

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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****JAL and ANA each will be able to use new 34 slots and 36 slots at Narita***

Ministry of Land, Infrastructure and Transport has decided to allot 70 slots a week (35 return flights a week) out of unused 140 slots a week (70 return flights a week) to Japanese airlines. The Ministry has agreed with the Chinese counterpart to take advantage of unused slots for domestic flights for international flights including those by Chinese airlines.

Out of new 70 slots, the Ministry will allot 34 slots a week (17 return flights a week) to JAL and 36 slots a week (18 return flights a week) to ANA. Both airlines will be able to optimize newly available slots, regardless of passenger or cargo or regardless of flights for China or those for others. When the airline uses a slot for other destination than China, it will be able to move the current flight for China from A runway to B runway to operate other longer destination flight on A runway.

The Ministry says, however, that 70 slots a week for Japanese airlines are maximum availability because slot arrangements at counterpart airports, including airports in China, are not finished yet. It is necessary for JAL and ANA to apply to the Ministry for new flight plans for this winter schedule beginning from October 29 this year no later than September 14 this year.

JAL will increase its Narita-Shanghai flights from 21 flights a week to 28 flights a week and its Narita-Guangzhou flights from seven flights a week to 14 flights a week. Also, JAL will add three cargo flights a week for China. ANA is discussing daily services on Narita-Qingdao and Narita-Xiamen.

Out of the rest of 70 slots a week (35 return flights a week) after allotment of 70 slots a week to Japanese carriers, 28 slots a week (14 return flights a week) will be used by a Chinese carrier, practically Air China. Also, Northwest Airlines will use new slots for daily service on its Narita-Guam route.

Other additional flights are coordinated: two flights a week for Cairns by Qantas Airlines, two flights a week for Helsinki

by Finnair, one flight a week for Munich by Lufthansa Airlines or one flight a week for Zurich by Swiss International. Regarding the remained slots even after those carriers decide to use the allotted slots, the Ministry keeps discussing with another countries that want to fly into Narita.

**Airlines enjoy higher business class demands on their Guam flights*

JAL, ANA, Continental Airline and Northwest Airlines, each of the airlines flying into Guam from Japan, has recently maintained higher load factor on their business class this year than last year, particularly preferred by older age travelers and honeymooners. At the same time, major whole sellers have increased sales of Guam products using business classes. The trend is expected to stabilize the flight business on the route and to raise yields of the airlines.

Offering business class on a daytime flight on Narita-Guam route, JAL Group carries 150% more business class passengers this year so far than last year. Also, the airline will begin offering business class on Kansai International-Guam flight in this coming October. Package tours with extra payment for business class are preferred by older age travelers or golfers who seek a little bit more luxuries, JAL says.

Providing business classes on all of its flights for Guam, Continental Airlines has strengthened promotions to encourage seniors and honeymooners especially to use its business classes. In the same manner as JAL, the airline carries more business class passengers this year than last year, as package tours with extra payments for the higher-grade air movement are preferred. The airline's "Elite Access," security check-in procedure exclusively for business class passengers, also attracts business class users' interests, Continental Airlines says.

For the travel industry, Continental Airlines is making active efforts to promote the business class product, appealing that the product can generate profits for travel agents. The airline expects that it can increase business class users of "Jukunen (older age)" travelers or golfers particularly on its flights from cities of northern Japan in the second half of FY2006.

Northwest Airlines will expand its Narita-Guam flights to double-daily flights from October 28 this year, adding a night flight from Narita. Continental Airlines will serve four Sapporo-Guam flights a week for five months from November 2 this year to the end of March next year, available for two more months than the last season.

The air capacity between Japan and Guam has been expanding, as ANA and Continental Airlines served seasonal flights in the first half of this fiscal year, in addition to the new flights in the second half of FY2006.

**Direct charter flights for Switzerland will be served from local cities of Japan next summer*

Edelweiss Air of Switzerland is planning to serve ten direct charter flights for Switzerland from local cities of Japan next summer. Karl Kistler, CEO of the airlines, said at a news conference in Tokyo on September 14, "It is special for us to fly into Japan." As an actual pilot for the airline, he added that he hopes to operate the first charter flight.

To date, Edelweiss Air will serve direct charter flights to Zurich from Sapporo on June 20, Sendai on June 27 and July 4, Central Japan International Airport on July 11, Kansai International Airport on July 18 and 25, Nagasaki on August 1 and Hiroshima on August 8. Also, it is planning to serve those from Okinawa or Okayama. From now on, the airline will start selling the chart flights to major travel agents in cooperation with The Contact, a GSA for the Japanese market.

The flights will be offered with A330-200 (32 business class seats and 275 economy class seats). The airline will install new business class seats on the aircraft in November this year.

Edelweiss Air is a young airline with just 10 years old, a 100% subsidiary of Kuoni Travel Ltd. As a charter operator for Mediterranean or Caribbean resort destinations particularly during wintertime, it owns A320 and A330. For summer, the airline has decided to fly into Japan, optimizing the available long-range aircraft.

The Contact has earnestly developed charter flight businesses for the Japanese market since three years ago. It succeeded in charter flight operations for Russia by Pulkovo Air last summer and for Poland by LOT Polish Airlines this summer.

In addition, the agent is looking for a business opportunity to offer charter flights by Euro Fly of Italy.

**Korea visitors to Japan are expected to reach 2 million this year*

For the first seven months of 2006, the number of Japanese visitors to Korea was down 4.5% to 1,296,000 over the same period last year, while the number of Korean visitors to Japan was up 19.8% to 1,191,000 over the same period last year. The difference was shrunken to 100,000 visitors approximately. Amid recovery of Japanese visitors to China, increase of Japanese visitors to Korea is now a key factor to achieve exchanges of 17 million visitors among Japan, Korea and China by 2010, which was agreed by the three countries' tourist ministers in July this year.

Korean visitors to Japan have marked double-digit growths every month for the past two years except April 2005, when the anti-Japan demonstration occurred in Korea. With the current growth speed, the number of Korean visitors to Japan may exceed 2 million for 2006.

Japanese visitors to Korea had reduced every month from May 2005 to April this year mainly because of the aftereffects of the anti-Japan demonstration in Korea. Although the monthly number of Japanese visitors to Korea resulted in double-digit growths in May and in June this year, it again dropped into reduction in July. With the current situation, Japanese visitors to Korea for 2006 will be 2.44 million, almost the same as 2005, or possibly 2.3 million, 5% smaller than 2005. The Korean tourism authority expects to accept 2.45 million Japanese visitors for 2006.

Recovery of Japanese visitors to China is relatively strong with high business travelers' demand between Japan and China, however it is more difficult for Korea to recover Japanese visitors because the market is predominately backed up with tourist demand.

**The Ministry approves the Narita runway extension project*

Minister of Land, Infrastructure and Transport officially accepted an application on northward extension of B runway at Narita International Airport on September 11. With the approval, Narita International Airport Co. (NAA) started northward extension of the runway to 2,500 meters on September 15 to complete it in March 2010, actually 36 years later than the original plan.

NAA applied for the project to the Ministry on July 10 this year. On September 5, four-parties conference on Narita Airport (the central government, Chiba Prefecture, the related-local governments and NAA) agreed countermeasures for possible noise problem. NAA originally hoped to extend the runway southward, however it gave up it because of longstanding conflict with landowners. Through this project invested a total of 43 billion yen approximately, the B runway will be extend from 2,180 meters to 2,500 meters.

The biggest challenge in the project is to move a part of Route 51 under the runway. The construction of the runway is scheduled to complete on October 31 2009, and after that it will take five months to inspect air traffic control facility and to complete other procedures. NAA strongly intends to keep the project schedule strictly to harmonize completion of the Haneda-re-expansion program in the end of 2009.

After the extension project, NAA aims to expand annual aircraft movements from 200,000 today to 220,000.

**Kansai suffers from fewer flights by Japanese carriers than before*

Kansai International Airport Co. President Atsushi Murayama revealed at a press conference on September 8 that the number of flights by Japanese carriers plunged a record-low during the summer schedule this year, although the total number of flights into the airport reached a record-high. During the period, Kansai operated a total of 711 flights a week, more than the most flights of 700 a week during the same period last year.

Murayama said, "Despite reduction of flights by Japanese carriers this summer, we expect that the new aviation agree-

ment with China will encourage both Japanese and Chinese airlines to fly into Kansai. With some more efforts, we can achieve a goal of 130,000 aircraft movements annually.” The goal is set up by the airport for open of the second runway in August next year.

The Japanese airlines served a total of 198 flights a week during the summer schedule this year, which were the smallest-ever except the same period of 1994, the opening year, and 1995, the next year. Out of 711 flights a week, 513 flights a week were operated by foreign airlines. In other word, most of the international flights from/to Kansai were served by foreign airlines.

Murayama said, “I think it is not healthy for the Japanese airlines to focus their businesses on Tokyo only. Without flight network, an airport cannot increase passengers. I think the airlines are responsible for extending respective network from Kansai. Some people often says that Kansai is not a profitable airport, however it is true that a lot of foreign airlines are flying into Kansai right now.”

Also, Kansai has still suffered from low business traveler demand because Europe or U.S. flights for Kansai are much smaller than those for Narita International Airport. Murayama said, “ We are discussing a scheme to invite business travelers, working together with local economic organizations. I hope that airlines will make more efforts as well.”

Kansai has reduced landing charges for airlines to be easier to fly into the airport, however such airport efforts are limited effects. It is better to seek potential airlines to serve flights for Kansai, Murayama added.

**Narita handled the most passengers ever this summer*

Narita International Airport Co. (NAA) reported on September 7 that the airport handled the most passengers ever during this summer vacation period from July 14 to August 31, as a total of 3,955,500 passengers, 3.9% more than a year earlier, used the international gateway. The total was broken down into 2,011,000 departures, 3.8% more than a year earlier, and 1,954,500 arrivals, 3.9% more than a year earlier.

The first passenger terminal handled 1,047,200 departures, 74.2% more than a year earlier, and 1,014,900 arrivals, 74.7% more than a year earlier. The second passenger terminal handled 968,300 departures, 27.7% smaller than a year earlier, and 1,907,900 arrivals, 27.7% smaller than a year earlier. The large difference of passenger growth between the two terminals resulted from several airlines moved to the first passenger terminal after the new South Wing opened.

Narita operated a total of 25,486 flights (520.1 flights a day) during period, almost the same as a year earlier, including 21,592 passenger flights (440.7 flights a day), 1% more than a year earlier.

The total was broken down into 17,858 flights (364.4 flights a day) on A runway, including 14,571 passenger flights (297.4 flights a day), and 7,628 flights (155.7 flights a day) on B runway, including 7,021 passenger flights (143.3 flights a day).

**JAL air transport result for July 2006*

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

Passengers = 1,189,008 (93.4%)

RPK = 5,689,921 thousand passenger kilometers (93.4%)

ASK = 7,803,206 thousand seat kilometers (90.1%)

Load factor = 72.9%

<Results by destination>

Transpacific routes

Passengers =290,931 (96.6%)

RPK =2,314,173 thousand passenger kilometers (98.6%)

ASK =2,887,023 thousand seat kilometers (96.9%)

Load factor =80.2%
 Europe routes
 Passengers = 125,743 (86.0%)
 RPK = 1,174,761 thousand passenger kilometers (86.1%)
 ASK = 1,524,822 thousand seat kilometers (81.2%)
 Load factor = 77.0%
 Southeast Asia routes
 Passengers = 370,789 (93.8%)
 RPK =1,234,443 thousand passenger kilometers (95.6%)
 ASK =1,921,822 thousand seat kilometers (89.9%)
 Load factor = 64.2%
 Oceania routes
 Passengers = 55,971 (83.9%)
 RPK =394,412 thousand passenger kilometers (83.3%)
 ASK = 597,842 thousand seat kilometers (91.7%)
 Load factor = 66.0%
 Guam
 Passengers =48,756 (52.8%)
 RPK = 124,222 thousand passenger kilometers (54.1%)
 ASK = 152,739 thousand seat kilometers (48.7%)
 Load factor = 81.3%
 Korea routes
 Passengers = 136,544 (97.6%)
 RPK = 142,067 thousand passenger kilometers (100.0%)
 ASK = 204,146 thousand seat kilometers (101.9%)
 Load factor = 69.6%
 China routes
 Passengers = 157,771 (120.2%)
 RPK = 298,434 thousand passenger kilometers (120.5%)
 ASK = 504,903 thousand seat kilometers (100.2%)
 Load factor = 59.1%
 Other routes
 Passengers = 2,503
 RPK = 7,408
 ASK = 9,911
 Load factor = 74.7%

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

Passengers = 3,679,420 (98.6%)
 RPK = 2,782,591 thousand passenger kilometers (99.3%)
 ASK =4,460,668 thousand seat kilometers (99.8%)
 Load factor =62.4%