

Japan's Leading Tourism and Aviation Weekly

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**Colorado is making efforts to attract direct flights between Denver and Japan*

Sue Baldwin, Colorado Ski Country USA vice president of business development (Photo:right), and Ms.Christina Cassotis, Denver International Airport (Photo:left), on behalf of four tourism organizations of Colorado State, recently visited Japan to announce that the organizations will collectively start tourism promotion activities in Japan to attract direct flights between Denver and Japan a few years later. Baldwin revealed that they continue discussing with ANA or United Airlines for the future direct flight service. This visit to Japan is the beginning to exploit the Japanese market, she added.



Denver International Airport is one of the UA's hub airports, however UA has not served flight service for Japan so far because of its fleet restriction and of the aircraft handling restriction at the mile high airport. Also, it is true that passenger demand between Denver and Japan is not so stable through a year. The tourism representatives of Colorado has discussed with ANA for a possibility of direct flight service following ANA's introducing the latest Boeing 787 in allegedly later half of 2008 or possible increase of aircraft movements at Narita Airport after the 2nd runway extension project completes in 2009.

Baldwin said, "We understand that stable passenger demand will be required for scheduled direct flight service. The four tourism organizations are working together to study the Japanese market and develop full-scale promotional activities after next year."

The four tourism organizations are Denver Metro Convention and Visitors Bureau, Denver Economic and Development Bureau, Denver International Airport and Colorado Ski Country USA, which have opened an joint office in Japan in tie-up with Marketing Garden, PR agency of Japan.

State of Colorado approved a budget of \$19 million for tourism promotions, part of which may be used for international marketing.

Baldwin picks seniors, office ladies or tourists who love sports or nature as target tourists for Colorado. Twenty-five ski resorts managed by Colorado Ski Country USA are increasing Japanese visitors, as Japan was ranked the 9th in terms of international visitors in the last season, according to Baldwin. Direct flight service will help more Japanese tourists, particularly skiers, visit Colorado, as she expects that the international rank of Japan will rise to the 5th or the 6th in the future.

The four tourism organizations will make business approaches to travel agents of Japan not only for the FIT market but also for production of package tours.

**GVB focuses its targets on wedding, group and senior markets*

Guam Visitors Bureau (GVB) held annual "Hafa Adai Study Tour 2006" for the travel industry of Japan in the middle of May this year, joined by 97 members from Japan. GVB General Manager Gerald S.A. Perez (Photo) made an opening remark, "GVB is making efforts to improve destination qualities through a beautification program for Tumon area and renovations of major hotels, for instance."



Perez introduced three major points in GVB's promotional activities for the Japanese market in 2006: more active promotions for the wedding market, expansion of group tours and business approaches to the senior market.

GVB is appealing Guam as a high value destination for wedding, publicizing only three-hours flight from Japan, language advantage, easy-to-join by families or friends and newly opened chapels. Last year, about 12,000 Japanese couples held weddings in Guam. GVB aims to increase the annual number to 25,000 couples for the next three years,

For efforts to the group market, GVB is emphasizing that Guam is the best destination for corporate incentive tours, educational trips or sports training because it has a capability to handle a variety size of groups, including accommodations and facilities. GVB will continue a campaign to support group events, which has been offered for the last three years, even after October this year, giving welcome parties or welcome receptions to groups visiting Guam.

Also, GVB is making efforts to expand the senior market of Japan by appealing a short-range destination, only one-hour time difference or language advantage. It will particularly introduce cultural and historical aspects to the market.

GVB has made a renewal project for Agana area that is a center of economy and culture in Guam. The project includes development of "Old Agana" with Chamorro cultures filled and launch of "Guam Museum" displaying history of Guam. GVB expects that those new attractions will draw attentions from seniors of Japan.

Over fifty-years-old Japanese visitors accounted for 18% of all 955,245 Japanese visitors to Guam last year. A share of Japanese travelers who stay for more than four days increased to 44% of the whole. Based on the market data, GVB expects that seniors who tend to stay longer will be a promising market that will possibly bring about higher-value products.

Japan Guam Travel Association (JGTA) Chairman Masanobu Kanesugi (Nippon Travel Agency Micronesia President) said, "JGTA will do its best to raise value for travel in Guam, which can be placed as a safe and close multi-oriented destination for any kinds of Japanese travelers."

Regarding movement of the U.S. Marine from Okinawa to Guam, crimes by U.S. servicemen will not increase because they are severely under control of the U.S. domestic laws, although the number of servicemen will certainly increase in Guam, according to GVB. So, GVB does not see that Guam will undermine the image of a safe tourist destination even though a lot of U.S. servicemen move to Guam.

**Japan and Korea sign a joint statement for expansion of tourism exchanges*

Minister of Land, Infrastructure and Transport of Japan Kazuo Kitagawa and Minister of Culture and Tourism of Korea Kim Myung-Gon signed a joint statement for joint efforts to expand tourism exchanges between Japan and Korea on May 15 this year. The targets for 2006 under the joint statement are 2 million Korean visitors to Japan, 14.5% more than 2005, and 2.45 million Japanese visitors to Korea, 0.4% more than 2005, totaling 4.45 million bilateral visitors, 6.3% more than 2005.

Both countries aimed at a total of 5 million visitors to Japan and Korea for 2005, however the annual result was 4.19 million bilateral visitors because of negative influences from the political issues between both countries. Looking at reality, both countries will re-challenge 5 million bilateral visitors after 2007.

The joint efforts for 2006 include the following nine contents:

- 1) Strengthening tourism promotional activities in cooperation with tourism PR ambassadors of Japan and Korea
- 2) Co-hosting large-scale tourism events in Japan and Korean
- 3) Offering symposiums on activation of sister cities agreements
- 4) Joining travel trading shows each other and supporting production of travel products
- 5) Accelerating school exchange programs
- 6) Promoting cultural or sports exchange programs
- 7) Increasing tourist information in Japanese or in Korea respectively
- 8) Giving awards to major contributors to expansion of tourism exchanges
- 9) Holding regular meetings between tourism ministers of Japan and Korea toward tourism exchanges among East Asia countries.

Kitagawa emphasized, "The first priority is expansion of exchanges between young generations of Japan and Korea, followed by exchanges between local cities and culture art and sports exchanges." Kim said, "I will make efforts to expand trilateral tourism exchanges among Korea, Japan and China, taking advantage of the first meeting by the three countries' tourism ministers in July this year."

The number of Japanese visitors to Korea for 2005 was 2.44 million, almost the same as 2004, and the number of Korean visitors to Japan for 2005 was up 10% to 1.75 million compared to 2004.

Kitagawa said, "Japan and Korea have severe political issues. That's why, I believe that tourism exchanges can play an important role to keep and develop friendship between Japan and Korea. The two countries, together with China, share such a basic recognition."

Kim also said, "It is true that Japan and Korea have historical and political issues to be solved. However, we are neighboring countries. We need deep communications, one of which I believe is tourism or cultural exchanges. In tough time, it is essential for both countries' people to love each other and foster friendship."

**Narita marked large increase of profit despite reduction of revenue*

Narita International Airport Co. (NAA) released the consolidated financial result for FY2005 (April 1 2005 to March 31 2006) on May 18, reporting the airport succeeded in large increase of net profit although it slightly decreased annual operating revenue because of the revision of the landing fee system. According to the financial report, operating revenue was down 0.2% to 171,247 million yen over FY2004. Operating profit and recurring profit each increased by 0.5% to 42,000 million yen and by 8.6% to 29,539 million yen compared to FY2004. Net profit finally reached 14,772 million yen for FY2005, largely increasing from 6,420 million yen for FY2004.

The revision of the landing fee system forced the airport to decrease airport management revenue to 116,308 million yen for FY2005 from 120,159 million yen for FY2004, however the airport succeeded in growing revenue from the non-aviation business to 52,982 million yen for FY2005 from 50,044 million yen for FY2004, which contributed to the 0.2% reduction of the whole revenue even though the landing fees were lowered.

The ratio of airport management revenue to non-aviation business revenue was 67.9% to 32.1% in FY2005, changing

from 70% to 30% in FY2004. NAA aims to raise the ratio of non-aviation business revenue up to 45% of the whole by FY2010.

Following the financial result, NAA has announced to pay dividend of 2,000 million yen in total for the first time since it was privatized. NAA CEO Masahiko Kurono said, "We can perform a mission as a private company by paying dividend. However we have to improve our financial condition further." NAA still has long-term debt that is equivalent to three times more than annual revenue. However, NAA is confident of shrinking the debt by 30,000 million yen every year after FY2009.

Saying that timing of listing its stocks on the market depends on healthy financial condition and preparation for a hostile takeover, Kurono revealed that NAA would judge timing of listing within this fiscal year after the northward extension of the 2nd runway begins.

+The new South Wing is expected to give a positive financial impact to NAA

NAA estimates to increase operating revenue for FY2006 (April 1 2006 to March 31 2007) to 180,000 million yen, expecting the newly opened South Wing of the 1st passenger terminal building will benefit the NAA's business. Also, NAA estimates recurring profit at 17,000 million yen and net profit at 10,000 million yen for FY2006, forecasting that the airport will handle 188,595 aircraft movements, 0.4% more than a year ago, and 32,481,000 passengers, 3.3% more than a year ago.

The forecasted number of passengers for FY2006 is broken down into 31,362,000 for international flights, 3.4% more than a year ago, and 1,188,000 for domestic flights, 0.9% more than a year ago.

The reduction of landing fees, which began in the second half of FY2005, will be effective through a year for FY2006, however Kurono said that the new South Wing of the 1st PTB is expected to generate more revenue in FY2006 than FY2005, which will offset reduction of revenue from landing fees. NAA forecasts that revenue from the non-aviation business will increase by 22.7% in FY2006 compared to FY2005.

***Kansai succeeded in increasing revenue with more flight operations**

Kansai International Airport Co. (KIAC) released the consolidated financial result for FY2005 (April 1 2005 to March 31 2006) on May 15, reporting that operating revenue was up 0.5% to 104.6 billion yen from 104.1 billion yen for FY2004 mainly because it handled more flights. The airport successfully reduced operating expenses by 1.1% to 81.8 billion yen for FY2005, compared to FY2004, and accordingly increased operating profit by 6.8% to 22.7 billion yen for FY2005, compared to FY2004.

Non-operating revenue reached 10.1 billion yen, including a subsidy of 9 billion yen from the government, and non-operating expenses amounted 23.6 billion yen. Ordinary profit was largely up 79.1% to 9.2 billion yen for FY2005 compared to FY2004. However, including special loss of 26.8 billion yen, KIAC posted net loss of 17.7 billion yen for FY2005, dropping from net profit of 4.4 billion yen for FY2004.

Interest-bearing debt reduced from 1,225 billion yen for FY2004 to 1,203 billion yen for FY2005.

The airport successfully increased flights a day to 99 flights for FY2005 from 98.8 flights for FY2004, particularly to 55.2 domestic flights for FY2005 from 42.1 flights for FY2004 because of more domestic flights shifted from Itami Airport.

Also, the airport marked the most sales ever from directly managed duty free shops in the terminal, as it increased non-aviation revenue by 0.5% to 57.9 billion yen for FY2005, which accounted for 55.4% of the whole annual revenue.

Regarding competition with Kobe Airport that opened in February this year, KIAC explained that it has not given any negative influences to Kansai except Okinawa flights. Also, KIAC said that the airport suffered from approximately 3% reduction of international cargos maybe because of competition with Central Japan International Airport. However, KIAC expects that the reduction of cargos will not expand because the airport has preferably increased IT-related cargos.

Propelling cost-reduction efforts, KIAC succeeded in cost reduction of 4.9 billion yen on a non-consolidated basis by the end of FY2005, which were more than originally planned 3 billion yen.

In consolidated financial outlook for FY2006 (April 1 2006 to March 31 2007), KIAC estimates operating revenue at 109.3 billion yen, ordinary profit at 11.3 billion yen and net profit at 11.2 billion yen, targeting 119,000 aircraft movement annually.

After the second runway opens in 2007, the airport aims to handle 130,000 aircraft movements annually. KIAC said that it would not be a tough target if a new aviation agreement between Japan and China allow to expand air traffic volume between both nations.

**Kansai resulted in 2% increase of passengers in April*

Kansai International Airport Co. reported on May 17 that the number of passengers for April this year was up 2% to 1,313,345 over the same month 2005. The monthly total consisted of 894,900 international flight passengers, 1% more than a year ago, and 418,445 domestic flight passengers, 3% more than a year ago.

According to the monthly report, the number of aircraft movements for April this year was just up 1% to 9,299 over the same month 2005, broken down into 5,951 aircraft movements for international flights and 3,348 aircraft movements for domestic flights. International aircraft movements consisted of 4,722 for passenger flights, 1,111 for cargo flights and 118 for others.

Kansai handled 155 flights in total for April this year, including 99.2 international flights (down 1%) and 55.8 domestic flights (up 4%).

**CAL will serve scheduled flights to Hokkaido for the first time*

China Airlines (CAL) recently announced that the Taiwanese airline will start serving Taipei-Kansai International and - Sapporo and Kaohsiung-Central Japan International (Centrair) flights in this coming July. The airline will serve scheduled flights for Hokkaido for the first time in its history, although it offered 1,361 charter flights for Hokkaido last year to meet high demand among Taiwanese tourists. Also, CAL will fly into Osaka for the first time since it suspended Taipei-Itami flights in April 1974.

The Kansai-Taipei flights will be served with A330-300 (36 business class seats and 277 economy class seats) everyday except Wednesday. CAL plans to upgrade the flights to daily service as early as November this year. The Taipei-Sapporo flights will be served with B737-800 (eight business class seats and 150 economy class seats) everyday except Monday. The Kaohsiung- Centrair flights will be served with the same aircraft as for the Taipei-Sapporo on Wednesday and Sunday.

In addition, CAL will begin operating two cargo flights a week on Taipei-Kansai route on July 4 this year.

After opening the new three passenger flight routes, CAL will serve a total of 70 flights a week between Taiwan and Japan.

**Next JAL CEO said JAL has no plan to buy A380 so far*

Next JAL CEO Haruka Nishimatsu said at a news conference for the Foreign Correspondents' Club of Japan (FCCJ) on May 12 that A380 probably has a weak point against external factors in the international flight business. "Such large aircraft will largely benefit us if it is full. However, it will give us crucial risks, such as waste of fuel cost, if some external negative factor prevents passengers from boarding it," he explained.

While Nishimatsu said that JAL has no plan to buy A380 so far, he also revealed that luxurious services on A380 by

rivals will maybe threaten JAL. "JAL may consider introducing the super jumbo more seriously than today, depending on how its competitors use A380," he added.

Asked why JAL did not buy Airbus aircraft at all, Nishimatsu answered, "We do not rely on Boeing only. We do not change our attitude to compare the value of Boeing and Airbus equally." However, as JAL has already supply centers in America, it will need additional costs if it develops supply chain in Europe. Nishimatsu added, "We are now shrinking its fleet composition, so we are hard to introduce totally new aircraft."

Also Nishimatsu mentioned low-cost carriers (LCC) in Japan: "Newcomer airlines are not real LCC but are just cream skimming airlines serving highly demanded flights." There is no business model for LCC in Japan, he added. Japanese operators have to pay expensive landing fees at domestic airports, and no matter if Japanese operators hire foreign pilots who are cheaper than Japanese pilots in terms of salaries, it does not necessarily enable cost reduction because the operators have to pay high living costs for them as well.

**JAL to extend its cargo transportation network to Southern America*

JAL announced on May 17 to begin extending its cargo transportation network to the southern part of the U.S. on June 3 this year by tying up with Florida West International Airways. JAL will provide a new service combined its cargo flights and airmail flights, buying up spaces of Florida West International Airways. JAL is serving cargo flights only for Atlanta today.

With the new service, JAL expects to carry electric parts or automobile-related parts to the southern regions of the U.S. or Latin America from Japan and automobile-related parts or fresh fruits to Japan from those regions. The airline expects to handle a total of 400 tons of cargo per month on the new service after beginning it.

Florida West, the Miami-based cargo operator, operates 767 freighters on Atlanta or Dallas route. JALCARGO currently offers dedicated 747 freighter services to six cities in the USA - Anchorage, Atlanta, Chicago, New York, Los Angeles and San Francisco - linking to scheduled truck services serving some 18 off-line cities across the US and Canada.

JAL names the new service as JAL Southern Flash, by which JAL will first carry cargos between Narita or Central Japan International Airport (Centrair) and Dallas or Atlanta and will then transfer those onto cargo flights of Florida West. Also, JAL will buy up about 80 tons space of Florida West on Dallas, Miami and Atlanta routes exclusively for JAL's customers to meet their needs for large cargos.

**JAA increased both revenue and profit for FY2005*

Japan Asia Airways (JAA), a JAL Group member, recently reported that it increased operating revenue for FY2005 (April 1 2005 to March 31 2006) by 5.5% to 60,094 million yen over FY2004 thanks to high tourist demand between Japan and Taiwan. While operating expenses increased by 4.4% to 57,631 million yen due to the rise of fuel cost, operating profit reached 2,462 million yen, 40.1% more than a year ago.

Balanced non-operating revenue of 271 million yen and non-operating expenses of 13 million yen, JAA posted ordinary profit of 2,720 million yen for FY2005, 46% more than a year ago, and finally net profit of 1,682 million yen for FY2005, 70.9% more than a year ago.

JAA carried 1,344,940 revenue passengers through FY2005, which were smaller than those for FY2004 because it suspended flights to Hong Kong beyond Taipei. RPK was up 2.4% to 2,644,511 thousand passenger-kilometers, and ASK was also up 1.3% to 3,789,288 thousand seat-kilometers. The load factor improved from 69.1% for FY2004 to 69.8% for FY2005.