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F.Y.I.

Outbound Travelers and Inbound Travel Numbers Drop

Japan National Tourist Organization (JNTO) released its preliminary figures for the Japanese outbound travelers in August which totaled 1,516,000, down 10.1 percent from last year. Year-to-date total amounts to 10,773,000, down 5.8 percent. The number of foreign visitors to Japan fell 2.0 percent to 742,100, the first decline in 30 months since February 2006. Except for the decreases that occurred due to date changes of the Lunar New Year, this was the first decline since July 2003 during the SARS outbreak. Visitors from Taiwan, Hong Kong, Singapore, Australia, Germany, and France in August showed all-time highs, while those from Korea, China, Thailand, U.S.A., Canada, and U.K. decreased.

(Travel Vision- Oct 08)

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

Air India – Sees Japan Potential

Mrs. A.K. Mathew, Manager for Air India Japan, shared some time to talk with INFINI Update about the Japan market now and in the future.

IU: Inbound and outbound India traffic has been increasing consistently during the last few years. Do you see this trend in your results?

AI: If I look at the 2007/08 financial year for the first time the figure for visas issued in Japan for Japanese nationals traveling to India has reached 109,000. This represents 16% growth over the previous financial year.

IU: How do you sell Air India to the Japan market?

AI: As an airline operating to and from Japan you need to attract the business segment that will probably travel in business class. We focus more on this high yield customer which is what airlines should be targeting now. We, however, also promote tourist traffic and maintain a close working relationship with the travel trade in Japan.

The Japanese tourist, who goes to India for holidays, is keen to control his expenses. They are used to paying for their airfare, hotel, and sightseeing within an all-inclusive package tour. They are price sensitive, and therefore they normally travel in economy.

The business traveler looks for something else in the same aircraft. There is a vast price difference in the two segments of travel, so efforts directed at the business class will bring in gains that are much higher, but we consider both segments equally important.



Mrs. A.K. Mathew
 Manager for Air India Japan

IU: What is your view on travel distribution in Japan?

AI: I would say 98% of selling in Japan is through travel agents. There are really only 2-3 large travel agents, which makes it easy for airlines. They have an excellent network in Japan that even covers the smallest cities. If you interact with such travel agents you obtain an easy flow of information to all areas of Japan from one source. You do not have to deal with a particular agent, in a particular city, to get him to join hands with you. When you join with a big agent you are tied to every corner of Japan to attract business. This makes it relatively easy for us to sell. We are totally dependent on travel agents to sell our product. Our sales force visits cities to maintain close relationships locally.

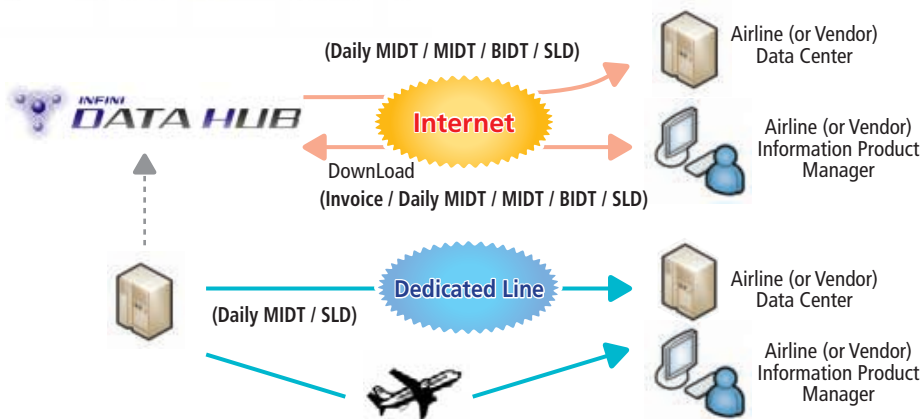
IU: You don't consider the Internet a viable channel in Japan?

AI: Frankly, no. In Japan, I think we may continue to depend on travel agents because that is the way the customer responds. He goes to the

INFINI DATA HUB – Simplifies Your Business



INFINI announced the launch of Data Hub, its new Internet platform for its market intelligence products (MIDT, BIDT) and invoice. The new platform simplifies your business by keeping airlines in touch with performance data 24 hours a day - 7 days a week. Data Hub delivers real data, in real time.



Invoice Online

Use push/pull technology options to access INFINI’s MIDT (Daily, Current, and Historical). Data Hub gives you instant access to this valuable data, so you can monitor your booking and market trends as they happen.

Marketing Information Data

Save time and effort by connecting to your INFINI invoices online. With easy access to a PDF version of the monthly invoice, you can quickly see the value of the INFINI network.

Billing Information Data

View BIDT in a user-friendly format accessible in a single location with other INFINI products, letting you evaluate the benefits of INFINI distribution.

Merits
Merits

INFINI Connectivity Upgrades

■ **Jun.08**

- AIR FRANCE (AF)**
Direct Connect Availability
- BRITISH MIDLAND AIRWAYS (BD)**
Direct Connect Sell
- SHANGHAI AIRLINES (FM)**
Multi Access ARO / AGT
- INDIAN AIRLINES (IC)**
Answer Back
- KENYA AIRWAYS (KQ)**
Direct Connect Sell
- EGYPTAIR (MS)**
Direct Connect Sell / Direct Access/ IMAP / IPRS
- PAKISTAN INTL AIRLINES (PK)**
Direct Connect Availability / Direct Connect Sell / Direct Access / E-Ticket
- SCANDINAVIAN AIRLINES (SK)**
Direct Connect Sell
- SIBERIA AIRLINES (S7)**
Direct Connect Sell
- HELI AIR MONACO (YO)**
Direct Connect Sell / Direct Access

■ **Jul.08**

- AIR ONE (AP)**
Direct Connect Sell / Direct Access
- SPANAIR (JK)**
Full Availability/ Answer Back
- AIR JAMAICA LTD (JM)**
Answer Back
- JALWAYS (JO)**
Full Availability / Answer Back

■ **Aug.08**

- BRITISH MIDLAND AIRWAYS LIMITED (BD)**
E-Ticket
- AIR JAMAICA LTD (JM)**
Direct Connect Sell
- ROYAL NEPAL AIRLINES (RA)**
Direct Connect Sell

■ **Sep.08**

- Air One (AP)**
Direct Connect Availability / E-ticket
- Blue 1 (KF)**
Full Availability / Answer Back
- Wideroes Flyveselskap (WF)**
Answer Back

(Implemented: Jun.08 - Sep.08)

Changes in the Japan Market – Coming Attractions

The Japan's unique mix of history, culture, and high tech continues to draw increasing numbers of visitors for business and leisure. For the Japan travel market, however, the biggest attractions are some of the following trends that could spark changes within one of Asia's leading drivers of travel.

Regulation Breakdown

Known for its restrictive policies, the Japan Ministry of Land, Infrastructure and Transportation (MLIT) has recently taken a more proactive stance by modifying some long standing policies in 2007. One of the key changes was the removal of what was locally known at the "30% Rule". This rule restricted airlines from discounting their own fares no more than 30% below the published IATA fares levels. One drawback of this rule was the limited growth of direct online travel purchase from airlines by consumers which is estimated as only 4.8% of total travel purchases (Japan Travel Bureau data 2008). While the travel agent channel is expected to remain significant, the loosening of rules allows the airline more flexibility to expand its own direct channels to the consumer in Japan.

Asian Gateway Initiative Opening Japan Skies

The Japanese government is moving forward to implement its "Asian Gateway Initiative", a comprehensive plan to reassert its position as a financial and travel hub amidst the economic growth of its Asia neighbors.

For the Japan travel industry, the most significant changes are outlined in the Initiative's "Policy Priorities" which highlight its objectives:

- Form a strategic international aviation network through aviation liberalization ("Asian Open Skies").
- Make Haneda Airport a more

international airport hub.

- Facilitate 24-hour operation of major international airports.

Airport Slot Expansion at Narita and Haneda

In addition to deregulation, the Japan Ministry of Land, Infrastructure and Transportation (MLIT) has pledged to increase the amount of scheduled flight slots available at Japan's main airports-Tokyo International Airport at Haneda (HND) and Narita International Airport (NRT). The changes are expected to increase capacity for Haneda and Narita by 30,000slots (avg. +40 flt/day) and 20,000(avg. +25 flt/day) respectively.

Here is a brief update on significant airport changes:

NARITA International Airport (NRT)

Narita International Airport, handling close to 60% of Japan's air travel traffic, is taking steps to expand and improve its position as the competition from Shanghai and Incheon Airport has raised the stakes in becoming Asia's best airport.

On the facilities front, Narita plans to extend one of its two parallel runway northwards, bringing it to 2,500 meters in length enough to accommodate larger aircraft and increase the airport's capacity. Construction is scheduled to be completed on 31 October 2009 and the runway will open on 31March 2010.

In a related development, construction on the Narita Rapid Railway, which will link Narita Airport with Tokyo in less than 40 minutes, is scheduled to finish in fiscal 2010 in time for the completion of the 2,500-meter parallel runway extension. The Keisei Electric Railway operated "Skyliner" will service the route between Narita Airport and Nippori Station (located in Western Tokyo) reducing present travel time from 51 minutes to 36 minutes.

Tokyo International Airport-Haneda (HND)

Tokyo International Airport-Haneda (HND) is again changing its on/off role as an international hub for Japan. With the opening of Narita International Airport as the international hub in 1978, Haneda surrendered its position as Japan's international airport and almost all of its international airline traffic. Since that time, Haneda Airport has developed into domestic mega-hub handling approximately 60% of all domestic travel (66M passengers in 2007). These numbers have raised its profile for airlines and airline alliances looking to fulfill to promises of "seamless" travel to and from Japan.

The Ministry of Land, Infrastructure and Transportation (MLIT) has conditionally opened slots at Haneda Airport for late-night and early-morning hours to promote international charter flights to and from Europe and the U.S. However, at this time the only real increase in flights has been scheduled flights to Korea and China by Japanese, Korean, and Chinese carriers. The airport shall also add a fourth runway by 2010 to its existing three runways (two at 3,000 meters and one at 2,500 meters) letting it handle up to 60,000 over-seas flights.

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travel agent he likes to talk and make plans. The Internet may be the way airlines sell in the future, but in Japan it may not take off for some time.

Because the Japanese traveler is still closely linked with the travel agent, the customer will use the travel agent's own internet site, but not the airline's. The travel agent advertises and promotes via the internet. This is acceptable and well received. When a travel agent markets your product to the Japanese customer via the internet that sells. There is a response.

IU: Air India introduced a new 777 aircraft in October 08. What prompted this change?

AI: We were seeing the growth of business travel to India and we felt there was an opportunity for our first class product.

We are the only carrier with a first class product flying directly to India from Japan. We are quite excited about this. Our first class and business class has always been Air India's strength. We wanted the Japanese traveler to experience our in-flight first class and business class and therefore, needed to change our aircraft.

IU: Air India has made some corporate changes that will affect its network. Can you talk about the impact of the Air India/India Airline merger?

AI: Air India has merged with the domestic Indian carrier, Indian. Now, we are operating as one company under the brand name of Air India. Naturally, Air India now has a larger fleet and bigger network. We are capitalizing on this bigger network within India.



We are working to make tourists, tour operators, and travel agents aware of this advantage and how they could probably combine certain destinations. India being so vast, you needn't just go only to the North or only to the South. You could very easily add value to the tourist promotion by picking up multiple destinations and com-

There was a lot of media coverage about this. And I have had many regular travelers say to me that 'Now with Air India joining Star Alliance we stand to gain'. It made me think that people in Japan are excited about Air India joining Star Alliance. It is a very good step.

In Japan, I think we may continue to depend on travel agents because that is the way the customer responds.

The Internet may be the way airlines sell in the future, but in Japan it may not take off for some time.

binning them, depending on the traveler's choice.

IU: Air India has been invited to join the Star Alliance. How important is this for your strategy in Japan?

AI: Actually, it is very important and that is why we moved in that direction. We have yet, to finalize the approval process.

Air India has been accepted as a future member. The specialized teams at Air India, Star Alliance and its member carriers are working on the integration process, which once completed, will make Air India a part of the Star Alliance network.

IU: Do you have positive expectations for 2009?

AI: Yes. Certainly many things have happened for us simultaneously. The change of aircraft type, the introduction of first class, and the expansion of the network within India. You may now fly non-stop to Delhi and then take advantage of the wide variety of connections from there. Or if you proceed to Bombay you can enjoy the connectivity within India, which is much bigger and better now.