

Japan's Leading Tourism and Aviation Weekly

Under Copyright Law Reproduction of Publication Strictly
Prohibited Without consent of Publisher

Published every Monday by The WING Aviation Press (Koku Shimbun Sha).
San-Miyanaga Building, 5-12 Moto-Akasaka 1-chome, Minato-ku, Tokyo 107-0051, Japan
Phone: 81-3-3796-6646, Fax: 81-3-3796-6645
mailto:jwtw@jwing.com , http://jwing.com/e/ (English) , http://jwing.com/ (Japanese)
Subscription Rates: Overseas: One year \$ 215.00, Half year \$ 125.00
Domestic (including tax): One year 26,000 Yen, Half year 15,000 Yen

This Week Headline

*JTB has revised downward Japanese overseas travelers for 2006	1
*JTB Symposium: The overseas travel market will be on a new growth track after 2006	2
*GTO to increase 30's to 50's male customers for its dynamic packages	2
*Jetstar offers 20% cheaper airfares on its Japan route than usually	3
*China finally approved fuel surcharges on China-Japan flights	3
*International departures from Centrair is expected to grow largely this summer	4
*Narita recorded the most monthly passengers ever for June	4
*JAL extends interline e-ticketing for international flights	5
*Domestic flight passengers slightly grew for June this year	5

****JTB has revised downward Japanese overseas travelers for 2006***

JTB recently released "JTB REPORT 2006," in which it has revised downward forecast of Japanese overseas travelers for 2006 from 18 million announced in the end of 2005 to 17.8 million because the number of Japanese overseas travelers for the first four months of 2006 reduced from the result for the same period last year. The most-ever Japanese overseas travelers were 17.82 million for 2000. JTB analyzes that the downturn mainly resulted from in active travel demand for China and Korea, however business trip demand is still active.

It is distinctive that departures of female travelers from late 30's to early 40's, who experienced so-called Bubble Economy in their 20's, have increased more than ever before. JTB forecasts that the market will further expand when the generation finishes parenting.

JTB particularly picks three positive factors to activate the travel industry: Fly & Drive products, low cost carrier's (LCC) flying into Japan and appearance of dynamic package. JTB expects that LCC may encourage the travel industry to change its business structure for overseas travels drastically and also give a business chance to dynamic packages.

Looking back to 2005, the number of Japanese overseas travelers was up 3.4% to 17.4 million compared to 2004, although the numbers from May to December 2005 were lower than a year earlier because of several negative factors, such as the anti-Japan demonstrations in China and Korea or bombings in London, Egypt and Bali. The busiest month in 2005 was September with 1,634,365 overseas travelers, rather than August with 1,634,053 overseas travelers. The trend represents that many travelers shifted to September to avoid the highest price and the busiest traffic in August.

The JTB survey, which focused on internet users only, finds that the largest tool to decide overseas destinations was travel pamphlet with a share of 28.5%. Internet has a share of 9.7%, increasing from a share of 7.1% a year earlier, however it was the largest tool to book travel products with a share of 34.5%.

Overseas travel spending was 254,000 yen on average, 31,000 yen lower than a year earlier, primarily because of shorter travel days and of growing short-range destinations. Distinctively a share of shopping spending dropped to 18.6%, below 20% for the first time in the past JTB surveys.

Also, spa and beauty treatment is remarkably preferred as an activity by female travelers: 38.4% in the segment of unmarried females from 30 to 44 years old and more or less 30% in the segments of unmarried females from 15 to 29 years old and married females with jobs. Most of them selected Southeast Asia countries as destinations.

**JTB Symposium: The overseas travel market will be on a new growth track after 2006*

JTB Foundation (JTB) recently reported the overseas travel market trend 2005-2006 at Overseas Travel Trend Symposium on July 26, saying that 2006 is a recovery year after the crisis year of 2005, when the anti-Japan demonstrations in China and Korea impeded growth of the overseas travel market. Also, it mentioned that the reduction rate of 20's travelers has recently improved and showed a bright forecast that the overseas travel market will be on a new growth track after 2006.

JTBF analyzed that the anti-Japan demonstrations were the same crises for the travel industry as the 9.11 terrorist attacks or SARS, giving bad influences to all age travelers who are interested in China or Korea. However, the situation has improved since February this year, and the market for the destinations has already entered a recovery stage this summer.

JTB has recently revised downward forecast of Japanese overseas travelers for 2006 (April to December 2006) from 18 million announced in the end of 2005 to 17.8 million because the number of Japanese overseas travelers for the first four months of 2006 reduced from the result for the same period last year. However JTBF sees that the overseas travel market has been on a recovery track since May this year.

JTBF analyzes that the overseas travel market has two features in 2005: growth of 40's travelers and recovery of 20's travelers. In the 40's segment, female travelers from 34 to 44 years old and male travelers from 40 to 49 years old are active, as JTBF points out that the 40's market should be analyzed by a five years old segment.

In the 55 to 59 years old segment including the baby boomer generation, male and female travelers resulted in 3.6% and 1.5% increase respectively for the period from May 2005 to March 2006, compared to a year earlier. JTBF expects that male baby boomers may create a larger market than female baby boomers.

One of the happy trend is that the reduction rate of early 20's (20 to 24 years old) travelers has shrunk, as JTBF shows 2.9% reduction of females and 1.1% reduction of males for 2005, compared to a year earlier. The improvement partially results from better job environment surrounding the early 20's. Recovery of 20's travelers will be a key factor for further growth of the overseas travel market, according to JTBF.

**GTO to increase 30's to 50's male customers for its dynamic packages*

Junichi Goto, Vice President of Global Travel Online (GTO) dealing with dynamic package products online, said at an interview with the Wing Travel Weekly that it has preferably increased customers, particularly 30's to 50's male customers, since it began selling dynamic package products in October last year. "The ration of male to female is still 6 to 4. Our products are especially preferred by male customers of around 40 years old, who I believe are the leading market for overseas travels," he added.

The average ages of male and female users are 42 years old and 35 years old respectively. Goto said, "Male customers of around 40 years old are generally experienced travelers, including business trips, and will potentially become repeaters." On the contrary, GTO is not so much used by 20's male customers.

In the female segment, 30's to 50's are main customers, and 20's users are interestingly more than those of male. Goto said, "20's female users frequently purchase air tickets only."

The ratio of sales between dynamic packages and air tickets is now 6 to 4. Goto revealed that the number of customers has increased more than we expected since April this year mainly because it have developed an effective advertising campaign and begun credit card payment service. "We have to increase customers more and more and establish a consolidated system to make a profit," he added.

GTO deals with 64 cities worldwide, covering almost all of regions. Preferable destinations for the company's dynamic packages are Seoul Taipei, Hong Kong, Guam or Saipan. In Europe, minor destinations, which are usually not packaged by major whole sellers, are preferred. Goto said, "The trend reflects a feature of dynamic package that you can choose what you like." Another feature is that GTO has received more last-minute bookings than those for regular package tours.

GTO aims to expand its business to 100 cities and 2,000 hotels, especially focusing on Macau, New Zealand and Scandinavian countries from now on. Goto emphasized, "We are making efforts to increase direct contracts with overseas hotels particularly in the Asia Pacific region to offer different services from Expedia, the largest travel online company that has recently announced to begin the business in the Japanese market."

In the future, GTO will also deal with local optional tours, rent-a-car or travel insurance in addition to hotels and air tickets today.

**Jetstar offers 20% cheaper airfares on its Japan route than usually*

Jetstar Airways, beginning serving scheduled flights between Sydney and Kansai International Airport (via Brisbane from Sydney to Kansai) on March 25 next year, announced at a news conference in Osaka on July 26 that the Qantas-affiliated low cost airline would offer special airfares of 20,000 yen, except fuel surcharges, for the flights during the limited period from March 25 to June 30 next year, for which a ticketing term is effective until August 1 this year. The airline said that it has ensured 25% of all seats a flight (65 seats approximately) for the special airfares.

In addition to the limited special airfares, Jetstar will offer normal economy class airfares of 77,600 yen at minimum (except taxes and fuel surcharges), 20 or 25% cheaper than the current airfares on the route. The airline will always offer cheaper airfares as a leading low cost carrier of Australia. Also, Star Class seats, which are equivalent to premium economy class seats, will be sold at 163,000 yen.

To date, the airline's ticketing is dealt by travel agencies of Jetstar Holidays, HIS and QH International (Qantas Holidays).

Jetstar will serve the new daily flights between Sydney and Kansai with 303 seats A330-200 (265 economy class seats and 38 Star Class seats). After 2009, it plans to change the aircraft to B787-8. Despite LCC, the airline will provide in-flight meals, blankets, pillows and amenities without payments, but charge alcohol drinks and on-demand videos for the economy class passengers. All of in-flight services will be free for Star Class passengers.

Jetstar has launched its Japan branch in Osaka, led by Masaru Kataoka who used to work for former Ansett Australia and Air New Zealand.

**China finally approved fuel surcharges on China-Japan flights*

The Chinese government finally accepted change of fuel surcharges on flights between Japan and China applied by Japanese and Chinese airlines. This is the first approval in the last three applications. As the change has already been approved by the Japanese government, the new fuel surcharges are now enforced. After rejected the last two applications on change of fuel surcharges, JAL and ANA applied for another new fuel surcharges of 3,000 yen a passenger on all their flights between Japan and China.

JAL originally applied for fuel surcharges of 1,300 yen on Fukuoka-Shanghai flights, 3,900 yen on the over 2,000 kilometers flights and 2,700 yen on other China flights in January this year. Also, ANA originally planned to collect 1,900 yen on Fukuoka-Shanghai flights and 3,100 yen on other China flights.

In the same manner, both Japanese and Chinese governments have approved for five Chinese carriers to change fuel surcharges on their Japan flights to \$25 without exceptions.

**International departures from Centrair is expected to grow largely this summer*

Both JAL and ANA are increasing bookings of their international flights, particularly for Asia including China, from Central Japan International Airport or Centrair during this summer vacation season (August 11 to 20).

Providing 24,028 seats on international flights from Centrair during the period, JAL Group has already received 17,201 bookings, 25.1% more than a year earlier. The growth rate of bookings is much higher than the increase rate of 0.1% for available seats. The booking rate is 71.6% so far.

The booking status of JAL Group including JAA and JAL Ways by international destination is as follows (as of late July):

Hong Kong = 682 bookings (45.7% more than a year earlier), booking rate of 62%
 Korea = 3,033 bookings (11.5% more than a year earlier), booking rate of 60.4%
 China = 2,811 bookings (97.3% more than a year earlier), booking rate of 54.6%
 Honolulu = 4,411 bookings (19.4% more than a year earlier), booking rate of 91.3%
 Bangkok = 2,149 bookings (29.8% more than a year earlier), booking rate of 87.1%
 Manila = 739 bookings (32.7% more than a year earlier), booking rate of 52.7%
 Taipei = 1,708 bookings (2.7% more than a year earlier), booking rate of 73.5%
 Paris = 1,668 bookings (6.4% more than a year earlier), booking rate of 96.4%

Increasing available international seats by 60.9% to 10,160 during the period, ANA has already doubled bookings to 6,714. The booking rate is 66.1% so far. ANA has particularly received 3.12 times more bookings on flights from Centrair to Shanghai and 2.45 times more bookings on flight from Shanghai to Centrair than a year earlier. Also, it has received 36.5% more bookings on Centrair-Seoul return flights than a year earlier, and the booking rates are 88.6% on flights from Centrair to Seoul and 77.6% on flights from Seoul to Centrair so far.

**Narita recorded the most monthly passengers ever for June*

Narita International Airport Co. (NAA) reported on July 27 that the airport recorded the most monthly passengers ever for June this year, increasing those by 2% to 2,616,888 over the same month last year. NAA says that the passenger growth mainly resulted from positive rebound from the passenger reduction after anti-Japan demonstrations last year.

The monthly total of passengers was broken down into 2,526,988 international flight passengers, 2% more than a year earlier, and 89,900 domestic flight passengers, 3% smaller than a year earlier.

The monthly total of international flight passengers consisted of 1,554,633 Japanese passengers (up 3%), 658,941 foreign passengers (up 1%) and 313,414 transits (down 1%). The highest growth of passengers was 24% on China flights, followed by 12% on Hong Kong flights, 3% on Asia flights and 2% on Taiwan flights. On the contrary, the number of passengers between Narita and Korean destinations was down 2% primarily because a certain number of passengers moved to charter flights between Haneda and Gimpo (Seoul).

Narita handled cargos of 186,829 tons for June this year, 2% more than a year earlier, which represented the second most

monthly cargos ever. The monthly total was broken down into 93,922 tons for loading, 8% more than a year earlier, and 92,907 tons for unloading, 4% smaller than a year earlier.

The number of aircraft movements for June this year was down 1% to 15,481, compared to a year earlier, comprising 14,431 for international flights (down 1%), 1,050 for domestic flights (up 2%) and 37 for other flights (down 18%). The monthly total of aircraft movements for international flights was broken down into 11,903 for passenger flights (down 1%), 2,348 for cargo flights (up 2%) and 180 for others (down 10%).

**JAL extends interline e-ticketing for international flights*

JAL announced on July 27 that it has begun interline e-ticketing service for international connection flights with Singapore Airlines and its affiliated airline, Silk Air. This year, JAL has continued to actively expand its e-ticketing alliances by making partnerships with Alaska Airlines (March 30), Air France (June 13), Air New Zealand (June 15) Cathay Pacific Airways (June 29), Continental Airlines (July 13), Aloha Air (July 13) and most recently Thai Airways (July 24). Also, passengers can also purchase e-tickets when they travel on routes using JAL code share flights, and flights operated by JAL Group subsidiaries, Japan Asia Airways (JAA) and JAL Ways.

**Domestic flight passengers slightly grew for June this year*

The Ministry of Land, Infrastructure and Transport recently reported that nine airlines carried 7,550,497 passengers in total for June this year, slightly 0.4% more than the same month last year. The growth rate for June was lower than 1.6% for April and 3.4% for May because Aichi Expo encouraged the domestic flight market to grow last June.

For June this year, nine airlines provided a total of 12,434,806 seats, 3.0% more than a year earlier. RPK and ASK grew by 0.8% to 6,653,479 thousand passenger kilometers and by 3.4% to 10,894,078 thousand seat kilometers respectively. The monthly load factor was 61.1%.

The monthly total of passengers was broken down into 3,042,871 passengers on trunk routes, 2.5% smaller than a year earlier, and 4,507,626 passengers on local routes, 2.4% more than a year earlier. The monthly load factors were 64.9% on trunk routes and 59.4% on local routes.

The monthly results by airline are as follows:

JAL = 2,984,502 passengers (down 3.5%), comprising 1,379,791 passengers on trunk routes (down 5.2%) and 1,604,711 passengers on local routes (down 2.1%)

ANA = 3,639,824 passengers (down 0.5%), comprising 1,426,978 passengers on trunk routes (down 0.7%) and 2,212,846 passengers on local routes (down 0.4%)

JTA = 190,651 passengers (down 1.7%), comprising 16,204 passengers on trunk routes (up 0.3%) and 174,447 passengers on local routes (down 1.9%)

SKY = 176,143 passengers (up 8.2%), comprising 117,806 passengers on trunk routes (up 8.0%) and 58,337 passengers on local routes (up 8.7%)

ADO = 175,542 passengers (up 11.0%), comprising 102,092 passengers on trunk routes (down 1.7%) and 73,450 passengers on local routes (up 35.3%)

JAC = 106,489 passengers on local routes only (up 2.1%)

JEX = 145,323 passengers on local routes only (up 44.5%)

SNA = 82,014 passengers on local routes only (up 60.8%)

SFJ = 50,009 passengers on local routes only