

Japan's Leading Tourism and Aviation Weekly

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This Week Headline

*Japan is active in organizing celebration events with China next year	1
+Airfares and fuel surcharges are ill-balanced	2
*Hawaii sub-committee proposes seven actions for tourism promotions	2
*JAL Chairman declares JAL will maintain its Guam flights	2
*ANA has an ambitious plan to expand its flight network for China	3
*Japanese departures resulted in year-on-year growths for four consecutive months	4
*JAL almost stopped reduction of domestic passengers	4
*JAL issued RFP to two regional jet makers for 70 to 90 seats jet	5
*JAL air transport result for August 2006	5
*Narita reduced ratio of large aircraft operations for FY2005	6
*Kansai Increased both domestic and international passengers in August	6

****Japan is active in organizing celebration events with China next year***

Kosuke Shibata, the Ministry of Land, Infrastructure and Transport Deputy Director-General Tourism Policy, revealed at a news conference on October 3 that the Japanese tourism administration will collaborate with the Chinese counterpart to organize celebration events for the 35th anniversary of the diplomatic normalization between Japan and China next year. Shao Qiwei, Director of the China National Tourism Administration, already showed his active attitude for celebration events to expand tourism exchanges between both nations, when he met the Japanese tourism delegation for Expo Central China 2006 in Changsha, Hunan Province on September 26.

Also, Shibata said that the tourism administration is discussing promotional campaigns to achieve 2 million visitors from Korea by the end of this year.

Tetsuzo Fuyushiba, new Minister of Land, Infrastructure and Transport, remarked that the Ministry will make further efforts to invite Chinese visitors to Japan to accomplish the goal of 10 million foreign visitors annually. Celebration events for the 35th anniversary of the Japan-China diplomatic normalization will be placed as the next step to increase tourists respectively, following Japan-China Tourism Exchanges Year 2006.

For the first seven months of 2006, the number of Japanese visitors to China, including business trips, was up 8% to 2.06 million, and the number of Chinese visitors to Japan, including business trips, was also up 28% to 470,000, compared to the same period last year. Chinese tourist groups for Japan particularly resulted in 53% increase. Shibata said, "The growth of tourism exchanges is attributed to positive actions for Japan-China Tourism Exchanges Year 2006 by the travel industry."

Shibata also said that the simplest effort to increase Chinese tourist groups is to increase consular offices of Japan to issue group tourist visa in China. In August this year, Japanese Consulate General in Chongqing was added as a new place to issue group tourist visa.

+Airfares and fuel surcharges are ill-balanced

In the meantime, Shibata mentioned fuel surcharges imposed by airlines: "I think the current fuel surcharges are so high. I assume that the travel industry says airfares and fuel surcharges are ill-balanced today." Shibata revealed that the tourism policy division informally continues taking about the issue with Civil Aviation Bureau.

Shibata added, "Fuel surcharges are relatively high in comparison with airfares," citing fuel surcharge of 20,000 yen on normal PEX airfares of 79,000 yen for a JAL return flight between Japan and Honolulu as 'an extreme example.'

In accordance with request from the travel industry, JAL and ANA are making efforts to ask consumers to understand rise of fuel surcharges on newspapers. Also, the airlines will probably propose revision of the current airfare system itself to IATA. Shibata said, "I keep watching how the situation develops."

**Hawaii sub-committee proposes seven actions for tourism promotions*

Hawaii sub-committee under the working group of the U.S.-Japan Tourism Export Expansion Initiatives held a meeting in Tokyo on October 2 this year to decide the next seven actions for Hawaii tourism promotions. After reviewing the old action plans to clear up issues to send more Japanese tourists to Hawaii, the meeting includes possible solutions in the next seven actions.

The meeting has confirmed first that it is important to develop and create SIT products for nature of Big Island as the first step for value-added products. Also, it has proposed experience programs related to history and culture in Oahu Island particularly for senior tourists. Japan Association of Travel Agents (JATA) already sent a delegation to Big Island and Oahu Island to study new model plans and has proposed "Six days for Hawaii History Tour," "Six days for luxury stay in Big Island" or "Eight Days for Big Island and Honolulu" to travel whole sellers of Japan.

The second action is to promote Fly & Drive in Hawaii, for which the meeting points out that travel agents, rent-a-car companies and tourism offices should work together to create such products and develop sales campaigns.

The meeting places use of charter flights as the third action. JAL has decided to serve a total of 40 return charter flights between Japan and Honolulu by the end of March next year, and major whole sellers will offer the JAL charter flight products intensively from December this year to February next year. With charter flights, local tourist demands for Hawaii are especially expected to be activated.

The fourth point is to develop promotional campaigns for each generation mainly by HTJ: Cruising experience in Hawaii for the baby boomer generation, Fly & Drive for young generation or wedding for young ladies. Also, the action plan includes promotions for sports activities for every generation, such as marathon, triathlon or golf.

The fifth point is to develop long-stay programs by Hawaii Tourism Authority (HTA). The sixth action is to develop educational programs by HTJ. The seventh action is to support sales activities and customer services.

While Hawaii successfully accepted record-high 7.4 million visitors for 2005, the number of Japanese visitors still remained at the 1.5 million level. JATA Director & Secretary General Jun Ishiyama picked three structural factors for the dull growth of Japanese visitors: 1) Practical reduction of hotel rooms in Oahu, 2) Reduction of air seat supplies and 3) rise of fuel surcharges on airfares.

Sharing the issues in exploiting the market of Japan, JATA, HTA and HTJ together recognize that it is necessary to strengthen marketing activities for the bay boomer generation, to solve the existing issues and to clarify short-term and midterm issues. The three organizations will make efforts to upgrade Hawaii to a high-quality destination.

**JAL Chairman declares JAL will maintain its Guam flights*

JAL Chairman Toshiyuki Shinmachi clearly said at a news conference in Guam on October 4 that JAL is making efforts to make Guam stronger market, working together with tourism organizations of Guam, when he visited Guam to cel-

celebrate the 35th anniversary of the JAL's Guam flight. Expecting to maintain and possibly increase the JAL's Guam flight services in the future, Shinmachi added, "It is necessary to exploit new demands for the resort market. For Guam, JAL will work together with Guam to develop higher-value products particularly for senior consumers."

To maintain flight capacities for Guam, Guam International Airport has begun enforcing no landing charge for airlines for the next one year since October this year in order to help airlines improve their financial conditions.

Shinmachi also mentioned the JAL Group's business strategy for its international flight network: "Our international flight business is now in the most difficult situation ever. We must restructure our network again to return to JAL with strong business fundamentals."

Although JAL has suspended Fukuoka-Honolulu flights and Nagoya-Guam flights and withdrawn from all of its Saipan flights, Shinmachi said, "JAL understands that Guam is a special destination for JAL under the longstanding relation. I hope to maintain our service to Guam as much as possible." JAL will create new tourist attractions in Guam together with Guam Visitors Bureau (GVB), particularly focusing on production of higher-value package tours including business class and high-grade hotel.

One of the concerns is rise of fuel surcharge from 3,900 yen to 6,000 yen on one-way flight between Japan and Guam. It may be going to influence expansion of tourist demand for Guam.

Celebrating the 35th anniversary of the JAL's flight for Guam, Guam Governor Felix P. Camacho said, "Guam tourism has been developing together with JAL. We will further strengthen relationship with JAL for development of the tourism industry in Guam."

David B. Tydingco, Chairman of the GVB Board, said, "The annual number of Japanese visitors to Guam expanded from 32,000 in 1970 to nearly 1 million 35 years later. The remarkable expansion would not have happened without the JAL's contribution to Guam. JAL has carried a total of more than 10 million passengers to Guam so far."

**ANA has an ambitious plan to expand its flight network for China*

Koji Harima, ANA Vice President, China Affairs, Marketing & Sales, said at an interview with the Wing Aviation Press that ANA has a plan to offer daily flight services on all of its China routes or even double daily services on the highly-demanded routes in the future. Also he revealed that ANA will expand its flights between Central Japan International Airport (Centrair) and China. "We pay attention to Guangzhou for our business expansion, in addition to Beijing and Shanghai currently. I believe the city is highly potential for both business and leisure demands," Harima added.

According to the new aviation agreement with China in July this year, ANA will begin serving daily flights between Narita and Xiamen and between Narita and Qingdao in the winter schedule starting on October 29 this year. Harima said, "A lot of Japanese companies open their business bases in Xiamen and Qingdao. Also, the cities are expected to be promising for tourism. I think both of the routes are well balanced in business, leisure and cargo."

ANA recognizes that it is important to serve flights everyday to meet passenger demand. ANA will use small aircraft, such as B737, on smaller demanded routes. Particularly using such small aircraft on flights between Kansai International (KIX) and China, ANA hopes to upgrade KIX- Xiamen and - Qingdao to daily operations as soon as possible.

ANA will begin serving Centrair-Tianjin flights in February next year, especially focusing on business passenger demand. "Tianjin is actually a larger market than Dalian because a lot of Japanese automobile factories open in the city," Harima said. ANA is planning to expand the business between Centrair and China further to meet strong demand in the Chubu area.

Harima also mentioned the recent air traffic situation on its China routes: "We went through a hard time until March this year, however have enjoyed double-digit growths of passengers since April this year." ANA Hello Tour, ANA package tour brand, completely recovered the businesses for China after April. Leisure demand will probably grow at a faster pace than before, Harima added. Without any external problems, ANA expects to carry record-high passengers for China this year.

ANA is now discussing another flight destinations in China. Harima said, "The most important condition is balance of demands among business passenger, leisure passenger and cargo. Also, we have to take aircraft availability into consideration. Accordingly, it is highly possible for us to serve another flights for destinations along the sea, including Guangzhou."

To expand the market, Harima pointed out that it is necessary to offer more flexible airfares on China flights in the same manner as the U.S., Europe or Asia flights particularly to exploit the FIT market. ANA plans to provide events or campaigns celebrating the 20th anniversary of the ANA's China flight next year.

**Japanese departures resulted in year-on-year growths for four consecutive months*

Japan National Tourist Organization (JNTO) recently reported that the number of Japanese departures for August this year was up 3.9% to 1,697,000 over the same month last year, resulting in year-on-year growths for four consecutive months. However, the monthly growth is not actually a big progress because Japanese departures for August 2005 resulted in 2.5% reduction under the unstable situation in China or Korea, such as the anti-Japan demonstrations.

For the first eight months of 2006, the number of Japanese departures totaled 11,556,000, 1.7% more than those for the same period last year, but 0.9% smaller than those for the same period in 2000, the record-high year.

The number of foreigner arrivals for August this year was up 6% to 656,000 over the same month last year, resulting in year-on-year growths for six consecutive months. The number of those for the first eight months of 2006 totaled 4,893,100, 7.6% more than those for the same period last year. The annual number for 2006 may reach 7 million, but be hard to reach the initial goal of 7.5 million.

Foreign visitors from Korea and China largely increased by 14.1% to 220,500 and by 24.9% to 81,200 respectively. On the other hand, those from Taiwan, Thailand and Australia decreased by 3.2%, 11.0% and 13.9% respectively.

**JAL almost stopped reduction of domestic passengers*

The domestic air transport result for August 2006, which was released by Civil Aviation Bureau, finds that JAL Group (JAL Domestic, JAL International and J-Air) succeeded in carried almost the same number of its domestic flight passengers as a year earlier, as the number of those was slightly down 0.1% to 3,613,850 for August this year over the same month last year. JAL have suffered from monthly reduction of its domestic passengers for 14 consecutive months since July 2005.

It is also true that the monthly reduction rate has gradually shrunken this fiscal year: 4.6% in April, 2.8% in May, 3.5% in June, 2.9% in July and 0.1% in August. However, JAL does not restore carried passengers to the level before a series of operational troubles.

ANA Group (ANA, Air Nippon, Air Nippon Network and Air Central) reduced carried domestic passengers by 1.8% to 4,309,241 for August this year over the same month last year due to the negative rebound from the special demand related to the Aichi Expo a year ago.

According to the result, ANA carried 695,391 more domestic flight passengers for August this year than JAL did.

Nine airlines carried a total of 9,253,987 domestic flight passengers for August this year, 2.0% more than a year earlier, providing a total of 13,445,600 seats, 2.1% more than a year earlier. The monthly load factor was 69.9%.

The followings are monthly results by airline:

JAL = 3,613,850 passengers, broken down into 1,547,245 on trunk routes (down 6.4%) and 2,066,605 on local routes (up 5.1%)

ANA = 4,309,241 passengers, broken down into 1,628,608 on trunk routes (down 3.4%) and 2,680,633 on local routes (down 0.7%)

Japan Transocean Air = 271,327 passengers, broken down into 22,964 on trunk routes (up 6.7%) and 248,363 on local routes (up 5.8%)

Skymark Airlines = 314,011 passengers, broken down into 252,848 on trunk routes (up 54.5%) and 61,163 on local routes (down 24.4%)

Hokkaido International Airlines = 225,317 passengers, broken down into 128,850 on trunk routes (up 7.4%) and 96,467 on local routes (up 38.3%)

Japan Air Commuter = 149,719 passengers on local routes only (up 0.4%)

JAL Express = 173,875 passengers on local routes only (up 73.8%)

SkyNet Asia Airways = 125,279 passengers on local routes only (down 4.8%)

Star Flyer = 71,368 passengers on a local route only

**JAL issued RFP to two regional jet makers for 70 to 90 seats jet*

JAL recently revealed that it has issued RFP (Request for Proposal) on 70 to 90 seats regional jet to Bombardier of Canada and Embraer of Brazil, although JAL says that it does not mean JAL has already decided to introduce the kind of aircraft. Regional jet aircraft JAL is now studying is larger than 50 seats CRJ200 operated by Nagoya Airport-based J-Air.

Expecting more frequent domestic flights by smaller aircraft after the Haneda Airport re-expansion completes in 2009, JAL has started studying 70 to 90 seats regional jet. If JAL officially decides to introduce the size of aircraft, J-Air will probably be operator for the fleet in addition to the CRJ200 fleet. To meet the business expectation at re-expanded Haneda Airport, JAL will have to make a final decision next year.

In Japan, there is no 70 to 90 seats jet aircraft to date, while turboprop Dash8-400s are operated by several airlines.

**JAL air transport result for August 2006*

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

Passengers = 1,253,442 (96.3%)

RPK = 5,960,977 thousand passenger kilometers (96.5%)

ASK = 8,093,449 thousand seat kilometers (91.2%)

Load factor = 73.7%

<Results by destination>

Transpacific routes

Passengers = 315,075 (98.3%)

RPK = 2,456,173 thousand passenger kilometers (100.7%)

ASK = 3,098,219 thousand seat kilometers (97.4%)

Load factor = 79.3%

Europe routes

Passengers = 129,898 (92.1%)

RPK = 1,198,089 thousand passenger kilometers (91.7%)

ASK = 1,556,248 thousand seat kilometers (81.6%)

Load factor = 77.0%

Southeast Asia routes

Passengers = 367,787 (96.6%)

RPK = 1,253,137 thousand passenger kilometers (97.6%)

ASK = 1,909,828 thousand seat kilometers (91.7%)

Load factor = 65.6%

Oceania routes

Passengers = 65,654 (88.7%)

RPK = 448,610 thousand passenger kilometers (88.3%)

ASK = 632,899 thousand seat kilometers (96.3%)

Load factor = 70.9%

Guam

Passengers = 48,354 (52.3%)

RPK = 123,831 thousand passenger kilometers (53.7%)

ASK = 158,380 thousand seat kilometers (49.8%)

Load factor = 78.2%
 Korea routes
 Passengers = 161,001 (99.4%)
 RPK = 168,239 thousand passenger kilometers (104.2%)
 ASK = 217,289 thousand seat kilometers (96.5%)
 Load factor = 77.4%
 China routes
 Passengers = 163,784 (126.0%)
 RPK = 307,233 thousand passenger kilometers (124.8%)
 ASK = 514,155 thousand seat kilometers (102.4%)
 Load factor = 59.8%
 Other routes
 Passengers = 1,889
 RPK = 5,665 thousand passenger kilometers
 ASK = 6,431 thousand seat kilometers
 Load factor = 88.1%

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

Passengers = 4,243,289 (101.8%)
 RPK = 3,238,924 thousand passenger kilometers (102.2%)
 ASK = 4,596,552 thousand seat kilometers (100.2%)
 Load factor = 70.5%

**Narita reduced ratio of large aircraft operations for FY2005*

Narita International Airport Co. (NAA) recently reported that ratio of B747 and B747-400 operations for FY2005 was 37% of all aircraft operations, lower than 40% for FY2004. The number of B747 and B747-400 movements for FY2005 was 53,927, smaller than 58,486 for FY2004. Narita has reduced large aircraft operations since it opened the shorter second runway in FY2002.

NAA forecasts that the ratio will further reduce for FY2006 because the rise of fuel price forces airlines to use smaller aircraft.

On the other hand, Narita raised ratio of MD11-class aircraft operations (MD11, A340, DC10, A300, B767, A310, B777 and A330) from 55% for FY2004 to 58.4% for FY2005. Ratio of the A320, B737 and helicopter operations reduced from 5% for FY2004 to 4.6% for FY2005.

**Kansai Increased both domestic and international passengers in August*

Kansai International Airport Co. reported on September 29 that the number of passengers for August this year was up 4% to 1,613,814 over the same month last year. The airport particularly handled the most foreign passengers ever in August. The monthly total was broken down into 1,085,300 international flight passengers (up 3%) and 528,514 domestic flight passengers (up 6%).

The airport handled a total of 10,264 aircraft movements for August 2006, 4% more than a year ago, broken down into 6,431 for international flights (up 3%) and 3,833 for domestic flights (up 5%). The monthly aircraft movements for international flights consisted of 5,201 for passenger flights (up 2%), 1,144 for cargo flights (up 10%) and 86 for others (down 17%).