

# quarterly market report

Japan

January - March 2007

## Market Highlights

# of outbound visitors:	4 317 066
% change from previous quarter:	+1.67%
# of visitors to Canada:	49 890
% change from previous quarter:	-21.37%

## Comments / Other information:

- The quarterly period covered is November 2006 to January 2007 with the source of Statistics being Stats Canada and JNTO.
- While the total outbound market has continued its modest growth, visitors to Canada have continued to decline.
- Canada is grouped with other long haul destinations including Austria, Australia, Germany, New Zealand, Scandinavia and USA who have seen declines over this period, while as the same time short haul destinations continue to grow such as China, Taiwan, Hong Kong, Malaysia, and Vietnam.
- Other impacts particularly affecting Canada include reported increases of 25% in air fares to aurora destination and the strength of the Canadian dollar.
- The number of Japanese traveling abroad increased by 0.8% to 17.53 million, second only to the 17.81 million for 2000.
- Inbound to Japan the number of foreign visitors reached a record 7.33 million in 2006, up 9% on the year, according to estimates by the Japan National Tourist Organization. The Japanese government's easing of visa restrictions and a public-private promotional campaign likely contributed to the increase. Visitors from South Korea surged 21.2% to around 2.12 million, or 28.9% of the total, underpinned by visa waivers for short visits and expanded flight

schedules. Roughly 1.31 million came from Taiwan, followed by about 810,000 from China. As for the fiscal 2007 outlook, the organization says it will continue promotional activities in an effort to attract 8 million visitors. The government has set a goal of 10 million by 2010.

### Air Capacity

- United Airlines ended their Osaka-Chicago flights: United Airlines discontinued flights between Osaka and Chicago in January due to sluggish passenger demand. The airline, which operated three round-trip flights a week between Osaka's Kansai International Airport and Chicago's O'Hare International Airport, has concluded that it cannot secure the level of demand it would like. The last flight departed Kansai airport on 19<sup>th</sup> January, 2007.
- Japan Airlines (JL) and All Nippon Airways (NH) reported higher bookings for the holiday season, China Bookings up 30%: Combined bookings for international travel on JL and NH were up for the year-end/new year period between December 28, 2006 and January 8, 2007.
- Japan Airlines plans to raise its international and domestic fares from April to cover high fuel costs, rival All Nippon Airways also said it would increase its international fares. The two airlines will both raise prices for their international flights by up to 7%, while they will increase domestic fares by an average of 2.7 %.
- Japan Airlines announced a medium-term business plan that calls for reducing 50 billion yen in personnel costs and overhauling its domestic and international routes. Under the plan, JAL intends to eliminate 4,300 staff by the end of fiscal 2009, or over 8% of the group's roughly 53,000 employees. On the domestic front, the airline aims to save 6 billion yen by eliminating routes and reducing flights. It also seeks to generate an extra 7 billion yen by increasing lucrative international routes and taking other efficiency-boosting measures.
- All Nippon Airways participated in trials run by the Ministry of Land Infrastructure and Transport to simplify check-in and immigration procedures for passengers departing Tokyo's Narita Airport on ANA flights. The ANA portion of the so-called Simplifying Passenger Travel (SPT) trials ran from January 31 this year to March 23 in the South Wing of Terminal 1.
- Japan Airlines will cancel less profitable international flights while increasing

service to North America and other popular destinations. JAL has decided to suspend a total of 10 domestic routes this spring. The airline will focus on revamping its international flight network. Targeted for cancellation are flights departing Narita International Airport for Zurich, which have been operating three times a week in summer. JAL will also reduce the number of flights on two routes between Narita and China. In all, JAL will cut the number of international flights by 10 a week. At the same time, JAL will add flights on profitable routes often used by business travelers. For instance, it will increase its Narita-New York service from 10 to 13 flights a week. It will fly between Narita and Paris 14 times per week, up from 10.

- All Nippon Airways unveiled its fiscal 2007 flight operation plans, announcing that it will suspend six less-popular routes in Japan but increase international flights by 20%. At home, ANA will suspend six routes, reduce one to two round trips a day for eight other routes, and will add flights on eight routes for which tourist demand is expected to grow. Internationally, ANA will increase its flights by 20% from the fiscal 2006 level of around 28,700. A new route connecting Tokyo's Narita International Airport and Mumbai, India, will open in September. Flights to China will also be expanded to meet the anticipated increase in business passengers heading there.
- JAL to cut fuel surcharges - Japan Airlines said it had requested approval from the Ministry of Land, Infrastructure and Transport to reduce the fuel surcharge placed on nearly all international passenger tickets issued on or after April 1. Based on ticket sales in Japan, the new surcharges range from 1,700 yen on a Japan-Korea ticket (down from 1,800 yen) to 15,500 yen on a Japan-Brazil ticket (down from 16,500). The surcharge on a Japan-Europe ticket or a Japan-North America ticket will be 12,000 yen, down from 13,000 yen. However, the fuel surcharge on a Japan-Hong Kong ticket will increase to 5,200 yen up from 1,800 yen to more accurately reflect the distance flown and fuel usage on this route.
- Air Canada announced it will operate its new Boeing 777 aircraft on key routes serving Europe, Asia and the South Pacific. As the airline begins introduction in April 2007 of the first of eight new 777 aircraft to be delivered in 2007, Air Canada customers will experience the world's most advanced widebody aircraft on Tokyo-Toronto (beginning in June), and Tokyo-Vancouver (beginning in July).
- Air Canada will halve the frequency of service offered on Osaka-Vancouver

from Summer 2007, reducing from two to one flight per day.

- Air Canada in March closed it's sales office in Nagoya.
- Heads Of Oneworld Alliance Airlines Welcome JAL From April - The heads of the Oneworld alliance of airlines stressed the convenience and attractiveness of its services Thursday, celebrating the addition of Japan Airlines Corp. and two others to the grouping from April 2007.
- The Government May Allocate More International Flight Slots To Foreign Airlines - A government panel tasked with promoting ways to expand Japan's role in Asia will call for increasing the international flight slots allocated to foreign airlines. The number of departure and arrival slots for international flights is, in principle, determined for each airport through government-level negotiations. The panel will recommend in its interim report, to be compiled Thursday, that the government assign these slots at domestic airports in a more flexible manner.
- Summer Charters Offered by Malev Hungarian Airlines - Between July and October, Malev Hungarian Airlines (MA) will operate 15 charters from Japan to accommodate growing demand for travel to Hungary. The charters, which will run each Sunday from July 1 to October 7, 2007 will use B767-200ER aircraft, configured with 24 business-class seats and 157 economy-class seats for a total of 181 seats.
- International Charter Flights to Grow to 800, Says Japan Airlines - JAL will expand the number of international charter flights in 2007 by 100 from a year ago to 800 this year. New charter flight destinations include Zurich, Milan and Rome in Western Europe, to where JAL will operate the non-stop charter flights from Japanese regional airports where no scheduled flights operated by JAL are available today.
- Swiss International: Baby-boomers Lead Targets - The start of daily operations by Swiss International Airlines (LX) from six flights a week from February 20, 2007 opens up a whole new market for travel to Switzerland.
- Finnair (AY) to Add Japan Flights to Widen Reach in Asia - Finnair plans to add another flight on the Japan route in June as part of efforts to build its network in the Asian market.

## Economic / Political Environment

GDP growth:	+2.1%, Q4 2006
forecasted economic growth:	+2.2%, 2007. +2.3%, 2008
unemployment rate:	4.0%, January 2007
inflation:	0%, January 2007
consumer price index:	0%, January 2007
exchange rate:	JPY 1 = CAD 0.0100, 0%
net national disposable income:	n/a

## Comments / Other information

- Tokyo stocks in longest bull-run since 1989: Investors gave Tokyo a final boost at the year-end, taking the Nikkei 225 stock average up moderately. The index ended the year with a 6.9% gain, at 17,225.83, marking Tokyo's longest bull-run since 1989.
- Japan's economy looking healthy: Japanese consumer prices rose for the fifth consecutive month in October as unemployment fell, signs that its economy continues to strengthen. But core consumer prices - excluding volatile fresh food prices - rose less than expected at 0.1% year on year, the Ministry of Internal Affairs said. Japan's economy seems to be recovering after years of deflation, which saw prices tumble.
- Keidanren sees 2.2% economic growth annually till 2015: The Japan Business Federation predicted that the country's economy will be able to see an average annual economic growth of 2.2% in real terms and 3.3% in nominal terms over the upcoming years through to fiscal 2015 by encouraging technological innovation. The federation, the country's most powerful business lobby also known as Nippon Keidanren, said it expects Japan's national income per capita to increase by about 30% in fiscal 2015 from the level in fiscal 2005.
- Japan birth rate shows rare rise: Japan has seen a rise in its birth rate for the first time in six years, government statistics show. The number of births for

2006 has been estimated at 1,086,000, an increase of 23,000 from a year earlier. Japan has the highest number of elderly people and the lowest number of young as a percentage of its population. Marriages were up last year amid economic recovery - estimated at 732,000, 18,000 more than 2005.

- Reflecting the continued improvement in employment conditions, the nation's unemployment rate declined for the second straight month in November, edging down 0.1 point from October to 4.0% on a seasonally adjusted basis, data released Tuesday by the Ministry of Internal Affairs shows.
- If Japan is able to thoroughly implement reform measures and generate productivity-boosting technological innovations, it could achieve economic growth averaging a real 2.2% and a nominal 3.3% a year, according to policy recommendations and objectives released Monday by the Japan Business Federation, or Nippon Keidanren.
- The Government of Canada announced that it will close its consulates in Fukuoka and Osaka from 1<sup>st</sup> April, 2007.

## Emerging Tourism Trends

- **Taiwan to Welcome Another Record Year:** With a strong November helping to push arrivals to Taiwan over the 1 million mark, the count of Japanese visiting the destination will reach an all-time high. TVA said it undoubtedly will see an annual record high of more than 1,127,184, the current record set last year. It will be the second time in Taiwan tourism history that the number of Japanese setting foot on Taiwanese soil will top the 1-million level. The Taiwanese government has conducted incentive campaigns in Japan by offering subsidies to airlines conducting charter flights between Taiwan and Japan carrying a certain number of travelers.
- Indicating a change in consumer trends, supermarket and department store chains are losing customers to specialized retailers offering low prices, as well as to online stores. With slow growth in wages, an increasing number of consumers are spending less on daily necessities and more on travel and other services.
- Despite the overall population decline, the number of Japanese who are either working or willing to work rose to 66.57 million in 2006, increasing for the second straight year, according to data released Tuesday by the Ministry of Internal Affairs and Communications. With the economy recovering, more women and elderly people have been eager to join the work force, resulting in the increase. After falling to 66.42 million in 2004, the nation's work force has been recovering in tandem with the economic turnaround.
- DoCoMo to offer electronic payment at McDonald's - NTT DoCoMo subscribers will be able to use their cell phones at McDonald's 3,800 restaurants in Japan to pay electronic cash or pre-order their burgers from October. The move comes as part of their efforts to jointly promote e-marketing based on DoCoMo's "wallet phone" services. DoCoMo and McDonald's will set up a joint venture in July to promote the campaign, mainly targeting members of McDonald's newly planned customers' club. The venture will be 70% owned by McDonald's.
- No. of 'freeters' drops below 2 million in 2006 - The average number of "freeters" - young people living on temporary jobs - dropped by 140,000 in 2006 from the previous year to 1.87 million in Japan, marking the first fall below 2 million since the compilation of data under the same conditions started in 2002, the government said. In addition to an improvement in the employment



situation due to Japan's economic upturn, the government's "Hello Work" job placement centers' attempt to promote full-time employment of part-time workers is behind the decrease, according to the Ministry of Health, Labor and Welfare.

- **JTB Offers Extended European Tours To Affluent Baby Boomers** - JTB Corp. has put together a luxury travel package that includes tours of Europe that last as long as 90 days. The trip is designed for baby boomers that have time on their hands and money to spend and want a richer experience than the typical whirlwind tour of Europe.
- **Pasmo IC Pass Linking JR, Private Rail Lines Introduced** - Commuters will be able to use the Pasmo IC pass for private train and bus services. Similar to the Suica IC card from JR East, introduction of the pass will significantly increase convenience for travelers, and shoppers will be able to use it as electronic cash. It also means that 23 private train lines and 31 bus companies in the Kanto region are entering into a subordinate relationship with JR East, though without a unified e-cash strategy.
- **Survey: Italy Most Popular Destination for Graduates** - Italy is the most popular destination for overseas graduation trips, according to results of a recent survey conducted by Mainichi Communications. Conducted between December 7 and 13, 2006, polling some 300 participants (78 men and 222 women), the multiple-answer survey showed that some 38.67% of respondents chose Italy as the top destination to visit before they begin their employment in April 2007. The survey was conducted through e-mail via the Freshers Mycom website designed to support young adults preparing for employment. The second-most popular destination for a graduation trip was the U.S. mainland selected by 34.9% of the respondents. This includes New York (15.3%), Los Angeles (13.3%) and Las Vegas (6.3%).
- **Lifestyle Changes of Today's Japanese - A Look at How Japanese Shop, Eat and Enjoy Life** - Over the past decade, men and women in Japan have undergone changes that have led to different ways in which they live their lives compared to a generation ago. Women and Men's roles are changing with more women in workforce. Hakuhodo, one of Japan's largest advertising and public relations firms, reported in December 2006 that such changes represent new perceptions, values and behaviors that impact all aspects of their lives. In its report "Over-stretched Women, Sympathetic Men," Hakuhodo said that male-female relationships have changed beyond recognition in the past



decade.

- Baby-boomers the Focus of New Products in 2007 - Strong Move for European Tours, Tough Climb for U.S. - Wholesalers in fiscal year 2007 are poised to attract more baby-boomers as this year from April marks the start of retirement for many baby-boomers in Japan. Some 4.98 million Japanese, who were born in 1947, will be 60 years old in 2007, according to the statistical data compiled by the Ministry of Health, Labor and Welfare. The population of people born in 1947 is the largest among the so-called baby-boom generation comprising of the people born between 1947 and 1949. The large number points to a major potential for business for many wholesalers.
- MICE Market Growth Expands for Hong Kong - The MICE market in Hong Kong is witnessing a surge from Japan, with 2006 welcoming a 69% rise. The Hong Kong Tourism Board (HKTB) cited stronger economic activities between Japan and China as a factor for the increase to 491 incentive tour groups last year.

### Market Development Activities

- 2007 Canada-Japan Tourism Year of Exchange continues under development with Tourism Ambassadors due to be appointed at a ceremony in April.
- Tourisme Quebec will host in partnership with CTC Japan a Quebec Night for travel trade and media guests inviting them to a reception followed by attending a performance of Dorallion by Cirque du Soleil.
- Tourism British Columbia hosted "Three City Seminars" for the travel trade across Japan in the month of March.
- CTC Japan is developing with partners three separate summer consumer promotions featuring Icefields Parkway, Mapile Kaido and Summer Yukon.

## CTC Activities

### Trade Development

- Christmas Events were organized in Tokyo, Nagoya and Osaka with the support of Air Canada, Continental Airlines, Northwest Airlines and United Airlines with over 250 media and travel trade attending. Our travel trade 2007 calendar was distributed featuring twelve airlines with routes from Japan to Canada, one each month.
- Regional City Seminars:
  - January 25 in Kumamoto, 24 attendees.
  - January 26 in Kagoshima, 21 attendees.
  - February 14 in Kochi, 17 attendees.
  - February 15 in Tokushima, 18 attendees.
- Travel Trade Seminars:
  - February 23 with Kinki Nippon Tourist, 138 KNT employees.
  - March 15 with Nippon Travel Agency, 37 retailers.
- Canada Specialist Program
  - Program development meeting in Osaka on February 27, 10 specialists.
  - Program development meeting in Tokyo on March 6, 9 specialists.
  - One Canada Specialist in JTB has successfully included two new tours to Manitoba in the "Look JTB" wholesale products which is the best selling wholesaler in Japan. The CS participated in the fam tour to Manitoba in July 2006 and introduced a beluga (and canola) watching tour, and a polar bear and aurora watching tour.

- Made special consultations to 38 consumers enquiries through CTC website. (January 01 to March 18).

#### Consumer Development

The winter 2006 Aurora Campaign with Air Canada and Northwest Territories Tourism results became available. For the period October 18/07 to December 10/07 the campaign website was accessed 34,487 times with the combined web page views and newspaper advertisements delivering over 12.6 million impressions. Thirty percent of the people who went to the campaign website entered the campaign, with a total of over 10,000 entries, and over 8,000 individuals providing information and permitting future contact.

Canada's Northwest Territories Aurora promotion will complete in April 2007 in partnership with Northwest Territories Tourism, Air Canada, JTB World Vacations and Olympus Imaging. With components of a photo contest, consumer seminars, travel trade seminars, and media exposure through local newspapers.

CTC Japan in January communicated the new brand identity to over 900 business contacts including airlines, travel trade and media.

CTC's Japan consumer website was relaunched in January with the new brand identity.

West Coast Three Cities consumer promotion was launched on February 01/07 for three months with TAYA hair salons at 145 locations across Japan with partners HIS, Sweet Maple, Icefield Water and Whistler Mountaineer. The components of the campaign include an in-house magazine, campaign and promotion websites, direct mail to TAYA's customers, and newspaper flyers. At the end of the first month 50,000 entries had been received for the promotion.

Café Whistler opened for 100 days at Naeba in Japan with partners Prince Hotels, Tourism British Columbia, Tourism Whistler, Whistler Blackcomb and Air Canada. Providing a vehicle to create awareness of Whistler and Canada to a targeted audience.

#### Media

Media Activity - December 2006 to February 2007.

Media visits: 3 TV, 5 print media, and 3 media fam tours.

- CTC published the 2007 Vacation Guide.
- TBS's Saturday prime time travel show "Discovery the World Mystery" filmed Canada's winter products at their special program. Niagara Falls, Aurora, wildlife watching tours were featured on the program and recorded 17% viewing rate nation wide.
- Fuji TV's morning show filmed from Vancouver to Montreal on VIA Rail and featured winter products in BC, Alberta, Ontario and Quebec on their weekly travel section 4 programs for 4 provinces.
- CTC jointly developed an integrated TV project with Centrair, NWA, OTA, OTMP to increase the demand to travel to Canada from the Chubu region.
- TBS's "UNESCO's World Heritage" TV show featured Nahani National Park.

Exposure December 2006 to February 2007

	Circulation	Audience Reach	PR Value
December	2 164 883	34 240 799	CAD 5 464 416
January	4 210 000	55 956 150	CAD 19,294,983
February	1 875 732	58 933 346	CAD 13 369 685

**Public Relations**

## Competitive Environment

- Pretax Profits at H.I.S. Surge 24.7% in 2006, Online Marketing Planned for Fiscal 2007: Consolidated pretax profits for fiscal 2006 ending October 2006 at H.I.S. Co., Ltd. surged 24.7% from fiscal 2005 to 8.082 billion yen, fueled by robust sales via the internet.
- MLIT: Dynamic Packages Not Available to Third-category Agents: Third-category travel agencies in Japan cannot deal with dynamic package products, according to an interpretation handed down by the Ministry of Land, Infrastructure and Transport (MLIT).
- Self-enhancement Tops 2006, Says Hakuodo Report: The movement toward self enhancement, toward becoming the "ideal me" characterized consumers' consumption habits in 2006. Hakuodo, one of Japan's largest public relations and advertising agencies in Japan, said that this year showed how consumers strived for independence and individualism, thanks to a strong economy and the advent of social networking through the internet.
- Web Site Will Offer Airline E-Tickets From Multiple Carriers - Travel agency World Air System is partnering with a software developer and a Web site creator to launch an Internet site where people can immediately purchase e-tickets for international air travel from a wide host of carriers. The service will begin in April, offering a searchable interface for international flights from more than 100 carriers belonging to the International Air Transport Association. Users simply type in destinations and available tickets are displayed on the screen in order of cost, with the cheapest shown first.
- Kinki Nippon Tourist Struggles As Rivals Thrive - Japan's second-largest travel agency, Kinki Nippon Tourist, is emerging as the sole loser in the travel industry. While all its competitors are getting a boost from the economic recovery and rising demand, Kinki ended its fiscal year in December with both sales and profit down. For fiscal 2006, the company reported 82.752 billion yen in consolidated sales, down 2.1% year on year, and 1.409 billion yen in operating profit, down 28.1%. Domestic tour sales were down by 2.7%, and group tours in particular fell by 6.1%. Industry leader JTB is farther ahead, projecting 21 billion yen in consolidated operating profit for fiscal 2006 through March, up 4.7% year on year. Domestic sales remain strong, with tours to Hokkaido and Okinawa selling particularly well". H.I.S. reported a 32% annual

increase in consolidated operating profit to 7.2 billion yen for the year ended October.

- Fewer U.S. Package Tours in Second Half 2006 - Las Vegas Commands a 64% Share of Market - The drop in flights to the U.S. may be a factor in the lower number of package tours available to the U.S. mainland through March 2007, which marks the end of the second half of fiscal year 2006 for most travel agencies in Japan.
- LOT-Polish Airlines Resumes Activities in Japan - Responding to the rise in demand of travel to Central Europe, LOT-Polish Airlines (LO) has resumed business activities in the Japanese market, some two and a half years since its closure in August 2004. The new Japan office has begun conducting sales and marketing activities as well as reservations and ticketing since opening on January 05, 2007. The former LO Japan office, which functioned as a tourist office handling land operations as well, was closed in August 2004 as part of efforts to reduce costs at its Warsaw headquarters. With the opening of the Polish National Tourist Office in Japan two years ago, operations of the new LO office are devoted to the airline business. LO successfully operated five charter flights during the 2006 summer season.
- Meitetsu to Widen Sales Share of Overseas Travel - Targets Baby-boomers for travel to China, Hawaii. - The year 2007 has been designated as "First Year of Reform" by Meitetsu World Travel as part of its efforts to enhance its share of the overseas travel sector starting from January. Meitetsu specifically plans to widen the share that outbound travel products generate in its overall sales to 20.9% in fiscal 2007 and to 23.5% by fiscal 2010. Outbound sales currently contribute to less than 20% of total sales.
- Look JTB's Super Packages to Draw 1.4 Million Package Tour Customers From April to March - Fiscal Year 2007 to Handle 3.4% More Tour Participants - In a move to serve all market segments, JTB World Vacations (JTBWV) will unveil the "Super Packages" from April 2007. The new Super Packages will meet the needs of all markets including independent travelers (FITs), baby boomers and internet users. JTBWV plans to attract an estimated 1.41 million tour participants in fiscal year 2007, up some 3.4% from 1.36 million estimated for fiscal year 2006 which ends in March 2007. The fiscal 2006 figure would be a 4.4% rise from fiscal 2005.
- San Francisco - More Than Food for Thought - Promoting "Food and Wine" Experiences - Described by food writers as the "Wine and Food Capital of the



U.S.," San Francisco is taking full advantage of that by promoting "the dining experience" to Japanese consumers. The San Francisco Convention and Visitors Bureau (SFCVB) has put food culture as one of its mainstays in attracting more visitors from Japan. In 2005 (latest statistics), some 268,000 Japanese visited San Francisco, up 23.5% from a year earlier for a 6.9% share of the total number of arrivals from Japan. It marked the fourth-consecutive increase since 2002.

- **Look JTB Sees 2.2% Growth from Western Japan - Plans to Bolster Products by Using Business-class Seats** - By emphasizing use of business-class accommodations, JTB World Vacations, Inc. (JTBWW) expects to handle some 373,000 customers in Western Japan starting from April 2007. Running through March 2008, the fiscal year total would represent a 2.2% increase from fiscal 2006, said JTBWW.
- **Theme-based Tours to Boost I'll/AVA Business in First Half** - By emphasizing the benefits of package tours, Jalpak plans to handle 6% more tour participants in the first half of 2007 starting from April. It anticipates some 207,500 tour participants for its I'll/AVA products for the first half that will run through September 2007. That will be a turnaround from the entire fiscal 2006 (April 2006-March 2007) when Jalpak estimates a 7.0% drop from fiscal 2005 due to some reductions in international flights operated by Japan Airlines (JL).
- **New Record for Taiwan Tourism in 2006** - For the second year in a row, the number of Japanese setting foot in Taiwan topped the 1 million mark.
- **KNT Creates Swiss Products Using Charters** - Using charter flights offered by Edelweiss Air (8R), Kinki Nippon Tourist has created package tours for travel to Switzerland under the Holiday brand. Called "Swiss for Eight Days," the tours will depart from six regional airports in Japan -- Sapporo (June 27), Sendai (July 4), Chubu in Nagoya (July 11 and Aug. 8), Kansai in Osaka (July 18 and July 25), Hiroshima (July 11) and Fukuoka (Aug. 1). Travel time using the flights will be between three and four hours shorter than Europe-bound flights with transits to Switzerland. The tours will include special courses for visits to the Matterhorn and Jungfrau where hiking are part of the activities. The chartered train tours include a chance to see the sunrise at the Matterhorn.
- **NTA Targets 450,000 Customers in 2007, Up 6%** - With more emphasis being placed on Asian destinations, Nippon Travel Agency (NTA) plans to attract an estimated 450,000 customers for its Mach/Best Tour products between January and December, up 6% from a year earlier. The number of

tour participants by destination regions it anticipates for 2007 is 164,500 for Asia (up 9.0%), 107,400 for Europe (ahead 3.0%) and 25,200 for China (up 29%).

- **Surcharges, Room Shortage End Growth for Hawaii** - After two consecutive years of higher growth, Hawaii saw arrivals from Japan fall 9.42% to 1,374,454 in 2006. Hawaii Tourism Japan (HIJ) said the downturn in traffic from Japan was attributed to several factors: expensive fuel surcharges (as much as 20,000 yen for a round-trip), a hotel room supply shortage created by the Waikiki Beachwalk redevelopment project, hikes in room charges due to favorable demand from North America. It also cited the stronger competition from other global destinations including Southeast Asia, Europe and China.
- **Major Agencies Report Strong January 2007 Sales** - Keeping pace with the solid number of outbound travelers in January 2007, outbound travel sales during the same month rose 8.1%, marking the ninth consecutive month of higher growth. The Ministry of Land, Infrastructure and Transport (MLIT) reported that sales of overseas travel reached 180.09 billion yen for the month, bringing to 377.49 billion yen the total of sales (outbound, inbound and domestic travel). The volume translates to a 5.4% increase from the same month a year ago.
- **Australia Eyes Bigger Share of Incentive Market** - Tourism Australia (TA) has stepped up its promotional efforts in Japan to attract more Japanese tour groups including those participating in corporate incentive travel.
- **Washington State Promotes Wine Tourism** - March Designated Washington Wine Month - With March designated as Washington Wine Month in Japan, the State of Washington - Seattle Tourism Office is pushing forward on wine tourism to Japanese consumers.

## Future Outlook

- JTB Foundation: 2007 to Show 1.7% Growth: The number of Japanese going abroad in 2007 will grow 1.7% from 2006 to 17.9 million, indicating a leveling off in the outbound market.
- Of interest, Hitachi has developed an inexpensive system to extract oil from tar sands that it will deliver to a Canadian oil firm as early as this fall. Hitachi adapted its proprietary water purification technology to devise the system, which can purify a liquid mixture of water and oil without using chemicals. The liquid mixture is produced when oil-like bitumen is separated from tar sands, also known as oil sands.
- A total of 17 action plans have been submitted to the Japan Association of Travel Agents (JATA) in a mid-term findings report that will help create a strategy to boost overseas travel. The report compiled by the JATA Council, which has been studying ways to create ways to establish an outbound travel strategy, includes not only action plans and passport acquisition campaigns but also recommendations to issues associated with airports in the metropolitan Tokyo region and plans to make travel product distribution sounder. In the mid-term findings report, the council put together basic policies covering methods to stimulate demand stimulation, solid partnership with administrative agencies/organizations and ways to foster human resources in efforts to position the travel industry's mission to a level that represents a valuable industry. The action plans call for:
  - (1) Promoting collaboration within the travel industry to minimize labor and generate cost savings;
  - (2) Bolstering efforts toward the development of "new tourism;"
  - (3) Creating rules for e-commerce;
  - (4) Strengthening approaches to penetrate the youth and baby-boomer markets; and
  - (5) Stepping up of partnership with airlines to generate more travel demand.
- Travel Slowdown in Asia-Pacific: MasterCard Forecast - Japanese Visitors to Choose U.S. Destinations in 2007 - MasterCard Worldwide in its latest MasterIndex of Travel report predicts a slowdown in growth of outbound travel across the Asia/Pacific in the first half of 2007 with Japan to show a 4.8% rise.

Travel Trends from Japan. - As for travel trends from Japan, MasterCard said that outbound travel from Japan will grow 4.8% in the first half to 8.8 million. Other trends from Japan its Survey on Personal Travel:

- Key sources of information used by travelers in planning their trips were travel agents (47.7%), followed by internet (28%) and by word of mouth (20.6%).
- Top concerns for travelers when traveling to a foreign destination were language barriers/communication problems (52.3%), followed by security and safety issues (37.4%) and falling sick without proper medical facilities (24.3%).
- The main activities travelers engaged in when traveling were general sightseeing and scenic spots (67.3%), shopping (31.8%) and entertainment (30.8%).
- Most preferred shopping items for travelers when abroad included local souvenirs/antiques/arts and crafts (64.5%), food items (23.4%) and apparel and personal effects (17.8%).
- The favorite personal travel destination for Japanese travelers was USA (28%).

As for results of its Survey on Business Travel, it said that some 50% of business travelers said that over the last 12 months, there was the need to travel more compared to the previous period.