

News Bulletin Service

J-WING TRAVEL

Vol.7 No.331 October 27, 2008

Japan's Leading Tourism and Aviation Weekly

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***Japanese departures continue decreasing even in a high season**

Japan National Tourist Organization (JNTO) recently reported that the number of Japanese departures in September this year decreased by 9.7% to 1,400,000 approximately over the same month last year, resulting in year-on-year reduction for 17 consecutive months. In the high season of August and September, the outbound market lost about 320,000 departures compared to a year ago.

With the monthly result, the number of Japanese departures for the first nine months of 2008 totaled 12,154,000, 6.4% smaller than the same period last year or about 835,000 fewer departures than a year ago. The final result for the full year of 2008 may be just beyond 16 million, much smaller than

17,294,935 departures in 2007.

It is forecasted that the outbound market will still be inactive for the last three months because of rise of fuel surcharges again in October by Japanese carriers and also consumers' anxieties about economic crisis.

In the meantime, the number of foreign arrivals in September this year also decreased by 6.9% to 641,500 compared to a year ago, resulting in year-on-year reduction for two consecutive months. JNTO analyzes that a main reason is attributed to the economic crisis worldwide. In September this year, visitors from the largest market Korea were largely down 20.8% to 159,500 compared to a year ago. Also, those from the second largest market Taiwan decreased by 13.3% to 102,300 compared to a year ago.

On the contrary, visitors from Hong Kong, Singapore and Australia resulted in year-on-year growths.

The followings are visitor results of 12 focal markets:

Korea = 159,500 in September (down 20.8%), 1,968,000 from Jan. to Sep. (up 0.9%)

Taiwan = 102,300 in September (down 13.3%), 1,099,300 from Jan. to Sep. (up 4.3%)

China = 94,000 in September (up 1.0%), 787,300 from Jan. to Sep. (up 8.1%)

Hong Kong = 39,300 in September (up 37.3%), 426,500 from Jan. to Sep. (up 34.4%)

Thailand = 13,400 in September (down 0.1%), 145,200 from Jan. to Sep. (up 21.2%)

Singapore = 11,000 in September (up 18.9%), 107,500 from Jan. to Sep. (up 21.9%)

Australia = 23,700 in September (up 8.3%), 187,400 from Jan. to Sep. (up 17.6%)

U.S.A. = 57,900 in September (down 11.3%), 589,300 from Jan. to Sep. (down 3.0%)

Canada = 11,500 in September (down 5.3%), 126,800 from Jan. to Sep. (up 6.0%)

U.K. = 16,500 in September (down 12.0%), 155,100 from Jan. to Sep. (down

5.5%)

Germany = 11,200 in September (down 3.7%), 93,100 from Jan. to Sep. (up 4.7%)

France = 11,500 in September (up 4.0%), 111,300 from Jan. to Sep. (up 9.7%)

***ANA agrees to include its fuel surcharges in package tour prices**

ANA announced on October 22 that it has agreed to the total price offering of a package tour including its fuel surcharges from the first half of FY2009, accepting a request from Japan Association of Travel Agents (JATA). ANA will propose total airfares including fuel surcharge to whole sellers for package tour products, and whole sellers will make products reflecting the proposed airfares and offer the total price to consumers. Travel companies will not need to collect fuel surcharges separately.

ANA will not change the initially proposing airfares even though fuel surcharges change based on the oil market. Accordingly travel companies will not need to change the initial prices of package tours.

The proposing airfares will depend on individual negotiations between ANA and each whole seller. By changing fuel surcharges and IT airfares flexibly within the initially fixed airfares, when fuel surcharges move, the initially fixed airfares themselves will not change.

This is one of options proposed by ANA. Travel companies will be able to continue collecting fuel surcharges separately if they want.

In principle, the new method will be applicable to package tour products available through the first and the second half of a fiscal year, each six months. Regarding shorter-term products, it will depend on individual negotiations between ANA and each whole seller.

***Overseas package tour bookings reduce by 20% in October and**

November

Japan Association of Travel Agents (JATA) recently released overseas package tour bookings for the last three months of 2008 and results in July, August and September this year, collecting data from JTB, Kinki Nippon Tourist, Nippon Travel Agency, Hankyu Travel, JALPAK and ANA Sales.

<Results compared to a year earlier>

America/Canada = 86.6% in July, 74.9% in August, 75.8% in September

Hawaii = 89.1% in July, 77.7% in August, 74.0% in September

Guam/Saipan = 98.3% in July, 81.4% in August, 77.7% in September

Europe = 91.5% in July, 82.1% in August, 78.5% in September

Oceania = 82.2% in July, 77.6% in August, 72.6% in September

Korea = 121.1% in July, 97.4% in August, 108.7% in September

Taiwan = 121.1% in July, 97.4% in August, 77.6% in September

Hong Kong/Macau = 87.1% in July, 74.3% in August, 90.4% in September

Thailand = 99.7% in July, 74.9% in August, 57.9% in September

China = 46.1% in July, 33.7% in August, 48.9% in September

Total = 91.0% in July, 76.6% in August, 77.1% in September

<Bookings as of early October compared to a year earlier>

America/Canada = 75.5% in October, 69.1% in November, 90.2% in December

Hawaii = 84.9% in October, 69.1% in November, 87.5% in December

Guam/Saipan = 92.5% in October, 97.4% in November, 99.3% in December

Europe = 75.7% in October, 80.2% in November, 106.8% in December

Oceania = 71.9% in October, 72.4% in November, 74.1% in December

Korea = 110.4% in October, 112.5% in November, 168.3% in December

Taiwan = 72.3% in October, 67.6% in November, 97.1% in December

Hong Kong/Macau = 90.1% in October, 102.2% in November, 107.0% in December

Thailand = 44.3% in October, 49.9% in November, 64.8% in December

China = 59.0% in October, 58.7% in November, 48.4% in December

Total = 81.3% in October, 80.2% in November, 95.6% in December

***JAL President: Zero Commission is a tuning point to change Japanese business customs**

JAL President and CEO Kaoru Nishimatsu said at an interview with the Wing Travel Weekly, "It is time to purchase air tickets online directly. Complete E-ticketing changes the distribution system of air tickets," when he was asked about the JAL's decision to terminate payment of sales commissions on its international air tickets to travel agencies. "Expansion of online selling, complete e-ticketing and zero commission have happened with the times," he added.

"With the times, the unique business customs of Japan have changed as well. An air ticket will be one of the materials to make a travel product, like the relation between iron and car," Nishimatsu said. His forecast is that travel companies will further transform from an agent business to a maker of travel products.

With regard to the partnership with the travel industry, Nishimatsu said, "The important partnership will certainly continue, however it is necessary to establish a new business relation in a new business custom. The travel industry can grasp customer needs that airlines cannot know."

Nishimatsu also mentioned the inactive outbound market of Japan: "I worry about reduction of young generation departures. It may be a structural issue." He expressed a sense of crisis that the current situation may influence passenger demands of international flights in the future.

***Asia flights increase, but Europe flights decrease this winter**

According to the 2008-2009 winter schedule (October 26 2008 to March 28 2009) of foreign airlines on an application basis, Asia flights increase, while Europe flights decrease as a whole. New services are three Kansai International Airport-Saipan flights a week by Asiana Airlines and two Kansai International Airport-Cebu flights a week by Philippine Airlines.

Flights will be increased on the Pusan-Sapporo route of Korean Airlines, the Seoul-Naha route of Asiana Airlines, the Cebu-Narita route, the Manila-Kansai route and the Manila-Fukuoka route of Philippine Airlines.

On the contrary, Air Canada will suspend its daily flights between Vancouver and Kansai, and United Airlines will also suspend its daily flights between San Francisco and Central Japan International Airport (Nagoya). British Airways will reduce its London-Narita flights from 17 a week to seven a week.

The followings are details by airline (on an application basis):

<New service>

Asiana Airlines = three Kansai-Saipan flights a week with A322 from December 19

Philippine Airlines = two Cebu-Kansai flights a week with A320 from October 26

<Increased compared to the 2008 summer schedule>

Cathay Pacific Airways = from five to six flights a week on Hong Kong-Kansai from October 26

Korean Airlines = from three to four flights a week on Pusan-Sapporo from October 26

Air Hong Kong = from five to six flights a week on Hong Kong-Nagoya from October 26

Asiana Airlines = from three to five flights a week on Seoul-Naha from October 26

Asiana Airlines = from three to five flights a week on Seoul-Miyazaki from October 26

Philippine Airlines = from five to six flights a week on Cebu-Narita from October 26

Philippine Airlines = from five to seven flights a week on Manila-Kansai from October 26

Philippine Airlines = from four to five flights a week on Manila-Fukuoka from October 26

Vietnam Airlines = from two to three flights a week on Ho Chi Minh-Fukuoka from October 26

<Re-start>

Korean Airlines = three Seoul-Nagasaki flights a week from October 26

China Airlines = one Taipei-Nagoya flight a week from October 26

Egypt Air = two Cairo-Kansai-Luxor-Cairo flights a week from October 26

<Decreased compared to the 2008 summer schedule>

Air Canada = suspension of seven Vancouver-Kansai flights from October 26

Finnair = from seven to five flights a week on Helsinki-Kansai from October 26

Finnair = from four to three flights a week on Helsinki-Nagoya from October 26

British Airways = from 14 to seven flights a week on London-Narita from December 8

Air China = from five to four flights a week on Beijing-Shanghai-Sendai from October 26

China Southern Airlines = from five to two flights a week on Guangzhou-Fukuoka from October 26

Shanghai Airlines = from three to two flights a week on Shanghai-Toyama from October 26

Hong Kong Dragon Air = suspension of one Hong Kong-Kansai flight a week from October 26

Lufthansa Airlines = from seven to five flights a week on Frankfurt-Nagoya from October 26

United Airlines = suspension of seven San Francisco-Nagoya flights a week from October 26

Egypt Air = from two to one flight a week on Cairo-Kansai from October 26

Asiana Airlines = from four to two flights a week on Seoul-Asahikawa from October 26

Scandinavian Airlines = from seven to six flights a week on Copenhagen-Narita from October 26

Singapore Airlines = from 12 to ten flights a week on Singapore-Kansai from October 26

Thai Airways International = from seven to three flights a week on Bangkok-Manila-Kansai-Bangkok from October 26

Thai Airways International = from seven to three flights a week on Bangkok-Kansai-Manila-Bangkok from October 26

Sri Lankan Airlines = suspension of one Colombo-Narita flight a week from October 26

Transaero Airlines = suspension of two St. Petersburg-Narita flights a week from October 26

<New acceptance>

Cebu Pacific Air = three Manila-Kansai flights a week from November 20

***JAL will serve the most ever charters to Alaska**

JAL will serve a total of 18 charter flights to Alaska this winter season from December 27 this year to March 16 next year, more than 16 charter flights the last winter season. The charters will depart from Narita International Airport, Kansai International Airport, Central Japan International Airport, Sapporo, Sendai, Hiroshima and Fukuoka, operated with B747-400 (356 seats).

A basic itinerary is four days and six nights between Japan and Fairbanks, and also a tour product of five days and seven nights to fly into Fairbanks and fly out from Anchorage will be also available.

***Kansai had a hard time in September as well**

Kansai International Airport Co. recently reported that the number of passengers in September this year reduced by 9% to 1,375,176 over the same month last year. Out of the monthly total, international flight passengers largely decreased by 12% to 836,390, which were broken down into 558,380 Japanese passengers (down 15%), 236,130 foreign passengers (down 10%) and 41,880 transits (up 46%). Domestic flight passengers decreased by 3% to 538,786.

The airport handled 11,315 aircraft movements in September this year, 5% more than a year ago. The total consisted of 6,703 for international flights (even) and 4,612 for domestic flights (up 13%). The total of aircraft movements for international flights was broken down into 5,093 for passenger

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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>

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