

Japan's Leading Tourism and Aviation Weekly

Under Copyright Law Reproduction of Publication Strictly Prohibited Without consent of Publisher

Published every Monday by The WING Aviation Press (Koku Shimbun Sha).
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)
Subscription Rates: Overseas: One year \$ 215.00, Half year \$ 125.00
Domestic (including tax): One year 26,000 Yen, Half year 15,000 Yen

This Week Headline

- *HIS begins a full-scale online booking and payment service 1
- +A customer share of online bookings reaches 15% 1
- +Larger efforts to exploit corporate and group travel markets 2
- *JTB forecasts all time overseas travelers for 2006 2
- *Qantas supports whole sellers to create new styled travel products 3
- *Japan and Korea agree to increase flight capacities between both nations 4
- *JAL and ANA CEOs released New Year messages 4
- *High fuel cost forces JAL to raise its domestic airfares 5
- *Air Do will more focus on tourist demands from Tokyo 5
- *Narita passengers for November 2005 were almost the same as a year ago 6
- *Centrair increased international flight passengers for November 2005 6

**HIS begins a full-scale online booking and payment service*

HIS President Yoshio Suzuki revealed at an interview with the Wing Travel Weekly that HIS will begin a full-scale online selling for overseas hotels in February or March this year. The travel agency has already started full-scale online booking and payment services for international air tickets and overseas package tours on its homepage since November last year. HIS regards 2006 as a year to extend its online business further, as Suzuki also said that it intends to develop an online system for domestic travel products and add other overseas tourist elements to the booking system this year.



HIS deals with all kinds of international air tickets departing from Tokyo, its reasonable package tour product “Ciao” and tour conductor-accompanied package tour product “Impresso” on the online booking and payment service that HIS has started offering since November last year. The service requires member registration (free), and after registration members are provided “My Menu” functions to confirm booked itineraries.

At the same time, HIS has improved payment methods by credit cards, as it accepts VISA, MASTER and JCB in addition to conventionally HIS Skywalker Card. The system is available for 24 hours. Also, it is possible for a user to confirm remains of air tickets and package tours. To win the severe online competition, HIS offers special products at prices exclusive for online bookings.

+A customer share of online bookings reaches 15%

A share of online sales, including applications of products or air tickets at booking centers or retail shops after searching such information on internet, accounts for 12% to 13% of the whole sales, according to HIS. The number of online booking

customers for FY2005 reached approximately 320,000, 15% of all 2.16 million customers. Although HIS begins providing full-scale online selling services, it will keep watching customers' trend on online booking and payment and seek the most profitable direction. Therefore, HIS will leave other payment means as they are to meet customers' preferences.

+Larger efforts to exploit corporate and group travel markets

HIS has continuously made efforts to expand the business for corporate and group travel markets, as it succeeded in increasing sales from the business field for FY2005 by 40% compared to a year ago, raising a share of the sales to 6.2% of the whole. HIS aims to raise the share to 10% this fiscal year. Suzuki said, "We have focused on marketing to large-scale companies since summer last year. I believe the effort will bear fruit soon."

HIS took orders of overseas school excursions from six high schools in the Tokyo Metropolitan area for the first time last year. This year, HIS will continue developing strong marketing to the business field as well.

Also, HIS is expanding the business of high-quality products, such as "Impresso" or "Extage" with business or first class seats available. HIS opened "Ginza VivaLET," the retail shop exclusively for high-quality products, in Ginza last year. Suzuki said of the new challenge, "We hope the shop will increase monthly customers to approximately 500 from 300 today."

***JTB forecasts all time overseas travelers for 2006**

JTB reported in the end of 2005 that the number of overseas travelers for 2006 will probably reach 18 million, which represents an all time record, without any external negative factors, such as spread of bird flu. JTB forecasts that the economic recovery will encourage potential tourists to go abroad in addition to high business trip demand. Also, the JTB forecast finds that the number of foreign visitors to Japan for 2006 will be up 6.3% to 7.1 million compared to 2005. Including approximately 326 million domestic travelers, the total number of travelers for 2006 is expected to increase by 0.5% to 344 million compared to a year ago.

JTB expects that the travel market will particularly be stimulated by large-scale sports events, such as Winter Olympics in Torino or the 2006 World Cup in Germany, open of Kobe and Kitakyushu Airports and activation of the senior travelers market even before baby boomers begin retiring.

For the overseas travel market, JTB sees that tourist demands for China and Korea will recover step by step in 2006. The suspension of JAL's Saipan flights is offset by increase of Guam flights. Winter Olympics and World Cup may be triggers for many Japanese to go to Europe. Concerns are fuel surcharges by airlines and strong dollar or strong euro, according to JTB.

For the foreigner-inbound travel market, JTB expects visitors from Asia and Australia will grow particularly, however regarding Chinese visitors, the U.S. may be a strong rival for Japan if the U.S. lifts a prohibition on sightseeing travels by Chinese. Also, JTB expects that visitors from Brazil, Russia and India will increase for 2006 although those are still small-scale markets.

JTB forecasts that the number of domestic travelers for 2006 will slightly increase by 0.3% to 326 million compared to a year ago. Okinawa and Hokkaido are still preferred as tourist destinations. Open of Kobe and Kitakyushu Airports will be good news for the travel industry.

The average consumption per travel is estimated at 297,200 yen for an overseas travel (1.8% up) and 34,790 yen for a domestic travel. JTB forecasts that the total amount of travel consumption will reach 16,690 billion yen for 2006, 2.1% more than a year ago, classified into 5,350 billion yen for overseas travels (5.3% up) and 11,340 billion yen for domestic travels (0.7% up).

JTB has projected that the number of overseas travelers for 2005 increases by 3.4% to 174 million compared to the

previous year. Also, the JTB forecast finds that the number of foreign visitors for 2005 largely increases by 8.8% to 6.68 million compared to the previous year especially thanks to more than 1 million visitors from Taiwan. The number of domestic travelers for 2005 is expected to increase by 1.4% to 325 million compared to the previous year.

Forecast for 2006

Travelers

Overseas travelers = 18 million (3.4% up)

Domestic travelers = 326 million (0.3% up)

Foreign visitors = 7.1 million (6.3% up)

Average consumption per travel

Overseas travel = 297,200 yen (1.8% up)

Domestic travel = 34,790 yen (0.4% up)

Travel consumption in total

Overseas travels = 5,350 billion yen (5.3% up)

Domestic travels = 11,340 billion yen (0.7% up)

The average number of travels per person a year = 2.69 times

Estimation for 2005

Travelers

Overseas travelers = 17.4 million (3.4% up)

Domestic travelers = 325 million (1.4% up)

Foreign visitors = 6.68 million (8.8% up)

Average consumption per travel

Overseas travel = 291,900 yen (0.6% up)

Domestic travel = 34,650 yen (0.1% down)

Travel consumption in total

Overseas travels = 5,080 billion yen (4.1% up)

Domestic travels = 11,260 billion yen (1.3% up)

The average number of travels per person a year = 2.68 times

**Qantas supports whole sellers to create new styled travel products*

Qantas Airlines Regional General Manager of Japan Masashi Ogino said at an interview with the Wing Travel Weekly, "For the Japanese market, it is necessary to offer new-styled travel products for Australia. We would like to make innovative products in cooperation with whole sellers of Japan and tourism authorities of Australia." Also, Qantas will further help FITs travel in Australia more comfortably, he added.

Ogino mentioned charm points of Australia: "There are diversified charm points over the huge continent. I believe Australia still has a lot of tourist attractions to be introduced. A big theme for us is how we can include new tourist attractions in travel products." When a conventional package tour additionally includes fresh elements that enrich an itinerary, such as original food, wine or hotel, it will be something new for customers, Ogino added. He also proposes theme-oriented travels and local experience travels for repeaters or urban life travels for female travelers.

Qantas Airlines has discussed development of new destinations with whole sellers, Tourism Australia (TA) and JAL. "We are discussing how we can propose new destinations of Australia to the Japanese market. We intend to develop 'win-win' products that satisfy airlines, travel companies and customers at the same time," Ogino explained. Based on the discussion, major whole sellers will offer new Australia products for the first half of FY2006 (April to September 2006) as early as February this year. Qantas will support them to appeal new products to consumers and is planning to add some values for participants in the designated tours.

Qantas has developed a campaign titled "Directly going home to Australia" to exploit new demands and attract repeaters' attentions since October 2005, appealing easy-to-enjoy Australia in weekend plus a few holidays. Qantas flights from

Japan are actually very convenient for office workers particularly because every flight departs after 20:00.

In the campaign, Qantas collaborates with JAL PAK, Nippon Travel Agency, JTB World Vacations, Kinki Nippon Tourist, HIS, Nippon Express and QH International, supporting their sales activities with common campaign logs on their individual pamphlets. At the same time, Qantas is advertising the campaign at five Tokyo Metro stations, which are key terminals for office workers.

Qantas will further strengthen cooperation with each tourist office of Australia for the FIT market, as Ogino said that it is important to clarify problems for FIT and to improve them. One of the efforts is an online reservation service. Ogino said, "We have received more online bookings than originally expected. We know as much about high needs from FIT. By providing an online reservation service, we have surely increased sales channels." It is true that most of travelers to Australia still use package tours, however stronger marketing to FIT will help expansion of the whole travel demand to Australia, Ogino added.

**Japan and Korea agree to increase flight capacities between both nations*

The Japan-Korea bilateral aviation talks, which were held in Seoul on December 21 and 23 2005, has agreed to increase flight capacities largely between both nations to meet higher demands from Korea and requests from several Prefectures of Japan and also to propel the Japanese government's leading Visit Japan Campaign.

According to the agreement, four new routes of Asahikawa-Seoul, Sapporo-Busan, Hakodate-Seoul and Hiroshima-Busan will be opened, and additional flights by Korean carriers will be approved on Aomori-Seoul, Akita-Seoul and Toyama-Seoul. Also, Komatsu-Seoul will be opened by a Korean carrier. Larger aircraft will be operated on Nagoya-Jeju, Nagoya-Seoul (cargo), Kansai International-Jeju, Fukuoka-Seoul, -Jeju and-Busan and Hiroshima-Seoul. In addition, the agreement includes unrestricted code-sharing flights with the third countries' airlines on routes between Japan and Korea.

The number of flights between Japan and Korea currently totals 293 flights weekly, including 23 cargo flights weekly, which are classified into 102 flights weekly (including 11 cargo flights) by Japanese carriers and 191 flights weekly (including 12 cargo flights) by Korean carriers. Korean carriers fly into 23 destinations in Japan, while Japanese carriers fly into only nine destinations in Korea. Japanese carriers are likely to be hesitant to serve international flights to Korea from local cities of Japan.

**JAL and ANA CEOs released New Year messages*

JAL Group CEO Toshiyuki Shinmachi gave a New Year message to its employees on January 4 this year, particularly emphasizing that safe operation is a basis for JAL Group's existence and at the same time a social responsibility on JAL Group. He added, "We must sincerely accept the advice report on safe operation, which was released by a safe advisory group in the end of last year, and reform our awareness and culture for safe operation.

Shinmachi regards 2006 as a year of reform for JAL, saying that JAL Group will have to make every effort to pay dividend to all stockholders again as soon as possible by growing the businesses. JAL Group will complete to reorganize its sales system in April and its business companies in October this year. In June this year, many airlines will move from/to the first and the second passenger terminal buildings (PTB) at Narita Airport after the new South Wing of the first PTB opens. Shinmachi said, "We will improve qualities of products and services particularly by joining Oneworld and introducing new aircraft. Simultaneously we will reform a business structure for international passenger flights."

Meanwhile, ANA CEO Mineo Yamamoto highlighted in his New Year message that ANA must see a change as a chance. ANA will further take advantage of the Star Alliance's network after it moves from the 2nd PTB to the 1st PTB at Narita Airport in June this year. Also, Yamamoto said of the domestic flight business, "Skymark Airlines will begin

servicing flights on Haneda-Sapporo route this spring. I believe competition with newcomer airlines will be severer. However, it is also a good chance for us to think again how ANA should attract customers. To turn a change into a chance, it is important for each of us to have challenge spirit.”

ANA will hammer out its original services to establish stronger ANA Group that will hardly be dependent on external negative factors, Yamamoto added.

**High fuel cost forces JAL to raise its domestic airfares*

JAL Group has decided to raise its domestic airfares for the first half of FY2006 (April 1 to September 30 2006), which vary by flight range from 500 yen to 1,300 yen. The rise of airfares result from higher fuel cost, as JAL Group estimates to need additional fuel cost of 130 billion yen to 140 billion yen through FY2006, compared to fuel cost for FY2004. Also, Japan Transocean Air (JTA) and Ryukyu Air Commuter (RAC), both of which are members of JAL Group, together estimate to need 3.3 billion yen more fuel expenses than those for FY2004.

Additional airfares are 500 yen on less than 200 km flights (e.g. Kagoshima-Tanegashima, Ishigaki-Yonaguni), 700 yen on 200 km to 400 km flights (e.g. Naha-Mitako), 900 yen on 400 km to 800 km flights (e.g. Tokyo-Osaka, Naha-Ishigaki), 1,100 yen on 800 km to 1,000 km flights (e.g. Tokyo Sapporo, Naha-Kitakyushu) and 1,300 yen on more than 1,000 km flights (e.g. Tokyo-Naha).

In accordance with the rise of domestic airfares this time, JAL will suspend special additional fuel surcharge on domestic flights, which has been effective since January 2005.

**Air Do will more focus on tourist demands from Tokyo*

Hokkaido International Airlines or better known as Air Do President Susumu Takizawa said at an interview with the Wing Aviation Press that the airline will further make efforts to exploit the tourist market, particularly anticipating a new flight service between Haneda and Memambetsu. Air Do will begin servicing three return flights daily on the route with Boeing 737 on February 10 this year. Takizawa said of the tourist-oriented route, “We aim at average load factor of 50% through a year and hope to carry a total of 500,000 passengers annually, taking change of seasonal demands into account.”

It will be the first flight service to the eastern Hokkaido for Air Do. Together with the current Sapporo, Asahikawa and Hakodate flights, the airline expects to exploit round tour-typed demand in Hokkaido in cooperation with travel agencies. Memambetsu is a gateway to Shiretoko, which has been registered as World Heritage since July 2005.

In the meantime, Air Do will raise the ratio of seat selling on its code-sharing flights with ANA from February 10 this year, according to the administrative guidance by the Ministry of Land, Infrastructure and Transport. Today Air Do sells about 70% of all seats on three service flights, while ANA takes care of the rest of about 30%. After February 10 this year, the ratio of ANA's seat selling will be reduced to less than 25% of all seats on all Air Do's service flights including Memambetsu flights. To deal with the new business environment, Takizawa said that Air Do will voluntarily seek tourist group demand further.

Air Do has requested the authority to increase its Haneda slots to 20 daily by 2009 from 17 daily today, and if Air Do is given additional Haneda slots, Takizawa revealed that it hopes to make Haneda-Obihiro flights come true to meet a strong demand from local community in Obihiro. However, Air Do has to develop a ground handling system at Obihiro Airport even though additional Haneda slots for the new flight service are allotted to the airline.

The competition on Haneda-Sapporo route will be severer in spring this year, as Skymark Airlines (SKY) is supposed to begin servicing flights on the route. Takizawa said that the market will largely change, however Air Do has not decided how it copes with change of the market. Takizawa only revealed that Air Do will not change its variety of airfares and its in-flight services to meet various passengers' needs.

**Narita passengers for November 2005 were almost the same as a year ago*

Narita International Airport Co. (NAA) recently reported that the number of passengers for November 2005 was down 1% to 2,571,033 over the same month 2004, comprising 2,479,340 international flight passengers (1% down) and 91,693 domestic flight passengers (4% down). The monthly number of international flight passengers was classified into 1,622,362 Japanese (even), 618,275 foreigners (even) and 238,703 transits (5% down).

The number of take-offs and landings for November 2005 totaled 15,553 times, comprising 14,500 times for international flights (even) and 1,053 times for domestic flights (1% up). The total number of international flight take-offs and landings consisted of 11,900 times for passenger flights (1% down), 2,354 times for cargo flights (3% up) and 246 times for others (21% up).

--Results of international passenger flight take-offs and landings by destination were as follows:

Southeast Asia = 3,527 times (1% up)

Transpacific = 2,858 times (4% down)

China = 1,878 times (4% up)

Europe = 1,478 times (4% up)

Korea = 1,141 times (even)

Oceania = 538 times (5% down)

Guam = 480 times (11% down)

--Results of international cargo flight take-offs and landings by destination were as follows:

Transpacific = 822 times (1% up)

Southeast Asia = 792 times (4% down)

China = 309 times (30% up)

Europe = 251 times (13% up)

Korea = 179 times (1% down)

Oceania = 1 time (50% down)

Narita Airport handled cargos of 200,893 tons for November 2005, which were divided into 97,694 tons for loading and 103,199 tons for unloading.

**Centrair increased international flight passengers for November 2005*

Central Japan International Airport Co. recently reported that the number of passengers for November 2005 totaled 981,000, 5% more than a year earlier. While the number of domestic flight passengers decreased by 2% to 554,800, the number of international flight passengers increased by 16% to 426,200, compared to a year earlier. It was remarkable that Centrair handled cargos of 23,267 tons for November 2005, 162% more than the result at former Nagoya Airport, and the growth rate was larger than 149% for October 2005. The total was classified into 11,792 tons for loading (243% up) and 11,475 tons for unloading (110% up).

The number of take-offs and landings for November 2005 were down 18% to 8,705 times compared to a year earlier because former Nagoya Airport included flight operations by Air Self-Defense Force. The total consisted of 2,999 times for international flights (56% up) and 5,706 times for domestic flights (35% down).

Also, the company announced visitors of 1,393,000 (including non-passengers) and retail sales in the passenger terminal of 2,177 million yen for November 2005. Both results were lower than those for October 2005 mainly because the Aichi Expo ended.