

Japan's Leading Tourism and Aviation Weekly

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

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****The task force makes up a report for "FLY & DRIVE 2007" in America***

The Fly & Drive task force, under the U.S.-Japan Tourism Export Expansion Initiative Working Group for the Mainland U.S. Sub-committee, has recently made up a report to promote fly & drive products in mainland America, placing 2007 as the starting year for fly & drive promotion. The report toward an annual action plan proposes legal validation for fly & drive and at the same time establishment of a safety and security support system for consumers.

Forecasting potential demand of Japanese for the U.S. fly & drive market may be over 2 million, the task force's report says that it should be better to develop products especially for State of California and five western States, where driving environment seems to be well prepared for Japanese tourists.

With regard to legal validation, the task force points out that fly & drive products should be produced with careful attentions to itinerary management and safety support, despite no conflict with the current Travel Law. For itinerary management, it is necessary for travel companies to minimize change of contract contents when they judge they cannot offer services according to the original contract. For safety support, it is important for travel companies to let fly & drive customers know emergency contacts well and to establish a Japanese-speaking support system during tours.

Also showing six important points of itinerary, selection of transport service organizations, contact system for emergency, confirmation of qualification of tour participants, information given to tour participants and development of insurance, the task force emphasizes that it is better to offer inclusive products with model courses.

The most crucial issue for fly & drive is to establish a scheme for safe travel. For that, the task force requests rent-a-car companies to take further actions for Japanese-language car navigation, license translation services, Japanese-speaking assistance services and 24-hours road services including interpreter services. Requests to travel companies include establishment of local support systems, provision of pre-driving training or virtual experiences before actual fly & drive and development of safety kit. At the same time, the task force will ask the related authorities to make bilingual license and AAA of U.S. to develop Japanese-speaking help desks.

Also the report highlights that it is essential for travel companies (or contracted operators) and rent-a-car companies to establish a 24-hours joint system for any travelers to contact with their respective travel companies or rent-a-car companies in emergent cases.

+Products will be marketed from the first half of 2007

The report proposes four categories of model plans: beginners course, experienced driver course, impressive driving course and driving courses for specific markets. Referring the four categories, travel companies will produce fly & drive products in the first half of 2007. For travel companies to understand what fly & drive is, educational seminars will be provided in February or March and August or September next year, and also several monitor tours will be offered.

In parallel, Japan Association of Travel Agents (JATA) will make a logo and a catch phrase for the starting year of “FLY & DRIVE 2007” and open a special website to promote fly & drive in America.

The report, after revised slightly, will be submitted to the Mainland U.S. Sub-committee that will be held on November 28 this year, where more details for “FLY & DRIVE 2007” action plans, including budget or promotion system, will be discussed.

*JTB to establish local bases to expand selling of cruise products

JTB has increased sales of cruise products, as the number of customers for fly & cruise products, dealt by the JTB’s flagship shop Royal Road Ginza in Tokyo, was up 72% to 528 for the first half of FY2006 (April to September this year) and was up 106% to 402 as of October 6 this year for the second half of FY2006, respectively compared to a year earlier. JTB expects to sell its cruise products to 1,000 customers this fiscal year, three times more than FY2005, and to 1,500 customers next fiscal year.



JTB will extend its sales know-how of Royal Road Ginza to its branches in local major cities to establish local business bases for selling of cruise products. JTB has placed cruise desks at its 22 branches nationwide. At the same time, JTB will increase qualified cruise advisors to 330 from 229 today, encouraging JTB staff to take an exam for the cruise advisor qualification.

JTB Managing Director Saburo Fukagawa (photo) said, “I hope anybody of JTB will be able to sell cruise products in the future. Cruise is actually still a small market for JTB with a less than 1% share of the whole sales. However, I believe cruise population will certainly increase in Japan.”

Royal Road Ginza is selling cruise products named “Cruise Selection,” increasing 13 to 15 days products for customers who want to enjoy cruising more slowly and comfortably. Cruise now shows the highest growth rate in the JTB product lineups, although the business is actually smaller than cruise-specialized travel companies. However, JTB says that it has certainly established a selling system for cruise products.

The most popular destination for cruise products is Europe with a more than 80% share, however JTB hopes to sell a variety of destinations for cruise. Fukagawa said, “It is necessary to increase young generation customers for expansion of the cruise market. For them, we would like to raise a selling share of Caribbean cruise products. Also, we will make efforts to sell products for foreign cruise ships that stop by Japan.”

Japan Association of Travel Agents (JATA) has decided to continue its initiative “Cruise Year” promotional campaign next fiscal year. However, it is true that there are several problems to expand the cruise market in Japan, such as late bookings, cancellation fees or low consumers’ recognition for cruise as one of travel types.

**Japanese departures for September 2006 were slightly down*

Japan National Tourist Organization (JNTO) recently reported that the number of Japanese departures for September 2006 was down 0.5% to 1,627,000 over the same month 2005, resulting in year-on-year reduction for the first time in the last five months mainly because of fewer three-consecutive holidays in this September than a year ago, weaker yen and bad influence from coups in Thailand on September 19.

The number of Japanese departures for the first nine months of 2006 totaled 13,183,000, 1.4% more than a year ago. With the current trend, it is expected that the total number of those for full year of 2006 may reach 17.7 million to 17.8 million.

The number of foreign arrivals for September was up 6.1% to 573,700 over the same month 2005, marking record-breaking in the last Septembers, particularly boosted by travelers from Korea and Taiwan.

The number of those for the first nine months of 2006 reached 5,454,200, 7.2% more than the same period a year ago. The total number of those for full year of 2006 may be around 7.2 million, lower than the initial goal of 7.5 million.

The followings are arrivals from major countries:

Korea = 156,400 (up 20.1%) in September, 1,567,900 (up 19%) for Jan.-Sep.

Taiwan = 99,400 (down 1.5%) in September, 1,004,500 (up 1.6%) for Jan.-Sep.

China = 75,200 (up 13.6%) in September, 622,500 (up 26.2%) for Jan.-Sep.

Hong Kong = 22,600 (up 11.3%) in September, 263,300 (up 19.6%) for Jan.-Sep.

U.S. = 60,000 (up 1.8%) in September, 611,100 (down 2%) for Jan.-Sep.

U.K. = 17,200 (up 3.6%) in September, 158,500 (down 3.9%) for Jan.-Sep.

Germany = 10,000 (down 3.3%) in September, 83,600 (down 2.8%) for Jan.-Sep.

France = 9,400 (up 3.8%) in September, 87,400 (up 4.5%) for Jan.-Sep.

**ANA posted record-breaking midterm net profit for the first half of FY2006*

ANA released the financial result for the first half of FY2006 (April 1 to September 30 2006) on October 31 this year, reporting that it achieved record-breaking operating revenue at 752.8 billion yen, 9.0% more than the same period FY2005. However, the rise of fuel price forced ANA to increase operating expenses by 10.1% to 684 billion yen, compared to a year earlier, and operating profit accordingly decreased by 1.2% to 68.7 billion yen.

Recurring profit was also down 2.4% to 57.9 billion yen for the first six month of FY2006, however net profit reached 33.2 billion yen, 68.8% more than a year earlier, mainly because of much less special losses. ANA said that the net profit was the highest ever in the past midterm account settlements.

The additional operating expenses of 62.7 billion yen was primarily attributed to increase of fuel expenses, as ANA revealed that it needed 85 billion yen approximately for the expense through the first half of FY2006, about 25 billion yen more than a year earlier. Also, ANA included selling loss of 3 billion yen for six B747s in this account settlement (6.5 billion yen through this fiscal year) in advance, though the airplanes are supposed to be sold in 2008 and 2009.

After releasing the FY2006 midterm account settlement, ANA partially revised operating revenue for full year of FY2006 to increase from 1,420 billion yen in the initial outlook to 1,450 billion yen, while it does not change other financial outlooks: operating profit of 76 billion yen, recurring profit of 47.5 billion yen and net profit of 27 billion yen.

Operating revenue of the air transport business segment for the first six months of FY2006 reached 629.3 billion yen, 55.9 billion yen more than a year earlier, and operating profit was 60.7 billion yen, 1.9 billion yen less than a year earlier. Out of the total, revenue of the domestic passenger flight business largely increased by 5.3% to 372.9 billion yen mainly because of the rise of airfares since April this year despite slight increase of passengers.

Revenue of the international passenger flight business for the first half of FY2006 also largely increased by 20% (increase of 23 billion yen) to 138.2 billion yen compared to a year earlier, as ANA succeeded in increasing both the number of passengers (up 12%) and passenger unit price (up 7.1%) in comparison with the initial estimations.

The revenue increase of 23 billion yen was roughly broken down into 4.6 billion from rise of fuel surcharges, 12.5 billion yen from increase of passenger demand, 1.5 billion yen from increase of flights and 4.5 billion yen from enhanced revenue management.

The domestic cargo and the international cargo businesses respectively increased revenues by 4.2% to 15.1 billion yen and by 11.5% to 28.5 billion yen.

+ANA travel business increased sales of overseas packages

The travel business segment, including ANA Sales, successfully increased sales for the first six months of FY2006 by 4.7% to 109 billion yen over the same period last fiscal year, however operating profit was down 7.7% to 2.4 billion yen due to higher purchase cost and severer competition. It is noteworthy that sales of overseas package products largely increased by 13.9% to 24.4 billion yen, compared to a year earlier, mainly because of well-recovery of tourist demands for China and Europe. Sales of domestic package products also increased by 2.6% to 73 billion yen, compared to a year earlier.

***Additional international departures enable Narita to increase revenue**

Narita International Airport Co. (NAA) Senior Vice President Michio Kamiko revealed at a news conference on October 27 that the shift of several domestic departure slots to international departure slots would allow NAA to have additional revenue of 1 billion yen approximately for five months during the winter schedule from October 29 this year to the end of March next year. The estimation includes refueling facility fees, PSFC, terminal sales as well as landing fees. NAA forecasts additional revenue of 2.5 to 2.6 billion yen a year.

Narita has increased aircraft movements for international flights from 483 a day usually to 503 a day in this winter schedule and has instead decreased those for domestic flights from 63 a day usually to 43 a day. Also, Narita has increased those on B runway from 12 a hour to 14 a hour. Accordingly, operation rate is 97.4% on both A and B runway, and including general aviation and non-scheduled flights, Narita's capacity is almost full, Kamiko explained.

It is noteworthy that 78 out of additional 148 aircraft movements for international flights are for flights for China. American Airlines suspends its San Jose flights, while Aero Mexico has begun four flights a week between Narita and Mexico City. ANA has served additional 42 flights a week, including new service for Chicago and increases of flights for Shanghai, Qingdao and Singapore. JAL International has transferred 18 flights a week to JAL Ways, which has accordingly served 56 flights a week.

In the meanwhile, Kamiko emphasized at a news conference that it is crucial to discuss Narita's role after the B runway is extended to 2,500 meters, as he said, "The discussion must be developed for the whole flight capacity in the Tokyo Metropolitan area." In this sense, Kamiko added, "We have to face reality that international flight demand cannot be met without cooperation between Narita and Haneda."

***Centrair expands to 388 flights per week in the winter schedule 2006**

Central Japan International Airport (Centrair) Co. announced the winter schedule 2006 on October 27. It shows that the number of international passenger and cargo flights totals 388 flights per week, which exceeds the winter schedule 2005 by 28 flights per week and the summer 2006 by 10 flights per week. It is apparent that the agreement on Japan-China Bilateral Aviation Talk effectively brought more flights to Centrair: about 30 more flights per week, though still not as many as to Narita and Kansai.

Out of the total 388 international passenger and cargo flights, passenger flights increase by 32 flights per week, from 308 to 340 flights compared to the winter 2005, also, by 16 flights per week more than those in summer 2006.

As for the increase of passenger flights between Centrair and China, the winter schedule 2006 holds 85 flights per week, that is a remarkable increase compared to the winter 2006 and the summer 2006, 57 flights and 58 flights per week respectively.

The numbers of the flights to and from other destinations are more or less the same as the last two schedules. The flights between Centrair-Taiwan and Hong Kong decrease from 58 flights in summer 2006 but increase from 49 flights in winter 2005 to 54 flights per week in winter 2006. The flights to South East Asia decrease from 47 flights in winter 2005 and from 46 flights in summer 2006 to 39 flights per week in winter 2006, due to the suspension of flights to Denpasar by Garuda Indonesia Airlines and to Manila by JAL. The number of passenger flights to the other destinations remained the same as summer 2006: 61 flights per week to Korea, 7 flights to Oceania, 42 flights to beach resort areas, 14 flights to North America, 17 flights to Europe, and 7 flights to Middle East.

Cargo flights in winter 2006 decrease from 54 flights in summer 2006 and from 52 flights in winter 2005 to 48 flights per week. ANA and NCA decrease their international cargo flights, and Transmile Airlines has suspended its flight since August. On the other hand, there are some increase; from 1 flight in summer 2006 to 3 flights per week by China Cargo Airlines and new 5 flights per week started on October 30 by Air Hong Kong.

**Centrair largely expanded international cargos for the FY2006 first half*

Central Japan International Airport (Centrair) Co. announced business results for the first half of FY2006. The passenger count totaled to 6,073,860, 8 percent less than the first half of 2005 than a year ago: 2,698,101 international flight passengers, 2 percent less than a year ago and 3,375,759 domestic flight passengers, 13 percent less than a year ago.

The aircraft movements for the first half of FY2006 increased by 2 percent to 54,738 compared to the first half of FY2005. The aircraft movements for international flights increased by 6 percent to 19,147, compared to a year ago, broken down into 16,528 for passenger flights (up 3%), 2,241 for cargo flights (up 48%) and 378 for others (down 6%). Thus the surge by cargo flights is notable. On the other hand, the aircraft movements for domestic flights remained flat at 35,591, broken down into 34,574 for passenger flights (down 1%), 366 for cargo flights and 551 for others.

The total amount of international cargo loading and unloading came to 118,036 tons: 63,555 tons, increased by 23 percent for loading and 54,481 tons, increased by 16 percent for unloading.

According to the comment by Central Japan International Airport, Co., the objectives for the future are as follows: expansion of promotional activities for acquiring more customers from the major domestic routes especially from Fukuoka that competes with Shinkansen, and powerful promotional activities targeted to airlines towards the increase of flights with European and American routes. Cargo is, however, expected to have a steady progress with the equipment and project that have been under preparation for cargo use.

The business results of September 2006 shows that the passenger count totaled to 1,052,800, dropped by 7 percent over the same month in 2005, broken down into 453,500 international flight passengers (down 4%) and 599,300 domestic flight passengers (down 10%). It can be explained that the decline in September this year was not avoidable due to the especially high demand last September for Aichi Expo.

The number of aircraft movements came to 9,011 in total, 2 percent more than that of September 2005. The aircraft movements for international flights increased by 4 percent to 3,221; passenger flights with 3 percent increase to 2,778, cargo with 19 percent rise to 380, and the other with 3 percent decrease to 63. In the meantime, those by domestic flights increased by 1 percent to 5,790.

**Growth of international passengers at Kansai was boosted by foreign visitors*

Kansai International Airport Co. reported on October 25 that the airport handled more passengers for the first half of FY2006 than the same period last fiscal year, particularly boosted by foreign visitors on international flights. The number of passengers for the period totaled 8,527,345, 2% more than a year ago. The total was broken down into 5,700,659 international flight passengers, 1% more than a year ago, and 2,826,686 domestic flight passengers, 3% more than a year ago.

The report also finds that the airport operated 159.3 flights a day on average, which were broken down into 100.6

international flights a day and 58.8 domestic flights a day. The growth of international flights mainly resulted from increase of cargo flights, and the growth of domestic flights was boosted by flight shifts from Itami Airport and increase of cargo flights.

For September only, the number of passengers slightly decreased by 2% to 1,459,282 compared to the same month last year. The monthly total consisted of 948,800 international flight passengers (down 2%) and 510,482 domestic flight passengers (down 1%).

The number of aircraft movements for September this year was up 2% to 9,805 over the same month last year, broken down into 6,178 for international flights (up 1%) and 3,627 for domestic flights (up 4%). The international flights were classified into 4,926 for passenger flights (up 1%), 1,146 for cargo flights (up 3%) and 106 for others (up 18%).

**SFJ suffered from midterm net loss, but expects FY2007 to turn into black*

According to the FY2006 midterm account settlement announced on October 30 by Star Flyer (SFJ), operating revenue came to 6,059 million yen, approximately 1 billion yen below the target figure; operating loss after deduction of selling, general and administrative expenses came to 1,089 million yen, 1,077 million yen as net loss before tax, and 1,080 million yen as net loss, although SFJ had estimated income and expenses would balance.

As one of the reasons for 1 billion yen less operating revenue than the aimed figure, SFJ explained that its service has not been fully recognized yet in the Tokyo metropolitan area.

The load factor for the first half, 56.3 percent, fell short of the break-even point, 62.7 percent: 39.5 percent during late-night and early morning hours, and 61.9 percent during daytime. The passenger count was 350,279 out of 622,080 seats availability. SFJ showed that the above average load factor of 56.3 percent still exceeded JAL's load factor of 55.5 percent during daytime.

Increase of approximately 300 million yen in operating expenses includes 50 million yen as fuel price increase, SFJ said.

SFJ raised funds of 1,564 million yen in total: 764 million yen through allocation of new shares to a third party, and 800 million yen by short-term borrowings. Total short-term borrowings of 1.9 billion yen, however, was paid back-1 billion yen in April and 0.9 billion yen in June-with the grant from Kita-Kyushu City and with the refund of consumption tax on aircraft imports.

Due to the result of the first half year which went blow the forecast, SFJ amended the forecast for FY2006. Operating revenue has been revised from 13.9 billion yen to 13.0 billion yen, operating loss has been changed to 1.5 billion yen, and net loss has been revised to 0.7 billion yen although the account balance was expected to be nil for the first half year.

SFJ is aiming at higher load factor, 66 percent, for the second half year and planning powerful business activities towards in the Tokyo metropolitan area, Fukuoka, Yamaguchi and Ohita.

In the meantime, SFJ intends to expand the business for higher profitability by purchasing two aircraft: the forth aircraft in February 2006 and the fifth in November 2007. The way to use these aircraft has not been finalized yet, but it is possible to be used for the daytime flights between Haneda and Kita-kyushu, which have been performing well with 63 percent of load factor.