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F.Y.I.

"A US-China open skies agreement could be the catalyst for significant liberalization efforts early in the next decade, particularly in North Asia, reinforcing China's leadership role in the region. Japan, not previously renowned for its liberal approach to international air services, is also currently quietly sponsoring moves to open up the China-Korea-Japan triangle for region-to-regional liberalization - in recognition of the inevitable market opening to come."

Centre for Asia Pacific Aviation
(Oct 07)

INFINI Homepage:
<http://www.infini-trvl.co.jp/english/index.html>

Lufthansa Looks at Japan

Otto Benz, General Manager of Lufthansa Japan shared some time with INFINI to talk about his views on the Japan travel market and the travel industry. With years of experience in Africa, Germany, Italy, and Japan Mr. Benz has unique insight into how good ideas can work in any culture. He shares some of his opinions about the Japan market.



Otto Benz
Lufthansa Japan General Manager

IU: What is your impression of the Japan travel market?

LH: The Japanese market is watching carefully what is going on outside of Japan. As always you have some who accept that change will come, especially due to the global issues that we all face in the distribution world. Others, take more time to adjust existing structures. As a foreign carrier, Lufthansa, expects the local airlines to introduce changes in this market situation and condition.

IU: Do you offer advice about possible adjustments?

LH: We meet with government institutions and we encourage liberalization of the Japanese air transportation industry. This is very important not because it might bring an advantage to foreign carriers; but because I believe strongly that Japan should not lose its leadership in the Asian airline industry.

Japan has to remain the driver and focal point of the Asian airline industry. But with all the capacity constraints and somewhat rigid framework of government regulations - which is changing now - step by step - we still do not have a completely free and open market in Japan.

IU: Are there any specific aspects here that you feel should change?

LH: One point is the framework of rules and regulations that we have here. It has been created, in some cases, such as the text of bilateral agreements, 50 years ago. We are asking for a modernization of the rules to give more freedom to the market forces. In the end, the consumer will benefit if there is more transparency and less costly administrative processes. It is the consumer who today still has to pay for this.

IU: You are referring to the restrictions on published fares?

LH: [The Japanese government] does allow more published fare than in the past. The last hurdle to be abolished would be the so-called "minimum barrier" which requires that an airline's lowest fare can not be discounted more than 30% of its published IT fare. This is an outdated issue. With business class fares, we still work with published gross fares, whereas the market is selling lower net fares which always requires a

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huge administration to handle the differences. If this is removed we might get closer to a normal publishing and balancing of fares which would represent a normalization of market behavior. We have requested the responsible government institution to look into these matters.

IU: What is your perception of the Japanese travel consumer?

LH: I guess the consumer today is sometimes confused, because the fare transparency in the market is still not sufficient. The consumer must understand that neither the airline nor the distribution (travel agent) is taking advantage of him. All parties should try their best to give a reasonable price based on seasonality and capacity available to the consumer.

IU: What is the key to selling Germany and Lufthansa products to the Japanese consumer?

LH: There is quite an imbalance on the routes to Japan because there are more outbound Japanese travelers than inbound foreigner visitors. On the leisure side, Japan still has an image of being expensive, difficult, and very distant. All efforts have to be taken to change this situation. Nowadays, I think Japan is affordable, easy to travel, and it offers many interesting aspects that foreign people don't know. It's distinct seasons, for example, are very attractive for anyone. There is a need for repositioning by the Japanese government, the tourism board, or whoever is working in this field to make sure that Japan can be an alternative to other destinations. There is strong potential and an opportunity.

This does not change the fact the more Japanese people go abroad. This imbalance can become a problem when suddenly the flow of Japan travelers slows, which may put strong pressure on the seat load factor. The typical Japan-Europe points of sale ratio are 65:35 (Japan: Europe).

IU: What is the Lufthansa response?

LH: LH has a clear vision to be a quality carrier especially for the business traveler. In a stagnant consumer market we may miss some leisure travelers, but we can transport more business travelers. This helps to balance the passenger flow from Japan.

IU: Lufthansa has been a leading partner in the Star Alliance. How much impact does the alliance have for LH in Japan?

LH: The Star Alliance is the leading alliance in the world based on ten years of developing products, services, and common understanding among partners. I think the alliance in Japan plays quite an important role because ANA really strongly supports the Star Alliance philosophy.

Together the Star partners have been able to achieve some tangible results. The Narita Airport terminal project is a benchmark for Star Alliance all over the world. Under the guidance of ANA, the carriers were able to move into the same terminal, offering many advantages for the common customers.

IU: What is the next step for the Star Alliance in Japan?

LH: In an alliance you go through various stages of maturity. I think now the hardware is there with the terminals and code-shares. The next step is to generate more customer benefits with a comprehen-

sive joint approach. Also by making sure the customer understands that when he buys a ticket from a Star partner he finds support and similar products all over the world.

IU: As we move toward the new IATA 100% ET deadline in May 2008, can you talk about how E-ticketing changes your distribution?

LH: I think ET has benefits for everyone. ET helps to reduce transaction cost for the airline and facilitates services for the customers. You may remember the times when you had to go with a paper ticket to an airport ticketing office queue especially when you had a flight irregularity. Now you just call the reservation center or agent and he can make changes in the E-ticket.

In Japan, it took this a little longer because the paper ticket was considered by the distribution as an important part of relationship management. The customers, in the end, certainly appreciated the increased flexibility of travel by E-ticketing. I think we all changed our mentality after we found out how easy and convenient it could be. Lufthansa will have full E-ticketing capability with all systems in Japan by the beginning of next year. I think 90%-95% of this market will use ET by that time.

At the beginning of anything new things seem difficult or threatening. But, if we have an open mind, we can change it, test it, find out if it is good and then use it. That is what the travel industry has to strive for. You can never stop changing. If you become stagnant, you regress.

INFINI POWER-LINK Energizes Online Travel

Furthering its commitment to deliver distribution alternatives for its customers, INFINI announced its release of POWER-LINK, a web product that enhances how travel agents perform online business in the Japan.

The acceleration of the shift to online travel, challenges the technical and financial resources of small and mid-sized agents in Japan. INFINI saw a unique opportunity to provide its technical expertise to this second tier of

wholesaler agents and their B2B and B2B2C needs. Power-Link provides online wholesalers with flight schedule search, availability, 24/7 reservation management, and B2B operation support.

Power-Link Merits

24/7/365 Business

- Streamlines wholesaler/retailer communication, especially for fare inquiries.
- Handles Internet Booking Engines availability requests.
- Transmits updates via INFINI LINX Queue.

Enhances Services/Reduces Taskwork

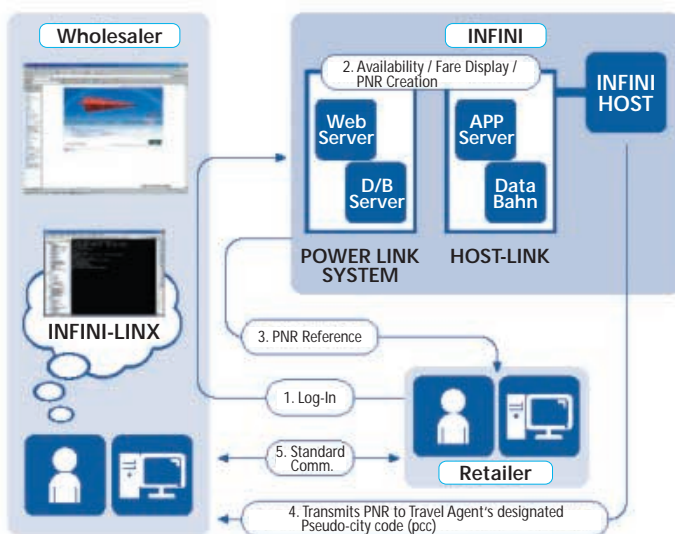
- Displays retailer fares with INFINI functionality improving service levels.
- Removes non-value tasks from the wholesaler business.

Enables B2C sites for Wholesaler

- Enables wholesalers to extend their business directly to consumers with online fares displays.

Features / Operation Outline

Power-Link Workflow



Screen Images



INFINI I-Fare Supports Your Business



I-Fare, INFINI's specially branded version of SITA Airfare for the Japan travel market combines each company's strengths of system reliability and experience in Asia. Using a SITA technology base, I-fare meets the specific demands of airlines and travel agent customers in the Japan market. This customized fare solution provides benefits that make a difference in your business:

- ◆ **Increased download frequency from ATPCO (4 times daily)**
- ◆ **Increased fare calculation speed**
- ◆ **Enhanced several automated fare calculation features:**
 - +9 Segment Auto-Calculation
 - Auto-Calculation for Non-TPM segments
 - Designated Fare Basis Calculation
 - Auto-Calculation for Fares Thirteen (13) Months Ahead

PRICING

(Powered by SITA)

The Fare system for the Asian Region

INFINI uses SITA, trusted by major airlines in Asia, ensuring speed and accuracy for fare calculation by travel agents.

Reliable and Accurate Fares

Delivers up-to-date fare information and rule changes for more effective calculations. INFINI also backs all fares designated with its "guaranteed indicator" (C).

NET

(Powered by SITA)

CAT 15 (Private Fares)

CAT 15 simplifies airlines' fares by displaying its published, web, and special private fares. Airlines can also issue gross fare amounts at ticketing.

CAT 25 (Fare by Rule)

CAT 25 enables airlines to set bases fare percentages. It also handles airlines' needs for special additions to fare rules.

CAT 35 (Negotiated Fare)

CAT 35 automates the handling of net amounts for published and private fares. I-Fare uses the recorded airline net fare as ticketing data.

Information

TAX/Surcharge

Immediately reflects changes and tracks your revisions.

Airline Special Information

I-Fare provides additional fare guidance or information from airlines to its users (e.g. gov't authorization updates, new fare advisories).

INFINI Connectivity Upgrades

■ Electronic Ticketing

Aero Mexico (AM)
Air Canada (AC)
Air China (CA)
Air Macau (NX)
Austrian Airlines (OS)
Aloha Airlines (AQ)
China Southern Airlines (CZ)
Japan Airlines (JL)
Malaysia Airlines (MH)
Srilankan Airlines (UL)

■ Full Availability / Answer Back

Hong Kong Airlines (HX)
Olympic Airlines (OA)
Shandong Airlines (SC)
Shenzen Airlines (ZH)
Transearo Airlines (UN)
Uni Airways(B7)

■ Direct Connect Sell

Air Malta (KM)
Aloha Airlines (AQ)
Japan Airlines (JL)
Srilankan Airlines (UL)

■ TCN

Air Macau (NX)

■ MIDT

Air China (CA)

■ Daily MIDT

Delta Airlines (DL)

■ DRS

China Eastern Airlines (MU)

(Implemented: Apr.07 - Oct.07)