

Japan's Leading Tourism and Aviation Weekly

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This Week Headline

*NWA has decided to cut commission for travel companies to 5%.....	1
*JAL will officially be a member of oneworld in early 2007	1
+JAL can play a key role for oneworld	2
*Japanese travelers on overseas cruises were up 6.3% for 2005	2
+One night cruise took the largest share in the domestic cruise market.....	3
*ANTOR designates the first Sunday of July as "Let's go Kaigai!" day	3
*UAL CEO shows his strong ambition for deeper relation with ANA	4
*Emirates is confident of success in its Dubai-Centrair flight business	4
*JAL ties up with Air France for international e-tickets	5
*Several local airports succeeded in large growth of international passengers.....	5

****NWA has decided to cut commission for travel companies to 5%***

Northwest Airlines (NWA) notified travel companies of Japan of cutting commission on its international flights from 7% today to 5% on June 1 this year. The new commission will be effective to all of its tickets sold from September 1 this year. While NWA still makes much of business relations with travel companies of Japan, it is forced to make every effort to cut expenses under its business reform.

NWA enforced commission cut from 9% to 7% in April 2001, which shocked the travel industry of Japan at that time. Since then, selling patterns of travel products have more diversified with progress of online selling encouraged by extension of internet users or development of PEX airfares.

Meantime, the recent rise of fuel cost is putting pressures on airline businesses, as NWA and Delta Airlines still challenge business reforms under the Chapter 11.

The NWA's decision may impact other airlines regardless of foreign or Japanese carriers. JAL is particularly expected to begin considering commission cut in the same manner as NWA because it absolutely aims to improve its international flight business from the large deficit for FY2005 to profit for FY2006. JAL enforced commission cut from 9% to 7% in 2000, earlier than any other airlines. If JAL decides to enforce another commission cut, it is probable for other airlines, including ANA, to follow it.

****JAL will officially be a member of oneworld in early 2007***

JAL announced on June 4 that it will officially join oneworld in early 2007 after JAL signed an agreement on official participation in oneworld in Paris. Members of oneworld will join a renovation plan of Narita International Airport Co. (NAA) for the 2nd passenger terminal of Narita Airport to compete with Star Alliance based on the newly opening South Wing of the 1st passenger terminal.

In addition to JAL itself, five group airlines of JAL Ways, Japan Asia Airways (JAA), JAL Express, J-Air and Japan Transocean Air (JTA) will join the alliance as affiliated airlines.

Including Malev Hungarian Airlines and Royal Jordanian Airlines that are supposed to join oneworld as well, the alliance network will extend to 150 countries and 700 destinations, and passenger capacity will increase by 20% compared to today, which will account for a share of about 20% in the world. Annual gross revenue of the alliance is expected to increase by 30% to \$86 billion approximately compared to today.

Investing 19 billion yen in total, NAA will begin renovating the 2nd passenger terminal toward completion in 2008. Early next year, three oneworld members of American Airlines, Cathay Pacific Airways and Finnair will move to the 2nd passenger terminal from the 1st passenger terminal. Next JAL CEO Kaoru Nishimatsu said, "We will make positive proposal to NAA for the renovation plan as a oneworld member."

JAL will begin strengthening tie-ups with other members even before officially joining the alliance, as it plans to make agreements on e-ticket interlining with Cathay Pacific Airways within next few months, in addition to American Airlines and British Airways today. Also, Nishimatsu revealed that JAL would carry on business tie-ups with other members in possible business fields, such as co-use of airport lounges or mileage tie-up.



+JAL can play a key role for oneworld

Next JAL CEO Kaoru Nishimatsu emphasized, "We will be able to play a key role for oneworld," particularly focusing on service quality. "JAL has made much of bilateral tie-ups so far. However, under the current condition that alliance is mature, I believe its existence value is higher than before. It is time for us to join oneworld," Nishimatsu added. He also picked three reasons why JAL has chosen oneworld: long relations with American Airlines or British Airways that is a key player for the alliance, strong JAL's position in the alliance as an Asian carrier and many high-quality airlines in the alliance.

Also Nishimatsu said that JAL would maintain the current bilateral tie-ups with other alliance members, such as Air France or Korean Airlines, highlighting that JAL can provide customers with wider variety of products and services through both the alliance network development and the bilateral business tie-ups. "JAL and Air France have already agreed to maintain the current tie-ups even after we join oneworld," Nishimatsu said.

Participation of JAL in oneworld will give significant value to other members that expect that JAL can play a key role particularly in the Asian market.

**Japanese travelers on overseas cruises were up 6.3% for 2005*

The Ministry of Land, Infrastructure and Transport survey finds that Japanese travelers aboard overseas cruises for 2005 increased by 6.3% to 77,900 compared to 2004, marking the second consecutive years' growth. On the other hand, those aboard domestic cruises for 2005 was down 9.7% to 78,000 compared to 2004 because of several suspensions for reasons of bad weather. In total, 156,200 Japanese, 2.4% smaller than 2004, enjoyed cruise travels.

The survey was conducted to 136 cruise operators of Japan, agencies for overseas cruises and travel agents dealing with cruise products.

Cruise is now one of key travel products in Japan, as Japan Association of Travel Agents (JATA) is developing "Cruise Year 2006" campaign, targeting to increase Japanese cruise travelers from about 160,000 annually today to 500,000 annually in 2010.

Regarding overseas cruises, overseas cruise operators and Japanese cruise operators respectively increase Japanese passengers for 2005 by 6.0% to 61,200 and by 7.0% to 16,700 compared to a year ago. Out of the total of overseas cruise

travelers, leisure travelers accounted for 93.8% with 73,100, improving from 90.3% in 2004, and group travelers and exchange travelers each accounted for just 1.0% with 800 and 1.4% with 1,100.

It is also distinctive in 2005 that long overseas cruises were more preferred. Travelers for two to three stays short cruises were largely up 83.3% to 29,700. Also, other long-stay cruise products increased travelers: 3.0% increase to 33,600 for four to 13 stays, 21.7% increase to 2,800 for 14 to 29 stays and 31.8% increase to 5,800 for more than 30 stays.

On the contrary, travelers for one stay cruise were largely down 66.2% to 6,000. As a result, the average stays were eight in 2005, 1.4 stays shorter than 2004.

The survey also finds that overseas cruises in Asia, Mediterranean, Aegean Sea and round-the-world voyage were particularly preferred as follows:

Up 12.2% to 16,600 in Asia

Up 30.6% to 6,400 in Mediterranean and Aegean Sea

Up 30.0% to 3,900 in round-the-world voyage

Up 34.0% to 26,000 in Nordic sea

Up 40.0% to 4,200 in Indian Ocean and Africa

Also, river cruise travelers on Donau, Rhein, Rhone and Seine in Europe increased by 66.7% to 1,500 for 2005, compared to 2004.

+One night cruise took the largest share in the domestic cruise market

Domestic cruise passengers grew for two consecutive years since 2003, however in 2005 those are down 9.7% to 78,300 due to several suspensions for reasons of bad weather.

Out of the total, leisure travelers accounted for 72.3% with 56,600, and incentive travelers remarkably increased by 2.3 times to 7,200 in 2005, taking a share of 9.2%. Also, group travelers were up 66.1% to 9,800 in 2005 with a share of 12.5%.

Out of the total of domestic cruise travelers, one night cruise travelers accounted for 45% with 35,200, followed by a share of 37.7% with 29,500 for two to three stays and a share of 14.0% with 11,000 for four to six stays. The average stays were 2.2.

The number of Japanese travelers aboard scheduled passenger liners was down 17% to 379,000 in 2005, compared to 2004, influenced by 17% decrease to 365,000 on Korea lines, 21.3% decrease to 10,300 on China lines and 12.5% decrease to 700 on Taiwan lines. Only on Russia lines, the number of Japanese travelers increased by 7.1% to 3,000 in 2005.

***ANTOR designates the first Sunday of July as "Let's go Kaigai!" day**

Association of National Tourist Office Representatives in Japan (ANTOR-JAPAN) announced on June 2 that the organization designates the first Sunday of July as "Let's go Kaigai (overseas)!" day and hosts an overseas travel event for general consumers in Tokyo on July 2 this year. Celebrating the 40th anniversary of its birth this year, ANTOR members will work together to leverage the overseas travel market of Japan in cooperation with Japan Association of Travel Agents (JATA) and Mitsubishi Estate and probably supported by the Ministry of Land, Infrastructure and Transport.

ANTOR Chairman Kunio Kano, who is Hong Kong Tourism Board (HKTB) Regional Director-North Asia, said, "We will together inform general consumers how overseas travel is attractive." At the same time, ANTOR has submitted a proposal containing ten points for promotion of overseas travel. ANTOR members basically compete each other in the Japanese market, however they understand that they have to have a unified effort to boost the market.

ANTOR Vice Chairman Kayoko Inoue, who is Managing Director-Japan of Travel Industry of Association of America (TIA), explained that the main reason behind the unified efforts is that ANTOR members share a common issue to increase Japanese overseas travelers.

ANTOR has provided travel and local information on its website (<http://www.kaigairyokou.net/>) since it was launched a year ago. Through this event at the first floor of TOKIA in Marunouchi on July 2, ANTOR members will provide consumers with more realistic and hotter travel information on each destination. Also, major travel agents, such as JTB, HIS or Nippon Travel Agency, will set up booths, and JAL, Alitalia, Swiss International Air Lines, Korean Airlines and Cathay Pacific Airways will offer air tickets for sweepstakes winners.

**UAL CEO shows his strong ambition for deeper relation with ANA*

United Airlines (UAL) President, Chairman and CEO Glenn Tilton showed his strong ambition to deepen business relation with ANA in his speech at the American Chamber of Commerce in Japan (ACCJ) on June 1 this year, before the South Wing of 1st passenger terminal of Narita Airport opened. He also revealed that UAL supports “Star Alliance Cargo” concept that ANA has proposed.

Tilton emphasized that he is very satisfied with the current business tie-ups with ANA in terms of quality. UAL is planning to deepen the tie-ups with ANA in all business aspects in the transpacific flight market in the same manner as the relation with Lufthansa Airlines in the transatlantic flight market, he added.

Tilton also mentioned “Star Alliance Cargo” concept: “The concept is already accepted by Star Alliance members. The point is how we can make it true. I think bilateral tie-up between Star Alliance members can be started at the beginning.”

Tilton values the new terminal of Narita Airport under the Star Alliance’s worldwide strategy of “Moving under one Roof,” particularly expecting to reduce connection times between Star Alliance members’ flights or international flights and domestic flights. According to Narita International Airport Co. (NAA), minimum connection times can be reduced from 110 minutes to 45 minutes for international flights; from 130 minutes to 60 minutes for domestic-international flights and from 110 minutes to 75 minutes for international-domestic flights. The reduction of connection times will definitely benefit Star Alliance, Tilton added.

Tilton also said, “I think three alliances will continuously compete in the world market. Narita is a key airport on the competition. We can offer a unified Star Alliance product to our customers, and customers can choose appropriate airlines from Star Alliance.” In addition to Narita, Tilton suggested that Beijing, Shanghai or Hong Kong each is a potential hub airport for UAL in northeast Asia, taking into consideration Air China and Shanghai Airlines that have just joined Star Alliance.

**Emirates is confident of success in its Dubai-Centrair flight business*

Emirates Airlines Chairman and CEO HH Sheikh Ahmed bin Saeed Al-Maktoum said at a news conference in Nagoya on June 2 that new Dubai-Central Japan International Airport (Centrair) flights would contribute to further expansion of tourism and trading relations between Japan and Dubai. The Airline started serving the new flights on June 1, expecting to carry 80,000 passengers annually on the route.

Sheikh Ahmed said, “Nagoya is the 84th flight destination for Emirates and is important part of our worldwide network. The new flight business represents our strong commitment to the Japanese market, particularly to the tourism market.” Also, he emphasized that Dubai is one of the best places for international corporations to deploy local bases, expecting to exploit new business demand.



Central Japan International Airport Co. President and CEO Yukihiro Hirano said, “We have longed for the direct Dubai flights. We will contribute to success of the Emirates business together with local economy organizations.”

In addition to Centrair and Kansai International Airport, Emirates still hopes to fly into Narita Airport. Sheikh Ahmed said, “If we can fly into Narita, I don’t think it will influence our businesses on Centrair and Kansai because the flight market between Japan and Dubai further expands at that time.”

He also mentioned A380 operation: "Emirates has ordered 45 A380s. The first one may begin flying next April. We are discussing which routes are suitable for A380 operations. If the Japanese market grows well, it is possible for us to serve flights for Japan with A380."

Regarding introduction of next generation aircraft, he revealed that Emirates is still considering which B787 or A350 can meet our requirements. It may take more time the airline to make a final decision on introduction of next generation aircraft.

**JAL ties up with Air France for international e-tickets*

JAL announced on June 8 that it would start e-ticket services for connection flights to Air France and for its operating code-share international flights with JAL on June 13 this year. Air France is the 6th airline for JAL to make an e-ticket tie-up since JAL started e-ticket service on its international flights in May 2000, following American Airlines, British Airways, Hawaiian Airlines, United Airlines and Alaska Airlines.

JAL will extend e-ticket tie-ups to other oneworld members and also to Air New Zealand although it is a Star Alliance member. JAL and Air New Zealand keep close business relation, as Air New Zealand stays in the 2nd passenger terminal of Narita, the same terminal as JAL.

**Several local airports succeeded in large growth of international passengers*

The Wing Aviation Press survey finds that growth of international flight passengers largely varied with local airports for FY2005, though the local market was propped up with higher inbound tourist demand as a whole.

In Hokkaido, where the local governments are active to attract foreign tourists, Shin-Chitose Airport (Sapporo) marked 5% increase of international flight passengers on scheduled flights and 8% increase of those on charter flights. Likewise, Hakodate Airport succeeded in accepting 5% more international flight passengers on scheduled flights and 39% more those on charter flights. As far as charter flights are concerned, Kushiro, Obihiro and Asahikawa each remarkably resulted in 18% increase, 30% increase and 43% increase.

Large growths of international flight passengers on charter flights were also seen in Hokuriku, as Toyama dramatically marked 258.3% increase, and Noto also resulted in 36.2% increase. However, Toyama decreased those on scheduled flights because of fewer passengers on China and Korea flights than a year ago.

In addition, several local airports enjoyed increasing foreign visitors for FY2005 compared to FY2004: 13.7% up to 89,000 at Hanamaki Airport in Iwate Pref., 18.5% up to 43,000 at Fukushima Airport (calendar year of 2005), 22.4% up to 30,000 at Kagoshima Airport or 95.7% up to 1,000 at Kochi Airport.

Several local airports, such as Nagasaki, Toyama, Kagoshima, Aomori, Kumamoto, Yonago or Oita, decreased international flight passengers on scheduled flights because those airports had large shares of Seoul flights that were in inactive demand condition nationwide through FY2005.

On the contrary, growths of international flight passengers on scheduled flights were marked by Hiroshima (up 20%), Komatsu (up 25.4%) and Fukushima (up 12.8%).