

## J-WING TRAVEL

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### Japan's Leading Tourism and Aviation Weekly

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#### **\*JAL to offer its original normal airfares on its flights from Japan to Europe**

JAL has decided to offer its original carrier normal airfares for business and economy class on its international flights from Japan to Europe to provide its passengers with the same convenience as IATA normal airfares. As reported before, as the "Flexfare" system is introduced on international flights from Japan to Europe in April this year, IATA normal airfares will not have a difference between weekday airfares and weekend airfares after April this year. Weekday airfares will largely rise.

To improve the inconvenience, JAL will offer "JAL Executive Class Normal Airfares" and "JAL Economy Class Normal Airfares" for FY2008 (April 1 2008 to March 31 2009).

Both of the JAL carrier normal airfares will be divided into weekday airfares and weekend airfares in the same manner as the old IATA airfares and be cheaper than the new IATA normal airfares. "JAL Executive Class Normal Airfares" for a return flight from Japan to London, Paris, Frankfurt, Amsterdam, Milan and Rome, for example, is 1,030,000 yen on weekdays, which is 5.7% cheaper than the IATA normal airfare. Also, "JAL Executive Class Normal Airfares" for a one-way flight on the same route is 669,500 yen on weekdays, which is 12.5% cheaper than the IATA normal airfare.

The followings are "JAL Executive Class Normal Airfares" and "JAL Economy Class Normal Airfares" on flights from Japan to London, Paris, Frankfurt, Amsterdam, Milan and Rome:

Business class on a return flight = 1,030,000 yen on weekdays/ 1,090,000 yen on weekends

Business class on a one-way flight = 669,500 yen on weekdays/699,500 yen on weekends

Economy class on a return flight = 680,000 yen on weekdays/740,000 yen on weekends

Economy class on a one-way flight = 442,000 yen on weekdays/472,000 yen on weekends

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### **\*JAL is on the right track for its financial recovery**

JAL Group released its consolidated financial result for the first three quarters of FY2007 (April 1 to December 31 2007) on February 8, reporting that it posted net profit of 20.4 billion yen, improving from net loss of 9.3 billion yen a year earlier, although it reduced operating revenue to 1,701.1 billion yen from 1,734.1 billion yen a year earlier due to the exclusion of JALUX (a trading company of the JAL Group) from the consolidated statement.

By making efforts to reduce labor cost, to restructure its flight networks and to downsize its aircraft, JAL succeeded in decrease operating expenses by 7% to 1,618.6 billion yen. As a result, it posted operating profit of 82.5 billion yen, improving from operating loss of 5.8billion yen a year earlier, and ordinary income of 79.2 billion yen, improving from ordinary loss of 7.7 billion yen a

year earlier.

For the full year of FY2007 ending March 31 2008, JAL forecasts operating revenue of 2,238 billion yen (down 2.8%), operating profit of 48 billion yen (up 9.4%), ordinary income of 44 billion yen (up 13.8%) and net profit of 7 billion yen.

Operating revenue of the air transport business for the first three quarters of FY2007 reached 1,392.5 billion yen, 28.7 billion yen more than a year earlier. Operating profit largely improved to 71.2 billion yen from operating loss of 23.1 billion yen a year earlier.

Through the restructuring of its flight networks, ASKs on international flights and domestic flights were down 4.9% and 3.1% respectively, compared to a year earlier. Also, RPKs on international flights and domestic flights were down 3.7% and 4.4% respectively. However, unit price was up 3.8% on international flights and 5.6% on domestic flights due to the rise of fuel surcharges and airfares.

During the period, JAL carried a total of 10,061,760 passengers on its international flights, almost the same as a year earlier. The load factor was 67.7%. Tourist demand was weak on Europe and Hawaii routes, and passengers on US mainland and Oceania routes reduced due to reduction of seat supplies. On the contrary, passengers on Southeast Asia, China and Korea routes increased. As a result, operating revenue of the business segment was up 4.3% to 572.9 billion yen.

JAL carried a total of 31,915,821 passengers on its domestic flights, 4.6% smaller than a year earlier. The load factor was 49%, lower than 50% a year earlier. Operating revenue of the business segment was up 1% to 520.1 billion yen due to rise of unit price.

The international cargo business was inactive on North America routes, however increased demands on Europe, China and Southeast Asia. The unit price was up 0.9%, and operating revenue was down 1.3% to 143.6 billion yen.

For the travel business segment, JALPAK, the overseas travel package tour brand, successfully increased customers for Asia, China and Europe particularly and also improved its financial result through efforts to reduce cost. JAL Tours, the domestic travel package tour brand, increased revenue but decreased profit due to rise of purchase cost. As a result, operating revenue of the business segment was 291.5 billion yen, 2.4 billion yen more than a year earlier, and operating profit was 1 billion yen, improving from operating loss of 0.1 billion yen a year earlier.

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### **\*ANA to raise its fuel surcharges again**

ANA announced on February 15 that it would raise fuel surcharges on its international flights effective from April to June this year, according to rise of the average Singapore Kerosene price to \$109.9 per barrel for the three months from November 2007 to January 2008.

ANA has not raised the fuel surcharges on its international flights effective from January to March this year, in a different manner as JAL. The index at that time was \$90.65 per barrel for the three months from August to October 2007. As the average price suddenly rose by about \$20 per barrel, ANA judged that it could not help but raise fuel surcharges this time.

The followings are new fuel surcharges on one-way trip by destination:

Europe, North America and Middle East = 20,000 yen (from 13,000 yen)

Hawaii, Thailand, India, Singapore and Malaysia = 14,000 yen (from 9,900 yen)

Hong Kong, Taiwan, Guam and Vietnam = 8,000 yen (from 6,000 yen)

China = 6,500 yen (from 4,700 yen)

Korea = 2,500 yen (from 2,000 yen)

If JAL decides to raise its fuel surcharges effective from April to June this year according to its rule, the new ANA's fuel surcharges will still be lower than the JAL's.

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## **\*Rakuten Travel aims to become a general travel site**

Rakuten Travel President Masashi Okatake revealed at "New Year Conference" for its accommodation contractors on February 12 that the leading online travel service provider is focusing on "diversification of the business," "offering of high value-added services" and "expansion of selling channels" as three major business themes this year. For diversification, Rakuten Travel will strengthen the businesses of dynamic packages, ground transportation services or overseas leisure travel services.

In the dynamic package business, it aims to increase dealings of "ANA Raku Pack" domestic travel products by 130% this year compared to the last year. "ANA Raku Pack," which started in autumn two years ago, resulted in about six times more sales in the fourth quarter of 2007 than a year earlier, boosted by high leisure demand in the Tokyo Metropolitan area.

This year, the online travel service provider expects to insert services of rent-a-car or bus into its database of "ANA Raku Pack." Also, it is ambitious to deal with tour conductors in the future. In addition, emphasizing to send travel information on local areas of Japan, it has renewed its website with 13 local area segments, upgrading from six local area segments before.

The overseas travel business, including its dynamic package product "Raku Pack," hotel selling and air ticket selling, resulted in 66.1% increase of distribution amounts last year compared to the last year. Particularly, bookings for Guam, where Rakuten Travel established its local corporation in March last year, resulted in remarkable growth last year.

Rakuten Travel will launch a local corporation in Thailand as early as March this year to strengthen purchase of hotels. Okatake said, "It will be different from the local corporation of Guam, which also provides customers with a variety of ground services. Salesmen for purchase of hotels will be stationed in Thailand."

The local corporations of Korea and China already have results of 1,300 and

2,500 contracts with local hotels respectively. Rakuten Travel is planning to begin dealing with hotel bookings in Asia on its English-language, Korean-language and Chinese-language sites.

To offer high value-added services, Rakuten Travel has started sharing room inventory with contractors by providing their own websites with booking functions, releasing booking status information on customers' mobile phones and offering map information and map search on the top page of its website.

To expand selling channels, Rakuten Travel is making efforts to increase bookings via a call center in Miyazaki in addition to mobile phones. Okatake said, "We hope to grow the call center bookings up to 10% of the whole distribution."

The number of Takuten Travel's customers for accommodations in FY2007 (January to December 2007) was up 13% to 21.43 million approximately compared to 2006. A goal this fiscal year is 24.22 million customers, 13% more than FY2007.

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### **\*Chinese group travelers to Japan resulted in 84% growth in 2007**

Ministry of Land, Infrastructure and Transport recently reported that the number of Chinese group travelers to Japan in 2007 increased by 83.7% to 227,715 over 2006. The Japan National Tourist Organization (JNTO) report finds that the total number of Chinese visitors to Japan in 2007 was up 16.2% to 943,400 over 2006, and out of the total, a share of group travelers was 24.1%, equivalent to almost one fourth of the total.

A share of Chinese group travelers to Japan was just 8.92% in 2005, but had remarkably increased to 15.27% in 2006 and to 24.1% in 2007.

The month the most Chinese group travelers visited Japan was August with 39,735 (up 90.3%), followed by July with 30,283 (up 79.6%), October with 26,157 (up 51.6%), February with 21,425 (up 80.8%) and April with 19,207 (up 84.6%).

The top three regions sending group travelers to Japan were Guangdong Province with 49,971 (up 72.1%), Shanghai with 45,283 (up 81.3%) and Beijing with 32,323 (up 44%). Those are the first regions permitted group travels to Japan, and the deregulation was extended to the whole China in July 2005.

The followings are detailed results by month and by region:

<Chinese group travelers by month in 2007>

January = 5,190 (up 62%)

February = 21,425 (up 80.8%)

March = 7,483 (up 141.3%)

April = 19,207 (up 84.6%)

May = 18,463 (up 79.1%)

June = 13,432 (up 105.4%)

July = 30,283 (up 79.6%)

August = 39,735 (up 90.3%)

September = 17,331 (up 79%)

October = 26,157 (up 51.6%)

November = 16,509 (up 111.5%)

December = 12,500 (up 106.2%)

<Chinese group travelers by major region>

Beijing City = 32,323 (up 44%)

Shanghai City = 45,283 (up 81.3%)

Guangdong Province = 49,971 (up 72.1%)

Tianjin City = 4,605 (up 211.8%)

Liaoning Province = 15,238 (up 69.5%)

Shandong Province = 7,901 (up 98.1%)

Jiangsu Province = 13,126 (up 84.6%)

Zhejiang Province = 16,877 (up 53.9%)

Fujian Province = 4,582 (up 122.3%)

Shanxi Province = 3,433 (up 210.4%)

Hunan Province = 3,228 (up 130.9%)

Sichuan Province = 3,085 (up 158.6%)

Yunnan Province = 3,322 (up 332%)

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**\*Overseas travel transactions increased for six consecutive months**

Ministry of Land, Infrastructure and Transport reported that travel transactions of major travel companies in December 2007 increased by 6.0% to 541 billion yen in total over the same month 2006. The monthly total was broken down into 221.2 billion yen for overseas travels (up 5.4%), 313.1 billion yen for domestic travels (up 5.5%) and 6.7 billion yen for foreigner-inbound travels (up 69.1%).

The total travel transaction resulted in year-on-year growths for five consecutive months, and overseas travel transactions recorded year-on-year growths for six consecutive months.

Transactions of package tour products in December 2007 increased by 10.8% to 150.6 billion yen in total over the same month 2006, with 3,747,720 customers, 8.5% more than a year earlier. The total was broken down into 72.8 billion yen for overseas package tours (up 9.4%) with 430,215 customers (up 2.6%), 77.6 billion yen for domestic package tours (up 12.2%) with 3,304,560 (up 9.2%) and 201 million yen for foreigner-inbound package tours (up 19.2%) with 12,945 customers (up 58.8%).

Twelve companies succeeded in double-digit increases of transactions as follows: JTB World Vacations, PTS, JTB Business Travel Solutions, i.JTB, Big Holiday, Nissin Travel Service, Yusen Travel, JAL Sales West Japan, Hitachi Travel Bureau, United Tours, JTB Global Marketing & Travel and M-Heart Tourist.

Twenty-four companies succeeded in double-digit increases of overseas travel transactions in December 2007. Particularly i.JTB recorded 30% more transactions than a year earlier, and PTS, JTB Traveland, Club Tourism, JTB Business Travel Solutions, Big Holiday, JTB Kanto, Tobu Travel and JAL Sales Hokkaido resulted in over 15% growths.

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