

Japan's Leading Tourism and Aviation Weekly

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This Week Headline

*JATA makes much of trilateral tourism tie-ups among Japan, China and Korea	1
+Tourism industry is now on track for growth under overall economic recovery	1
*JTB handled 3.4 million overseas travelers for FY2005	2
*Qantas coexists with Jet Star in the Japanese market	2
*HIS to revise its midterm financial outlook upward	3
*Vladivostok Air hopes to serve scheduled flights for Kitakyushu	3
*New Caledonia can be a destination to benefit travel companies	3
*The Kansai second runway will open on August 2 next year	4
*JAL to increase Class J seats on B777 for domestic flights	4
*JAL air transport result for April 2006	4
*Star Flyer aims at net profit of 900 million yen for FY2006	5

****JATA makes much of trilateral tourism tie-ups among Japan, China and Korea***

Japan Association of Travel Agents (JATA) held the 49th annual assembly on June 14, when JATA Chairman Koji Shinmachi (Photo:left) said at his opening remarks, "In the dynamic time today, the movement toward a tourism country is one of the major national policies. It is crucial for everybody in the travel industry to understand missions the travel industry must accomplish in simultaneous efforts to improve overseas, domestic and foreigner-inbound travels."



Particularly focusing on trilateral tourism cooperation among Japan, China and Korea, Shinmachi said that the tourism cooperation among three East Asian countries will be important as a new tourism framework in the world. Tourism ministers from the three countries will meet in Hokkaido in early July this year to deepen tourism partnerships, for which Shinmachi emphasized that JATA will play an active role.

Minister of Land, Infrastructure and Transport Kazuo Kitagawa (Photo:right) said a party after the annual assembly, "Visitors from Asia accounted for 70% of all 6.73 million foreign visitors for 2005. We need to welcome more visitors from Asia to achieve the target of 10 million foreign visitors in 2010."

Referring to visa waivers for Korean and Taiwanese visitors and expansion of issuing group travel visa to the whole China, Kitagawa added that he hopes travel companies to produce good travel products for them. Also, he said, "It is important to keep in touch with local efforts for development of Visit Japan Campaign. I believe that many local governments regard tourism as one of the local economic developments."

+Tourism industry is now on track for growth under overall economic recovery

JATA Director Secretary General Jun Ishiyama explained the business overview for FY2005, "I think that tourism industry is now on track for growth, inspired by overall economic recovery in Japan. The number of Japanese overseas

travelers reached 17.4 million, marking the second most ever. However the high result was backed up with business travelers and repeaters. In this sense, I think the number of 1.74 million is still small when Japanese economic power is considered.”

For FY2006, JATA picks seven basic policies, including efforts toward 20 million Japanese overseas travelers by 2007 and 10 million foreign visitors by 2010. It keeps helping the industry achieve 18.5 million Japanese overseas travelers in 2006, developing new destinations or promoting cruise travel and fly & drive.

JATA will also enhance a qualification system for destination specialists by offering 18 courses for 30 countries, aiming to qualify about 750 persons as destination specialists annually. Also, JATA will set up a new framework for complaint handling to meet actual needs from the industry.

**JTB handled 3.4 million overseas travelers for FY2005*

JTB Group recently announced it handled 3.4 million overseas travelers for FY2005, 1.2% more than FY2004. As Japan National Tourist Organization (JNTO) reported that the number of Japanese departures for FY2005 was down 0.5% to 17.35 million, JTB Group has a share of 19.5% in the overseas travel market, 0.3 points higher than a year ago, which means that one every five Japanese departures used JTB Group.

The better result was attributed to better sales of FIT-typed travel products, higher graduation travel demand, successes in inline selling, higher tourist demands for Hawaii, mainland America, Europe and Taiwan and open of Central Japan International Airport.

Customer results by destination are as follows:

Hawaii = 491,220 (up 5.8%)
 Micronesia = 388,333 (down 9.5%)
 North America = 358,000 (up 5.7%)
 Asia = 1,385,466 (down 11.2%)
 Europe/Russia = 479,410 (up 11.4%)
 Oceania = 253,632 (up 0.3%)
 Others = 35,319 (up 1.2%)

The downturn in Micronesia resulted from the suspension of JAL flights and reduction of corporate group demand. In Asia, a series of political and diplomatic issues forced JTB Group to reduce customers for China by 25.1% and those for Korea by 14.7% compared to FY2004, however it succeeded in 59.7% increase of customers for Taiwan because many potential customers particularly for China shifted their travel destinations to Taiwan.

**Qantas coexists with Jet Star in the Japanese market*

Qantas Airlines Executive General Manager John Borghetti said at an interview with the Wing Travel Weekly in Germany that Jet Star, a low cost carrier of the Qantas Group, will develop its business in the Japanese market on a different route or with different selling way from Qantas Airlines, referring to the Jet Star's plan to begin serving Kansai International Airport (KIX)-Brisbane-Sydney-KIX flight from March next year.

Borghetti visited Germany to see the Australia-Japan match in the World Cup, as Qantas is an official sponsor for the Australia national team.

As Jet Star begins serving international flight service, Qantas Group's flight network for Japan will be covered by Jet Star and Qantas Airlines, which will take over the current KIX-Cairns, Central Japan International Airport (Centrair)-Cairns and Centrair-Gold Coast flights of Australian Airlines, another Qantas Group member, on a wet leasing contract.

When Jet Star announced a new business for KIX, it suggested that it would develop the business with its unique low airfares and online direct bookings. For group or corporate markets, however, it is probable for Jet Star to keep in touch with Qantas Airlines.

Welcoming the participation of JAL in oneworld, Borghetti said that Qantas would maintain or strengthen the current bilateral business relation with JAL.

Borghetti also mentioned super jumbo A380: "We are planning to introduce A380 on our transpacific, Hong Kong, Singapore or Middle East routes step by step. If the Japanese market is better than today, we will offer A380 on our Japan routes around 2009."

**HIS to revise its midterm financial outlook upward*

HIS announced on June 12 that it has revised upward its financial outlook for the FY2006 midterm period ending October 31 this year. Although it re-estimates to decrease sales by 1.3% to 148 billion yen compared to the last forecast, it expects to achieve about 180 million yen more operating profit for the FY2006 midterm than a year ago mainly because of more effective selling and general administrative expenses.

Also, HIS has revised upward recurring profit from 2,650 million yen in the last forecast to 2,950 million yen and net profit from 1,000 million yen in the last forecast to 1,700 million yen partially because loss on real estate of its consolidated subsidiary ATB is re-estimated at about 75 million yen, reducing from originally estimated 350 million yen.

The reason for less sales than the original forecast is slight rise of sales cost ratio because of fuel surcharges by airlines, according to HIS. For full year of FY2006, HIS does not change the original financial outlook, considering unstable factors, such as fuel surcharges or exchange rate.

**Vladivostok Air hopes to serve scheduled flights for Kitakyushu*

Vladivostok Air of Russia has applied to the Ministry of Land, Infrastructure and Transport for an approval to serve scheduled flights on Vladivostok-Kitakyushu route during the limited term this summer, although the airline originally planned to serve seasonal charter flights on the route. The application calls for two flights a week (Wednesday and Saturday) with Tu154M from August 19 to September 23 this year.

Scheduled operation will particularly benefit travel companies to develop and produce tour products containing Moscow or St. Petersburg beyond Vladivostok. In the case of charter operation, it is impossible for travel companies to offer such tour products because of regulations in the bilateral aviation agreement between Japan and Russia. Also, scheduled flights can be sold to individual travelers.

Kitakyushu will be the fourth destination in Japan for the airline if the flight plan is accepted. At the same time, it will be second international scheduled flight route for New Kitakyushu Airport, which just opened in March this year, following Kitakyushu-Shanghai-Guangzhou route served by China Southern Airlines.

**New Caledonia can be a destination to benefit travel companies*

New Caledonia Tourism General Representative Japan Mitsu Takata, said at an interview with the Wing Travel Weekly, "I would like to make New Caledonia a destination to benefit travel companies," making efforts to exploit small or middle size MICE market and promoting not only marine activities but also mountain attractions.



Takata said, "It is important for Air Caledonia International, local tour operators and us to make a strong team. We, as a team, will back up travel companies of Japan. I hope that travel companies will join our promotions at early stage. I would like to respect their professional views."

Although the tourism office is discussing details of promotions, Takata emphasized that New Caledonia is actually a suitable destination for trekkers because they can find developed trekking courses with unique landscapes. New Caledonia Tourism will encourage whole sellers to produce package tours combined sea and mountain. "We work to-

gether with travel companies to bring up New Caledonia as a new tourist destination,” he said.

Also, Takata is very positive to exploit the Japanese MICE market. “I think a MICE group of 30 to 50 members is appropriate for New Caledonia due to flight capacity. We will actively appeal what you can do in New Caledonia,” he said.

The number of Japanese visitors to New Caledonia was 31,486. Takata revealed that an initial target is 48,000 annually, which are equivalent to flight capacity today. “The New Caledonia government regards Japan as the most important market, and a variety of infrastructures for Japanese tourists are being developed,” he added.

**The Kansai second runway will open on August 2 next year*

Minister of Land, Infrastructure and Transport Kazuo Kitagawa officially announced on June 11 that the Ministry has decided to open the second runway of Kansai International Airport on August 2 2007, about two months earlier than the original schedule, before World Championships in Athletics in Osaka from August 25 to September 2 2007 and World Chinese Entrepreneurs Convention in Kobe and Osaka from September 15 to 18 2007.

The Ministry initially explained that it was difficult to move up the schedule of installation of air traffic control equipment for the second runway, however it has found that it will be possible to handle air traffic with temporary equipment for the time being.

**JAL to increase Class J seats on B777 for domestic flights*

JAL is retrofitting its B777-200 and -300 for domestic flights to increase available seats, changing seat configuration for Class J to 3-4-3 seats abreast from 3-3-3 seats abreast today.

According to the retrofitting plan, JAL will increase seats on the B777-200s from 388 today to 398 by increasing Class J seats from 62 to 89 and decreasing normal class seats from 326 to 309. Also, it will increase both Class J and normal class seats on the B777-300s from 62 to 78 and from 410 to 422 respectively, totaling 500. The seat configuration will be changed to 3-4-3 seats abreast from 2-5-2 seats abreast today, as JAL explains that it will increase seats on its B777 fleet, keeping providing passengers with comfortable flight.

JAL has completed to retrofit six B777-300s and three B777-200s so far and will retrofit another one B777-300 and four B777-200s, all of which are supposed to be done as early as October this year. JAL does not have a plan to retrofit former JAS's own B777-200s.

Class J is one of the profitable products for JAL in the domestic market with more than 80% load factor.

**JAL air transport result for April 2006*

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

Passengers = 1,030,495 (93.8%)

RPK = 4,816,749 thousand passenger kilometers (95.0%)

ASK = 7,186,364 thousand seat kilometers (89.3%)

Load factor = 67.0%

<Results by destination>

Trans-Pacific routes

Passengers =229,382 (98.5%)

RPK =1,815,071 thousand passenger kilometers (99.4%)

ASK =2,623,157 thousand seat kilometers (98.4%)

Load factor =69.2%

Europe routes

Passengers = 112,703 (93.2%)
 RPK = 1,048,087 thousand passenger kilometers (92.8%)
 ASK = 1,370,295 thousand seat kilometers (80.2%)
 Load factor = 76.5%

Southeast Asia routes
 Passengers = 342,327 (96.2%)
 RPK = 1,117,267 thousand passenger kilometers (97.3%)
 ASK = 1,782,817 thousand seat kilometers (85.9%)
 Load factor = 62.7%

Oceania routes
 Passengers = 51,130 (88.1%)
 RPK = 355,325 thousand passenger kilometers (88.6%)
 ASK = 579,946 thousand seat kilometers (92.1%)
 Load factor = 61.3%

Guam
 Passengers = 37,350 (48.9%)
 RPK = 94,340 thousand passenger kilometers (50.0%)
 ASK = 141,506 thousand seat kilometers (49.8%)
 Load factor = 66.7%

Korea routes
 Passengers = 118,577 (96.9%)
 RPK = 123,089 thousand passenger kilometers (99.3%)
 ASK = 202,535 thousand seat kilometers (104.3%)
 Load factor = 60.8%

China routes
 Passengers = 139,026 (105.1%)
 RPK = 263,570 thousand passenger kilometers (104.8%)
 ASK = 486,109 thousand seat kilometers (98.9%)
 Load factor = 54.2%

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

Passengers = 3,292,920 (97.6%)
 RPK = 2,460,904 thousand passenger kilometers (99.0%)
 ASK = 4,181,912 thousand seat kilometers (100.2%)
 Load factor = 58.8%

**Star Flyer aims at net profit of 900 million yen for FY2006*

Star Flyer, the start-up airline beginning the flight services on Haneda-New Kitakyushu Airport route on March 16 this year, reported on June 9 that it posted net loss of 2,761 million yen for just half a month business in FY2006. On operating revenue of 600 million yen, it achieved operating profit of 2 million yen and recurring profit of 61 million yen, supported with a subsidy of 1,000 million yen by Kitakyushu City. At the same time, the airline succeeded in writing off accumulated expenses of 3,820 million yen as special loss at once.

After funding 649 million yen through another allocation of new stocks to third parties in late May this year, Star Flyer has a capital of 4,640 million yen and a capital reserve of 320 million yen.

Star Flyer forecasts sales of 13,900 million yen and operating profit of 120 million yen for FY2006 on the condition that it can keep load factor of around 62.7%. Including a subsidy of 800 million yen from Fukuoka Prefecture, net profit for FY2006 is expected to reach 900 million yen, improved from net loss of 2,761 million yen for FY2005.