

News Bulletin Service

J-WING TRAVEL

Vol.7 No.322 August 25, 2008

Japan's Leading Tourism and Aviation Weekly

This Week Headline

- *JTB agrees with JAL and ANA to include surcharges in its product prices
 - *JAL and ANA have decided to raise IATA normal airfares
 - *KNT resulted in expanding losses for the first half of FY2008
 - *ANA was slightly better, but JAL was worse this summer
 - *DAL and NWA to expand code-share agreements on Asia and trans-pacific routes
 - *Vietnam Airlines to begin serving Hanoi-Centrair flights
-

***JTB agrees with JAL and ANA to include surcharges in its product prices**

JTB has recently agreed with JAL and ANA to include their fuel surcharges in JTB's package tour product prices from the first half of FY2009. JTB has also reached agreements with several foreign airlines and is discussing with other foreign airlines to begin selling all of its package tour products at prices including fuel surcharges from the first half of FY2009.

The JTB's action will probably encourage other major whole sellers to discuss with airlines on the fuel surcharge issue. JTB revealed that combined tariffs would be released every six months, according to the agreement with JAL and ANA.

As reported before, Japan Association of Travel Agents (JATA) requested 60

airlines flying into Japan to introduce "new IT airfares," though it does not unify fuel surcharges into IT airfares, but just combine fuel surcharges for package tours and IT airfares flexibly.

The travel industry expects that unification of fuel surcharge into product prices will be understandable for consumers and will help recover reliability for package tours, even though display of a combined price look like increase in price. For sales agents, it will be convenient because they do not need to collect fuel surcharges separately and to explain the fuel surcharge system to customers.

To unify fuel surcharges into all package tour products for the first half of FY2009, JTB has to complete negotiations with the rest of foreign airlines by the end of October. JTB expects other major whole sellers will take the same actions as JTB does because consumers may raise distrust to the travel industry if each of whole sellers takes different actions.

***JAL and ANA have decided to raise IATA normal airfares**

JAL and ANA announced on August 18 that the airlines have decided to raise their IATA normal airfares on international flights from Japan, according to the recent IATA resolution. The rise of airfares will be effective to tickets sold from October 1 this year. At the same time, JAL and ANA have just announced that each would raise fuel surcharges again from October 1 this year.

JAL and ANA will raise their IATA airfares of F, C and Y classes by 10% on North America, Latin America and Hawaii routes and by 5% on Asia, Middle East and Africa routes compared to today. IATA-PEX airfares and IATA-IT airfares will be remained. Also, airfares on Europe and Oceania routes do not change this time because the market price-oriented Flex Fare system is mechanically reviewed once a year.

IATA airfares were already raised in April this year. As IATA airfares are raised twice a fiscal year, airfare of a flight between Japan and North America

is supposed to be raised by about 24.3% compared to FY2007.

The followings are new business class airfares of a return flight:

--From Tokyo to Honolulu

548,700 yen (498,800 yen today) on weekdays and weekend

--From Tokyo to New York

922,400 yen (838,500 yen today) on weekdays

982,400 yen (898,500 yen today) on weekend

--From Tokyo to Seoul

152,800 yen (145,500 yen today) on weekdays and weekend

--From Tokyo to Shanghai

234,300 yen (223,100 yen today) on weekdays

262,300 yen (251,100 yen today) on weekend

--From Tokyo to Beijing

305,000 yen (290,400 yen today) on weekdays

333,000 yen (318,400 yen today) on weekend

--From Tokyo to Singapore

458,000 yen (436,100 yen today) on weekdays

486,000 yen (461,000 yen today) on weekend

***KNT resulted in expanding losses for the first half of FY2008**

Kinki Nippon Tourist (KNT) recently released its consolidated financial result for the first half of FY2008 (January to June 2008), reporting that operating revenue was down 8.9% to 33,922 million yen over the same period of the last fiscal year mainly because the whole seller suffered from inactive business in the overseas travel market. According to the financial report, operating loss expanded to 3,588 million yen from 2,173 million yen a year ago, and recurring loss also expanded to 3,374 million yen from 1,660 million yen a year ago. Net loss decreased to 4,169 million yen from 6,106 million yen a year ago.

Through the first half, KNT had a hard time for the overseas travel business because of higher fuel surcharges, reduction of leisure-centered flights or inactive tourist demand for China.

The number of overseas travel customers for the first half of FY2008 was down 16.2% to 174,537 over the same period of the last fiscal year. KNT decreased its customer for Hawaii, one of the major markets, by 14.4% to 37,603. Also, Customers for long-haul destinations resulted in nearly 30% reduction, damaged by high fuel surcharges. Those for China extremely decreased by 48.1% compared to a year ago.

For the full year of FY2008 (January to December 2008), KNT forecasts operating revenue of 82,200 million yen (up 1.3%), operating profit of 900 million yen (up 208.2%), recurring profit of 1,200 million yen (up 3.2%) and net profit of 900 million yen.

***ANA was slightly better, but JAL was worse this summer**

For the busiest period of this summer (August 8 to 17 2008), ANA slightly increased its international flight passengers by 0.4% to 143,359, while JAL largely decreased those by 9.6% to 392,622 compared to the same period last year, according to the air traffic reports released by ANA and JAL. Both of the airlines suffered from large reduction of passengers on their China flights.

JAL Group (JAL and JAL Ways) reduced available seats by 4.5% to 520,138 on its international flights during the period, however it resulted in larger reduction rate of carried passengers than the reduction rate of seats. The load factor was 75.5%, 4.2 points lower than a year ago. JAL Group decreased its international flight passengers on all of destinations.

Hawaii = 47,564 passengers (down 9.9%) / load factor of 91.6%

North America = 36,325 passengers (down 8.6%) / load factor of 91.7%

Europe = 39,385 passengers (down 7.4%) / load factor of 84%

Southeast Asia = 93,811 passengers (down 6.7%) / load factor of 73.8%

Oceania = 13,843 passengers (down 10.3%) / load factor of 74.6%

Guam = 15,805 passengers (down 7.7%) / load factor of 85.2%

Korea = 60,920 passengers (down 4.4%) / load factor of 89.3%

China = 50,935 passengers (down 21.7%) / load factor of 49.5%

Taiwan = 34,034 passengers (down 8.4%) / load factor of 73.3%

In the domestic flight market, JAL Group (JAL, JTA, J-AIR, JAC and HAC) slightly decreased carried passengers by 0.3% to 1,430,735 for the busiest period of this summer compared to the same period last year.

In the meantime, ANA increased its international flight passengers particularly because it largely increased passengers on its Asia flights, providing 198,014 seats in total for the busiest period of this summer (up 11.2%). The load factor was 72.4%.

North America = 21,325 passengers (down 3%) / load factor of 88.1%

Europe = 15,507 passengers (down 0.6%) / load factor of 90.5%

China = 54,803 passengers (down 9.5%) / load factor of 59%

Asia = 44,469 passengers (up 26.7%) / load factor of 80.6%

Resort destinations = 7,255 passengers (down 24.3%) / load factor of 84.4%

ANA Group decreased its domestic flight passengers by 1.7% to 1,451,287 during the period compared to a year ago, and the load factor was 72.6%.

***DAL and NWA to expand code-share agreements on Asia and trans-pacific routes**

Delta Airlines (DAL) and Northwest Airlines (NWA) will expand code-share flights between Japan and America and Asia from August 30 this year. DAL will share its codes on the following NWA's flights: Narita/Kansai International/Central Japan International-Detroit, Narita/Kansai International-Honolulu, Narita-Minneapolis, Narita-Seoul, Narita-Singapore and Narita-Bangkok. Also, NWA will share its codes on the DAL's Narita-Atlanta flights. In addition, DAL is scheduled to share its codes on the NWA's Narita-Portland, -Seattle, -San Francisco and Los Angeles flights.

DAL and NWA aim to complete integration of their businesses by 2012. The merger is expected to enable DAL to strengthen its international flight



You can also find out what happened in Japan at the following websites
(English news).

JAPAN TIMES: <http://www.japantimes.co.jp>

THE DAILY YOMIURI: <http://www.yomiuri.co.jp/dy>

MAINICHI DAILY NEWS: <http://mdn.mainichi-msn.co.jp>

NHK: <http://www.nhk.or.jp/english>
