 was up 43.7% to 1,160,293 compared to 2004. The large growth resulted from the increase of charter flights between Haneda and Gimpo (Seoul) to eight flights daily. The number of domestic flight passengers slightly increased by 1.1% to 62,180,470 compared to a year ago. Although it was better than 1.9% reduction for 2004, it did not reach 62.7 million for 2003. Domestic passengers from/to Haneda account for approximately 60% of all domestic passengers nationwide.

**Niigata Airport marked the most-ever international passengers in 2005*

The latest statistics finds that the number of international flight passengers at Niigata Airport hit a record high last year, increasing by 13.8% to 231,909 over 2004. Passengers on Russia routes particularly grew. Vladivostok Airlines carried 22,771 passengers on its Niigata-Vladivostok route for 2005, 9.4% more than a year ago, and the average load factor was 69.8%. Also, Dalavia Airways carried 25,153 passengers on its Niigata-Khabarovsk route for 2005, 6.0% more than a year ago, and the average load factor was 70.8%. However, Siberia Airlines decreased passengers on its Niigata-Irkutsk route for summer 2005 by 3.2% to 2,004 over a year ago.

Serving daily flights between Niigata and Seoul, Korean Airlines largely increased passengers for 2005 by 17.2% to 79,179 with the average load factor was 60.5%. For China, China Eastern Airlines carried 23,811 passengers on its Niigata-Shanghai-Xian route, 7.9% more than a year ago, and the average load factor was 53%. China Southern Airlines decreased passengers on Harbin flights by 1.5% to 35,524 with the average load factor of 62%. Continental Airlines increased passengers on its Guam flights by 6.6% to 19,293 with the average load factor of 58.2%.

Niigata Airport handled 162 international charter flights through 2005, 95 flights more than those for 2004, as the number of charters between Niigata and Taiwan largely increased to 96 flights a year. The number of passengers for those international charters reached 24,174, remarkably 81.2% more than a year ago.

In the meantime, Niigata reduced domestic flight passengers for 2005 by 18% to 1,017,493 compared to 2004 mainly due to suspension of Hiroshima and Sapporo flights and the end of temporary flights for Haneda. Despite the downturn, the number of passengers for Nagoya, combined Central Japan International Airport and former Nagoya Airport in Komaki (currently regional flight airport), increased by 18.1% to 165,264.