

Japan's Leading Tourism and Aviation Weekly

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****Japan and China have agreed on 20% increase of air transport capacities***

Minister of Land, Infrastructure and Transport of Japan (MLIT) Kazuo Kitagawa and Director of the General Administration of Civil Aviation of China (CAAC) Yang Yuanyuan met in Beijing on July 13 to reach a final agreement on respectively 20% increase of air transport capacities between both countries. According to the agreement, each country will be able to serve another 92 passenger flights a week in the equivalence to B767-300 and another 76 cargo flights a week in the equivalence to B767-300F.

Also, both countries have agreed to increase flight destinations in each country from 21 today to 23 and to extend domestic flight routes effective to code-share agreements. In addition, 13 new airlines of each country at maximum will be permitted to start serving flights, by which new cargo operators of China will probably begin businesses to Japan.

The agreement will allow airlines of Japan and China to increase or start flight services in the winter schedule beginning from the end of October this year.

In the past bilateral aviation talks, China strongly requested Japan to increase flights from/to Narita Airport, however Japan had asserted that it was impossible because of the slot restrictions. This time, MLIT has decided to take advantage of the unused domestic flight slots, which have been allotted since the 2nd runway opened in 2002, for increase of international flights between Japan and China. MLIT has already confirmed Japanese carriers have no plan to increase domestic flights from/to Narita for the time being.

Although it is not clear yet how many slots for the international flights can be created on the 2nd runway, MLIT expects to create new slots for nine to ten flights a day, which means 63 to 70 flights a week. Out of those, 31 to 35 flights a week will probably be allotted to Japanese carriers, and the remaining slots will be allotted to countries that have been promised to increase Narita flights in the bilateral aviation talks before, according to the IATA guideline. For China, 14 flights a week will probably be allotted.

The agreement this time also approves that Japan will add 25 flights a week for Shanghai.

Except Narita, China is permitted to increase flights for Kansai International and Central Japan International from 124 flights a week today to 189 flights a week in total.

In accordance with the agreement, JAL hopes to add three passengers flights a day and three cargo flights a week for China from the second half of this fiscal year, however it has not decided service destinations yet. ANA expects to serve daily flights on its Narita/Kansai-Qingdao routes (three flights a week today respectively) and its Narita/Kansai-Xiamen routes (four flights a week today respectively). ANA also hopes to double its Kansai-Shanghai flight services from seven flights a week today to 14 flights a week.

**ANA and Rakuten launch a joint company for dynamic package products*

ANA and Rakuten, the leading online shopping company of Japan, Have agreed to launch “Rakuten ANA Travel Online,” a new joint company to produce dynamic packages for domestic travels, on August 1 this year before starting full-scale business in October this year. The new company will purchase air tickets from ANA, accommodations, rent-a-car or other travel services from Rakuten Travel and ANA Sales directly online, and the combined products will be sold as dynamic packages exclusively by Rakuten Travel on its website.

Rakuten Travel President Yoshihisa Yamada said, “I hope that the new company will have annual sales of 20 billion yen a few years later.” ANA Executive Vice President Shinichiro Ito said, “ANA earns annual sales of about 700 billion yen from the domestic flight business, out of which sales of travel air tickets reach 200 billion yen annually. The new company is expected to deal with 10% of the annual sales or 20 billion yen.”

The new joint company with a capital of 90 million yen will be invested 50% by Rakuten, 40% by ANA and 10% by ANA Sales. The first president will come from ANA, and alternately after that. The new company has already applied for the first-class travel company to the Ministry of Land, Infrastructure and Transport.

The dynamic package will be sold in the brand name of “ANA Raku Pack,” taking advantage of ANA’s 900 daily domestic flights or 33 million members of Rakuten Group. Yamada said, “ANA has a share of 52% in the domestic flight market. I don’t think customers are inconvenienced with only ANA flights for the packages. This is absolutely an epoch-making business scheme. We would like to diversified tourist needs by taking advantage of business merits of ANA and Rakuten.”

Ito said, “We have judged it is better to launch a new joint venture by bringing together ANA’s domestic flight network, ANA Sales’ know-how on producing travel products and Rakuten’s advantages of accommodation booking and online selling systems.”

ANA sales, the travel whole seller of ANA Group, is solely developing the dynamic package business on its website, however Ito said, “ANA Sales’ role as a whole seller will not change. Sales of the dynamic package just account for approximately 5% of the whole sales. The point is how we can sell travel products on internet. For that, we first have to make the business with Rakuten a success.”

JAL and Yahoo! signed a comprehensive partnership agreement in December last year, including Yahoo! Travel’s dealing with JAL Group domestic flight tickets and mutual exchanges of JAL Mileage Bank miles and Yahoo points.

**JTB aims to raise a share of the e-commerce business to 10%*

JTB recently revealed that it aims to increase transactions of i.JTB, the JTB e-commerce business, by 93% to 140 billion yen for FY2008 compared to FY2005. Out of the e-commerce target, JTB is particularly making efforts to increase online transactions by 143% to 34 billion yen for FY2008 compared to FY2005. JTB aims at consolidated sales of 1,350 billion yen for FY2008 under “JTB Group Synergy 2008,” the midterm corporate plan from FY2006 to FY2008. For the e-commerce target, JTB will invest 8 billion yen in FY2006 and 10 billion yen each in FY2007 and FY2008.

If the target is accomplished, a share of the e-commerce business will rise to 10.4% of the consolidated Group sales from 5.8% in FY2005.

JTB is expanding its online products from sole travel parts to dynamic packages. In the online domestic travel business, it has already started selling tour products with only air tickets since June last year and stay plans with circular air tickets and stay plans with JR train tickets since February this year.

In the online overseas travel business, JTB has started selling “Navi” dynamic packages its website since April this year. Also, JTB plans to begin online selling of dynamic-packaged LOOK JTB products for the first half of FY2007 from April next year.

JTB Managing Director Norihito Shiga said, "This is a crucial moment for the dynamic package business. JTB will pay attention to online selling of both single parts and package products."

JTB forecasts that dynamic packages will be more accepted in the domestic travel market in the beginning. In the midst of ongoing partnerships between JAL and Yahoo! or between ANA and Rakuten, it is noteworthy how JTB develops its business strategy for online dynamic packages.

**JATA survey finds 8.7% more overseas package tour bookings in August*

Japan Association of Travel Agents (JATA) recently released booking status of overseas package tours provided by JTB, Kinki Nippon Tourist, Nippon Travel Agency, Hankyu Express International and JAL PAK for this summer, reporting that bookings of overseas package tours for August this year are overall 8.7% more than the result for August last year as of early July. The high booking status is supported with 12.2% more bookings for Europe, 23.5% more bookings for Asia and 147.8% more bookings for China.

For July, overall bookings of overseas package tours are just 0.6% more than the result a year ago with more bookings only for Asia and China. For September, those are 11.5% smaller than the result a year ago with more bookings only for Europe and China, however it is forecasted that bookings for the month will increase gradually.

JATA also reported that the results of overseas package tours were 6.5% smaller in April, 6.5% more in May and 2.7% more in June than a year ago.

The followings are the results for the first three months of FY2006 and bookings for July, August and September this year as of July 11 this year (in comparison with a year ago)

Results for the first three months of FY2006

North America = 81.4% in April, 89.4% in May, 95.9% in June

Hawaii = 100.9% in April, 89.1% in May, 90.1% in June

Guam/Saipan = 88.3% in April, 88.1% in May, 91.9% in June

Europe = 97.4% in April, 102.9% in May, 85.8% in June

Oceania = 84.9% in April, 94.4% in May, 93.6% in June

Asia = 91.7% in April, 126.6% in May, 118.1% in June

China = 91.0% in April, 218.1% in May, 241.2% in June

Total = 93.5% in April, 106.5% in May, 102.7% in June

Bookings for July, August and September

North America = 89.7% in July, 97.2% in August, 78.4% in September

Hawaii = 86.2% in July, 95.8% in August, 85.1% in September

Guam/Saipan = 95.7% in July, 91.4% in August, 70.5% in September

Europe = 97.9% in July, 112.2% in August, 103.2% in September

Oceania = 93.5% in July, 97.1% in August, 86.2% in September

Asia = 103.0% in July, 123.5% in August, 90.7% in September

China = 213.8% in July, 247.8% in August, 155.7% in September

Total = 100.6% in July, 108.7% in August, 88.5% in September

**New Vice Minister hopes short-haul international flights will fly from Haneda*

Masafumi Yasutomi, new Vice Minister of Land, Infrastructure and Transport, mentioned the airport administration at a news conference on July 12, particularly focusing on Haneda Airport after the re-expansion program completes in FY2009. He said, "We are making every effort to complete the Haneda re-expansion program in December 2009, as we are discussing with local fishermen who may be influenced by the program."

"I don't think that the Ministry will not change the current positions of Narita as a core international airport and of Haneda as a core domestic airport. At the same time, we aim to handle approximately 30,000 short-haul international flights a year at the re-expanded Haneda Airport after certainly securing departure slots for domestic flights. The point is how we can rule short-haul international destinations. I think guidance may be based on 1,947 km between Haneda to Ishigaki, the longest-range domestic flight today."

Yasutomi also referred to the tourism policy: "I understand tourism is very spotlighted today. The government places

tourism as one of the core industries for economic growth and higher competition in the future. First of all, we have to accomplish the target of 10 million foreign visitors in 2010 under the government's leading Visit Japan Campaign. Before that, we are making every effort to welcome 7.5 million foreign visitors this year."

"We have to forward the tourism policies, carefully paying attention to growths of overseas and domestic travels by Japanese in addition to increase of foreign visitors. For that, I think it is important to create more attractive travel products and to develop local tourist destinations. We will make an integrated effort for combination of tourism, local developments and infrastructure developments."

**NAA applies to the Ministry for a 2,500 m extension plan of the 2nd runway*

Narita International Airport Co. (NAA) applied to the Ministry of Land, Infrastructure and Transport for a project plan to extend the 2nd runway to 2,500 meters northward on July 10 this year. Although NAA does not agree with local residents on a noise problem, it has decided to apply for the plan to the Ministry to open the extended runway in FY2009. NAA will keep discussing a noise problem with local residents.

NAA hopes to begin the project in the middle of this coming September at the latest, expecting that the Ministry's examination term will be reduced to two months from three months usually.

The project expenses may total more than 41 billion yen, including development of a new 145,000 square meters apron area with nine additional spots. The 2nd 2,500 meters runway will enable to increase aircraft movements from 200,000 annually today to 220,000 normally or 235,000 at maximum. Also, the longer runway will allow airlines to operate B747 class aircraft for west coast destinations of the U.S., for instance.

**Centrair suffered backlash against the Expo prosperity*

Central Japan International Airport Co. recently reported that the airport or Centrair decreased passengers for May this year by 7% to 992,500 over the same month last year because of backlash against the special demand for the Aichi Expo a year ago. The monthly total was broken down into 437,800 international flight passengers, 1% smaller than a year ago, and 554,700 domestic flight passengers, 11% smaller than a year ago.

The airport company also reported that sales from retail shops and restaurants in the terminal decreased by 26% to 2,088 million yen for May this year, compared to a year ago.

In contrast with the poor passenger result, Centrair succeeded in dealing with 31% more international cargos for May this year than a year ago. The monthly total of 18,359 tons consisted of 10,318 tons for loading, 42% more than a year ago, and 8,042 tons for unloading, 19% more than a year ago.

The number of aircraft movements for May this year was up 3% to 9,148 over the same month last year, broken down into 3,146 for international flights, 5% more than a year ago, and 6,002 for domestic flights, 2% more than a year ago. The monthly total of aircraft movements for international flight consisted of 3,146 for passenger flights (up 5%), 342 for cargo flights (up 65%) and 57 for others (down 31%).

**Vladivostok Air receives a business license for Kitakyushu flight services*

Vladivostok Air of Russia received a business license for seasonal flight services between Vladivostok and New Kitakyushu Airport from the Ministry of Land, Infrastructure and Transport on July 4 this year. The seasonal flights will be served with 149 seats Tu-154M for the period from August 19 to September 23 this year. This is the fourth flight destination in Japan for the airline, following Niigata, Toyama and Kansai International Airport. The airline will serve two flights a week: XF814 to depart from New Kitakyushu Airport at 16:30 and to arrive at Vladivostok at 20:20 and XF813 to depart from Vladivostok at 15:00 and to arrive at New Kitakyushu Airport at 14:50.