

Japan's Leading Tourism and Aviation Weekly

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****JTB survey finds Japanese overseas travelers will be up 3.2% during this New Year***

JTB recently released the travel movement survey during this New Year holiday season (December 23 2006 to January 3 2007), reporting that the number of Japanese overseas travelers is expected to reach 648,000, 3.2% more than a year ago. Including forecasted 29.4 million domestic travelers (0.3% more than a year ago), the total number of travelers during the period may reach 30 million approximately, 0.4% more than a year ago.

The survey also finds that the average travel expenses are 210,510 yen per overseas travel, 5.5% more than a year ago, and 34,160 yen per domestic travel, 0.2% more than a year ago.

The survey results came from questionnaires to 2,400 customers, the latest JTB booking status and the current industry trend. The number of travelers and the average travel expenses will probably see year-on-year growth for the first time in the last six years. One of the distinctive features is strong overseas travel demand, as the number of overseas travelers is expected to be the third most ever, following 684,000 in the 1996-1997 New Year holiday season and 655,000 in the 2000-2001 New Year holiday season.

The busiest days for overseas and domestic departures will be December 30 and December 31 respectively. However, JTB says that more travelers tend to spend the first week of January for their travels.

In the overseas travel market, Hawaii and Guam are particularly preferred during this New Year holiday season. However JTB forecasts that actual increase rates for both destinations will be smaller because of the limited seat availability although several charter flights or seasonal flights are supposed to be served nationwide.

Macau is also preferred, as several casino hotels have recently opened there. Bookings for Hong Kong and China are increasing as well, and Europe is still popular especially among senior travelers. On the other hand, bookings for North America and Oceania hit the wall.

JTB also reported that it has received 9.1% more bookings for LOOK JTB overseas travel products from the family segment than a year ago.

JTB estimates overseas travelers by destination as follows:

Korea = 84,000 (up 1.2%)
 China = 90,000 (up 7.1%)
 Hong Kong = 35,000 (up 9.4%)
 Taiwan = 42,000 (up 5.0%)
 Thailand = 38,000 (down 2.6%)
 Singapore 15,500 (up 3.3%)
 Indonesia = 14,000 (up 40.0%)
 Malaysia = 8,500 (up 6.3%)
 Others in Asia = 28,000 (up 3.4%)
 Asia in total = 355,000 (up 5.0%)

Mainland U.S.= 44,000 (down 2.2%)
 Canada = 6,500 (down 7.1%)
 North America in total = 50,500 (down 2.9%)

Hawaii = 62,000 (up 3.3%)
 Guam/Saipan = 54,000 (up 1.9%)

Europe in total = 80,000 (up 2.6%)

Australia = 27,000 (even)
 New Zealand = 6,500 (down 7.1%)
 South Pacific islands = 4,000 (even)
 Oceania in total = 37,500 (down 1.3%)

Others in total = 4,000

**Narita forecasts record-breaking departures and arrivals in this New Year*

Narita International Airport Co. (NAA) recently reported that the number of passengers during this New Year holiday season (December 22 2006 to January 8 2007) is expected to increase by 1.9% to 1,376,900 in total over the same period a year ago. The total is broken down into 705,200 departures, 2.2% more than a year ago, and 671,700 arrivals, 1.6% more than a year ago. Each of departure and arrival forecasts is a record high.

Out of the forecasted number of departures, 341,400 passengers are expected to depart from the first PTB, 67.3% more than a year ago due to the opening of the South Wing, while 363,800 passengers are expected to depart from the second PTB, 25.1% smaller than a year ago. The forecasted number of arrivals is classified into 339,600 at the first PTB, 69.9% more than a year ago, and 332,100 at the second PTB, 28.0% smaller than a year ago.

According to the NAA report, the busiest day for departures will be December 29 with 47,000 departures, and the busiest day for arrivals will be January 8 with 53,100 arrivals. Flights for China, Hong Kong and Asian resort destinations will particularly be busy.

**Japanese and Chinese ministers agreed to restart the bilateral aviation talks soon*

Minister of Land, Infrastructure and Transport Tetsuzo Fuyushiba met Minister of Civil Aviation Administration of China (CAAC) Yang Yuanyuan in Beijing on December 2 to agree that both of the aviation authorities will restart the bilateral aviation talks early next year to meet growing air traffic demand between Japan and China. At the same time, as they reconfirmed that Haneda Airport-Shanghai's Hongqiao Airport charter flights will be a significant project as "a symbol of friendship between Japan and China," both countries will make efforts to make it come true, though Hongqiao Airport has a departure slot problem.

The reconfirmation on the charter plan between the aviation ministers followed a basic agreement at the Japan and China summit meeting in October this year. Both of the aviation authorities are likely to develop practical discussion on the charter plan in the restarted bilateral aviation talks.

The latest aviation agreement, which was concluded in July this year, has allowed airlines of Japan and China to largely expand their flights between Japan and China for the 2006-2007 winter schedule beginning from the end of October this year. However, Japan and China understand that it is necessary to expand air traffic volume further to meet growing market demand particularly for Beijing Olympics in 2008 and Shanghai Expo in 2010.

In the meeting with Director of the China National Tourism Administration (CNTA) Shao Qiwei on the same day, Minister Fuyushiba revealed that he would try to work on the related ministries to revise the current institutional framework for Chinese group travelers to be easier to visit Japan.

Also, Fuyushiba told Shao Qiwei that Japan has a plan to send a total of 19,000 travelers to 19 Chinese cities having direct flights from Japan as one of the celebration actions for the 35th anniversary of the diplomatic normalization between Japan and China next year. Likewise, Shao Qiwei showed that China intends to dispatch travel groups to 18 Japanese cities having direct flights from China. On November 18 this year, both leaders of Japan and China already agreed to expand travelers between both countries to 5 million next year.

Shao Qiwei requested again in this meeting that the Japanese government would try to deregulate visa procedures for Chinese group travelers to Japan. The current regulation on Chinese group travel calls for 40 members in one Chinese group at most with one Chinese tour conductor and one Japanese tour conductor, when a Chinese group acquires group travel visa for Japan. In this point, Fuyushiba has proposed that the visa regulation can be eased as a smaller group or a family with three to five travelers can visit Japan, for instance.

However, the related ministries, like Ministry of Foreign Affairs, Ministry of Justice or National Police Agency, are likely to have negative reactions to the Fuyushiba's idea in terms of measures against possible missing Chinese travelers from a group.

**CPA now serves six Hong Kong-Narita flights daily with code-share with HDA*

Cathay Pacific Airways (CPA) has started GSA operation for Hong Kong Dragon Airlines (HDA) in the Japanese market since this November, as HDA became a subsidiary wholly owned by CPA. The HAD offices in Japan were merged into the CPA business system, and the current HDA's Hong Kong-Narita International Airport flights are now operated as code-share flights by CPA, which brings CPA's Hong Kong-Narita flights to six flights a day.

CPA General Manager Japan James Ginns emphasizes that the unification will benefit passengers traveling between Hong Kong and Japan, including flight connections to another destinations beyond Hong Kong. In addition to Hong Kong-Narita, CPA has code-share flights with HDA on Hong Kong-Beijing, Shanghai, Xiamen, Kota Kinabalu (Malaysia) and Phuket (Thailand) routes. The new HDA flight service on Hong Kong-Busan route, which will be available in January next year, will also be code-shared by CPA.

Ginns also said of the charter flight business, "HDA will intensively serve charter flights between Sendai and Hong Kong during the first quarter of 2007, and part of those will be operated by CPA." In October this year, HDA announced the charter plan of 26 return flights in total, most of which will be used by JTB Tohoku. In addition to charters for Sendai, HDA will serve a total of 34 return charter flights for eight cities of Japan, including Yamagata, Niigata, Matsumoto, Okayama, Kitakyushu, Kagoshima and Okinawa.

Ginns said that the HDA charter services are very effective to meet demands from Japanese local cities to Hong Kong, and vice versa.

**Travel spending and spillover effect in the economy resulted in slight decrease for FY2005*

The Ministry of Land, Infrastructure and Transport released a report on spillover effect in the economy by travel spend-

ing for FY2005 on December 1 this year, reporting that travel consumption in Japan amounted to 24,430 billion yen, 0.2% less than FY2004. Accordingly production spillover effect in the whole economy was down 0.2% to 55,310 billion yen, while value-added effect was slightly up 0.03% to 29,670 billion yen.

The report also shows that direct job creation effect for FY2005 was 2.29 million work forces, 2.6% smaller than FY2004, and including spillover effect, the whole job creation effect for FY2005 was 4.69 million work forces, 1.3% smaller than FY2004, accounting for a 7.4% share of all work forces in Japan.

Tax effect amounted to 5,000 billion yen for FY2005, 4.2% more than FY2004, accounting for a share of 5.8% of the whole tax revenue of 85,600 billion yen for FY2005.

The whole travel consumption of 24,430 billion yen for FY2005 included domestic overnight trip spending of 164,100 billion yen (down 1.4%), domestic daytrip spending of 4,660 billion yen (up 2.7%) and overseas travel spending in Japan of 1,720 billion yen (up 0.2%). The total amount of travel spending in Japan by Japanese nationals for FY2005 was 22,780 billion yen, 0.4% less than FY2004. Travel spending in Japan by foreign visitors for FY2005 reached 1,650 billion yen, 3.8% more than FY2004.

The total overseas travel spending amounted to 6,770 billion yen for FY2005, 3.9% less than FY2004, combined spending overseas of 5,500 billion yen and spending in Japan of 1,720 billion yen as mentioned above. The reduction is primarily attributed to the decrease of Japanese overseas travelers by 0.4% to 17,361,000 for FY2005 and to the reduction of unit price.

The followings are survey results for FY2005 (compared to FY2004):

<Spillover effect in the whole economy>

Travel consumption in Japan = 24,430 billion yen (down 0.2%)

Production spillover effect = 55,310 billion yen (down 0.2%)

Value-added effect = 29,670 billion yen (up 0.03%)

Direct job creation effect = 2.29 million work forces (down 2.6%)

The Whole job creation effect = 4.69 million work forces (down 1.3%)

Tax effect = 5,000 billion yen (up 4.2%)

<Breakdown of travel spending by Japanese nationals>

Travel spending in total = 22,780 billion yen (down 0.4%)

Spending before travel = 3,440 billion yen (down 2.5%)

Spending after travel = 510 billion yen (up 34.2%)

Spending during travel = 18,960 billion yen (down 0.05%), comprising

*revenue to travel companies = 590 billion yen (down 9.2%)

*transportation = 7,750 billion yen (up 4.9%)

*accommodation = 3,640 billion yen (up 2.0%)

*accommodation (second house) = 640 billion yen (down 1.5%)

*food and drink = 2,210 billion yen (down 10.2%)

*souvenir and shopping = 2,960 billion yen (down 6.3%)

*admission and facility fees = 900 billion yen (up 4.7%)

*others = 270 billion yen (up 12.5%)

**ANA and Asiana agree to extend the strategic partnership*

ANA and Asiana Airlines of Korea agreed on December 5 this year that the pair will extend code-sharing operations to all of each airline's 154 flights a week between Japan and Korea as early as February next year, except Haneda-Gimpo charter flights. Currently serving scheduled flights for Korea from Narita International Airport, Kansai International Airport and Central Japan International Airport, ANA will strengthen flight network particularly from local cities of Japan to Korea in cooperation with Asiana that today serves flights for Asahikawa, Sendai, Fukushima, Toyama, Yonago, Matsuyama, Takamatsu, Miyazaki, Kumamoto and Naha.

Both airlines have started code-sharing flights since December in 2000 and today operate a total of 105 code-sharing

flights a week. With the agreement, their code-sharing flights will reach 154 a week: 21 a week by ANA and 133 a week by Asiana.

**ANA resulted in 10.3% increase of international flight passengers in October*

ANA recently reported that it carried a total of 373,630 passengers on its international flights for October this year, 10.3% more than the same month last year, as ANA explained it succeeded in increasing business passengers on New York, Frankfurt and China flights and both business and leisure passengers on Hong Kong and Singapore flights. The monthly load factor was 78.1%, 3.8 points higher than a year ago.

The monthly air transport result also shows that ANA carried a total of 4,337,450 passengers on domestic flights, 6.2% more than a year ago, particularly boosted by the super discount airfares campaign for five days in early October. The monthly load factor was 72.4%, 2.6 points higher than a year ago.

ANA largely increased international cargo volumes by 13.9% to 26,863 tons and domestic cargo volume by 7.0% to 39,526 tons respectively in October this year, compared to a year ago.

** JAL air transport result for October 2006*

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

Passengers = 1,122,689 (96.4%)

RPK = 5,213,140 thousand passenger kilometers (93.5%)

ASK = 7,200,332 thousand seat kilometers (88.3%)

Load factor = 72.4%

<Results by destination>

Transpacific routes

Passengers = 235,297(84.7%)

RPK =1,838,558 thousand passenger kilometers (86.3%)

ASK =2,358,673 thousand seat kilometers (84.4%)

Load factor =77.9%

Europe routes

Passengers = 130,762 (95.6%)

RPK = 1,214,853 thousand passenger kilometers (95.4%)

ASK = 1,420,695 thousand seat kilometers (79.7%)

Load factor = 85.5%

Southeast Asia routes

Passengers = 338,709 (98.7%)

RPK =1,165,853 thousand passenger kilometers (100.7%)

ASK =1,910,425 thousand seat kilometers (95.8%)

Load factor = 61.0%

Oceania routes

Passengers = 60,290 (92.8%)

RPK =417,814 thousand passenger kilometers (91.6%)

ASK = 617,329 thousand seat kilometers (94.3%)

Load factor = 67.7%

Guam

Passengers =38,877 (69.9%)

RPK = 98,446 thousand passenger kilometers (70.3%)

ASK = 143,942 thousand seat kilometers (69.3%)

Load factor = 68.4%

Korea routes

Passengers = 148,363 (104.1%)

RPK = 157,387 thousand passenger kilometers (106.9%)

ASK = 225,298 thousand seat kilometers (105.1%)

Load factor = 69.9%

China routes

Passengers = 170,391 (118.6%)
RPK = 320,228 thousand passenger kilometers (117.8%)
ASK = 523,971 thousand seat kilometers (103.1%)
Load factor = 61.1%

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

Passengers = 4,170,114 (104.9%)
RPK = 3,158,169 thousand passenger kilometers (105.5%)
ASK = 4,417,884 thousand seat kilometers (100.7%)
Load factor = 71.5%

**Centrair passengers resulted in 5% increase in October this year*

Central Japan International Airport Co. recently reported that the number of passengers using Centrair airport in October this year was up 5% to 1,117,200 over the same month last year, representing the first monthly increase in this fiscal year. The monthly total was broken down into 474,400 passengers for international flights, 6% more than a year earlier, and 642,800 passengers for domestic flights, 5% more than a year earlier.

On the contrary, Centrair reduced international cargo volume in October this year by 6% to 22,946 tons over the same month last year, although it resulted in 20% increase of cargo volume for the first half of FY2006. The monthly total consisted of 11,710 tons for loading (down 12%) and 11,236 tons for unloading (even).

Centrair handled 9,373 aircraft movements in October this year, slightly 1% more than a year earlier, broken down into 3,437 for international flights (up 9%) and 5,936 for domestic flights (down 3%). The number of aircraft movements for international flights was classified into 2,898 for passenger flights (up 6%), 433 for cargo flights (up 18%) and 106 for others (up 51%).

Terminal sales in October this year decreased by 10% to 2,058 million yen, compared with a year earlier, and the number of visitors including passengers was down 14% to 1,302,000. However, both figures were better than the reduction rates for the first half of this fiscal year.

**Japan and Brunei agreed with seven flights a week*

The bilateral aviation talks between Japan and Brunei, which was held in Tokyo on November 30, agreed to allow both countries' carriers to operate seven scheduled flights a week respectively and to have code-share tie-ups each other or with the third country's carrier. With the new agreement, Royal Brunei Airlines will discuss scheduled flights for Kansai International Airport. However, any Japanese carriers do not have plans to serve flights for Brunei.

The first aviation agreement between Japan and Brunei was effective in August 1994, and Royal Brunei Airlines served two flights a week between Bandar Seri Begawan and Kansai from 1994 to 1998. However, since 1998, the airline has suspended the flight service because it could not make a profit with two flights a week.