

Japan's New INTERNATIONAL AVIATION POLICY



Yoshiro TAGUCHI

Deputy Director, Japan Civil Aviation Bureau (JCAB)

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Background

- ▶ Ministry of Land, Infrastructure, Transport and Tourism (MLIT) established “Growth Strategy Committee” last October, and started review process of Japan’s international aviation policy.
- ▶ The committee submitted the final report to Mr. Maehara, the Minister of MLIT on May 17. MLIT announced that it will implement its new policy in line with the final report.
- ▶ The core part is that Japan will shift gears to promote the full-fledged Open Skies policy, coupled with the dramatic capacity increase of the Tokyo Metropolitan Airports(NRT/HND).

Japanese Open Skies Policy So Far

Japan has negotiated Open Skies with 10 countries and regions since 2007, but most of them have a number of limitations.

Tokyo Metropolitan Airports (NRT/HND) have been excluded from the Open Skies agreements.

Elements of the Open Skies agreements have been limited reciprocally.

Rules and regulations not suitable for Open Skies remain in place.

- n Due to overwhelming demand over slot availabilities.
- n No limit on ;
 - 3rd and 4th freedom traffic rights
 - Number of airlines
 - Aircraft type to be operated
- n Limit on ;
 - 5th and 6th freedom traffic rights
 - Code-sharing arrangements
 - Flexible tariff/pricing
- n Charter rules, tariff/pricing framework and etc...

Promotion of Full-fledged Open Skies Policy

Basic Strategy

- Seek to reach new agreements with other countries and regions based on the following basic strategies.
- 1. Full-fledged Open Skies covering the Tokyo Metropolitan Airports.
- 2. Strategic Open Skies aimed to boost international air logistics.
- 3. Relaxation of rules & regulations on international aviation business.

Promotion of Full-fledged Open Skies Policy

Negotiation Priorities

➤ The government will determine negotiation priorities strategically, taking the following elements for example into consideration.

ü Japanese air industries' priorities and interests.

ü Size and maturity of the aviation markets and potential for future growth.

ü Possibility of quick startup of air services (new entry or flight increase).

ü Safety and security issues.

ü Fair and equal treatment of Japanese airlines (slot allocation, taxation, etc...).

ü Foreign relations and trade objectives.

Promotion of Full-fledged Open Skies Policy

Schedule

➤ Start new round of consultations with countries and regions of high priority, as soon as the consent of local residents is secured for the ultimate capacity increase (300,000 slots/year) at Narita.

ü Aim to reach agreements by the time when capacity at Narita will be expanded to 270,000 slots/year, which is expected in the FY2012 at the earliest.

Basic Strategy 1

Full-fledged
Open Skies
Covering the
Tokyo
Metropolitan
Airports



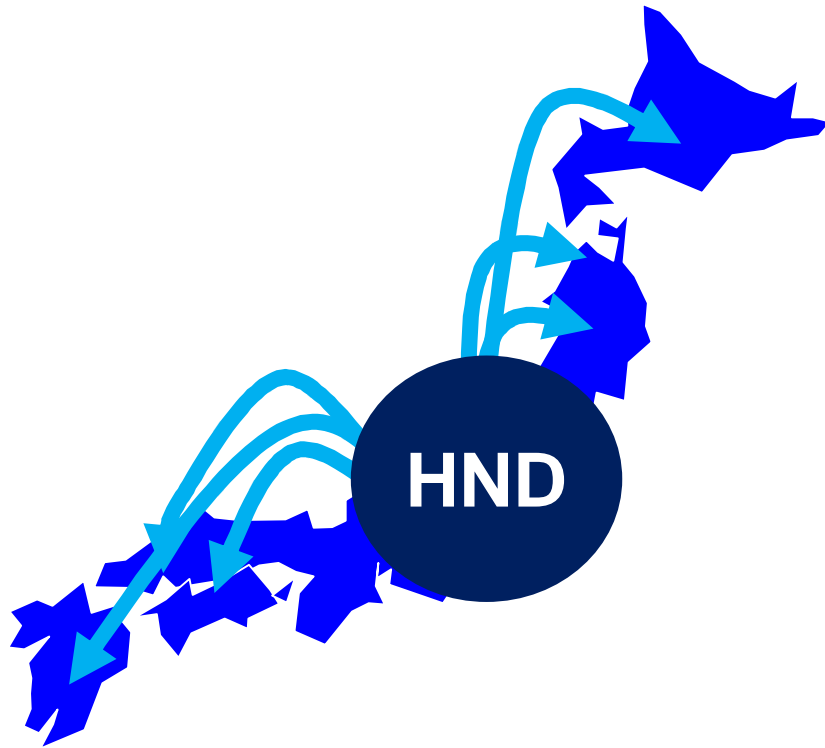
Basic Strategy 1:

Full-fledged Open Skies covering NRT/HND

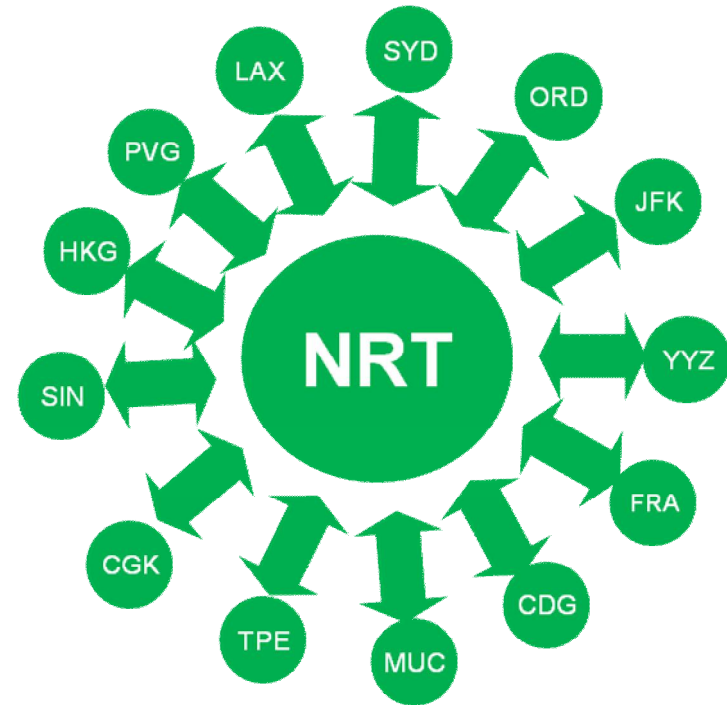
- ▶ Japan will proactively negotiate full-fledged Open Skies agreement with bilateral partners, willing to create more liberal, fair and equal competition environment, on a reciprocal basis.
- ▶ For this sake, Japan will widen the Japan's narrowest bottleneck, Tokyo Metropolitan Airports (NRT/HND), in coming years, subject to the consent of local residents.
- ▶ Start with 3rd and 4th freedom traffic rights and would later expand to cover 5th freedom traffic rights.
- ▶ Special, separate framework should be exceptionally sought for scheduled services at HND, due to overwhelming demand.

Old Rule: Two Independent Airports

Two Independent Airports



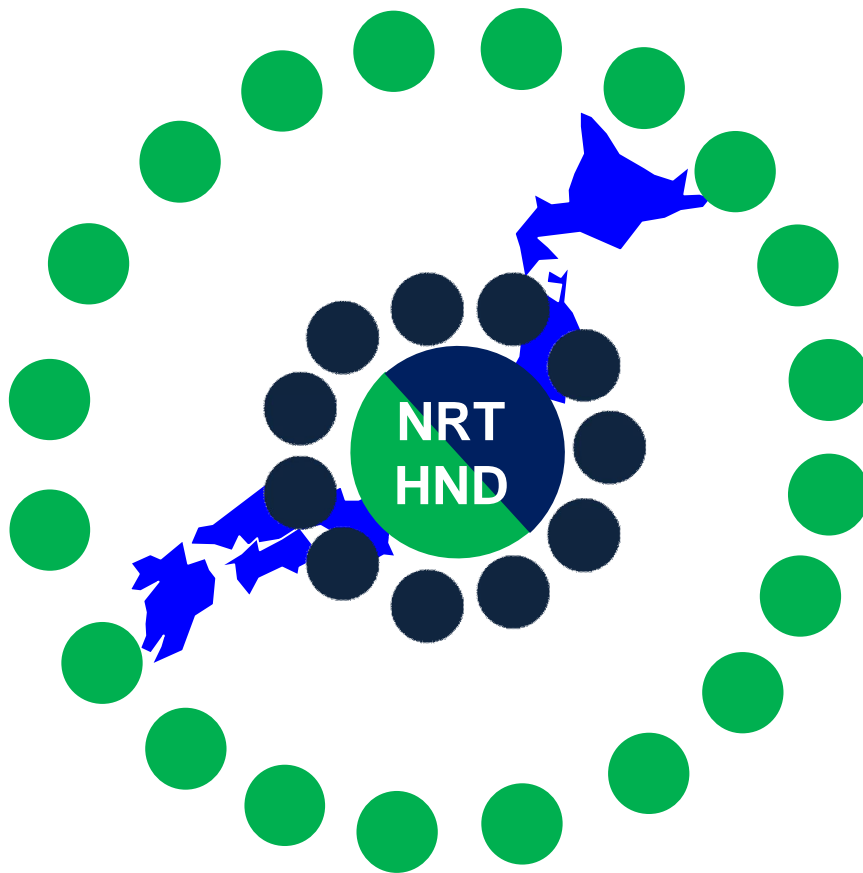
Domestic Hub



International Hub

New Rule: “Dual” Tokyo Metropolitan Airports

Dual Int’l/Domestic Hubs



NRT: “Leading Hub in Asia”

- Extensive global network
- Convenient feeder services to/from major local cities
- Special facilities for LCCs/Business jets

HND: “Business Hub in Tokyo”

- 24-hour operation
- International network to/from major business destinations
- Extensive domestic network
- Easy access to Tokyo CBD

Improved Ground Transportation

Improvement of ground transportation enables both airports to become truly integrated dual hubs.

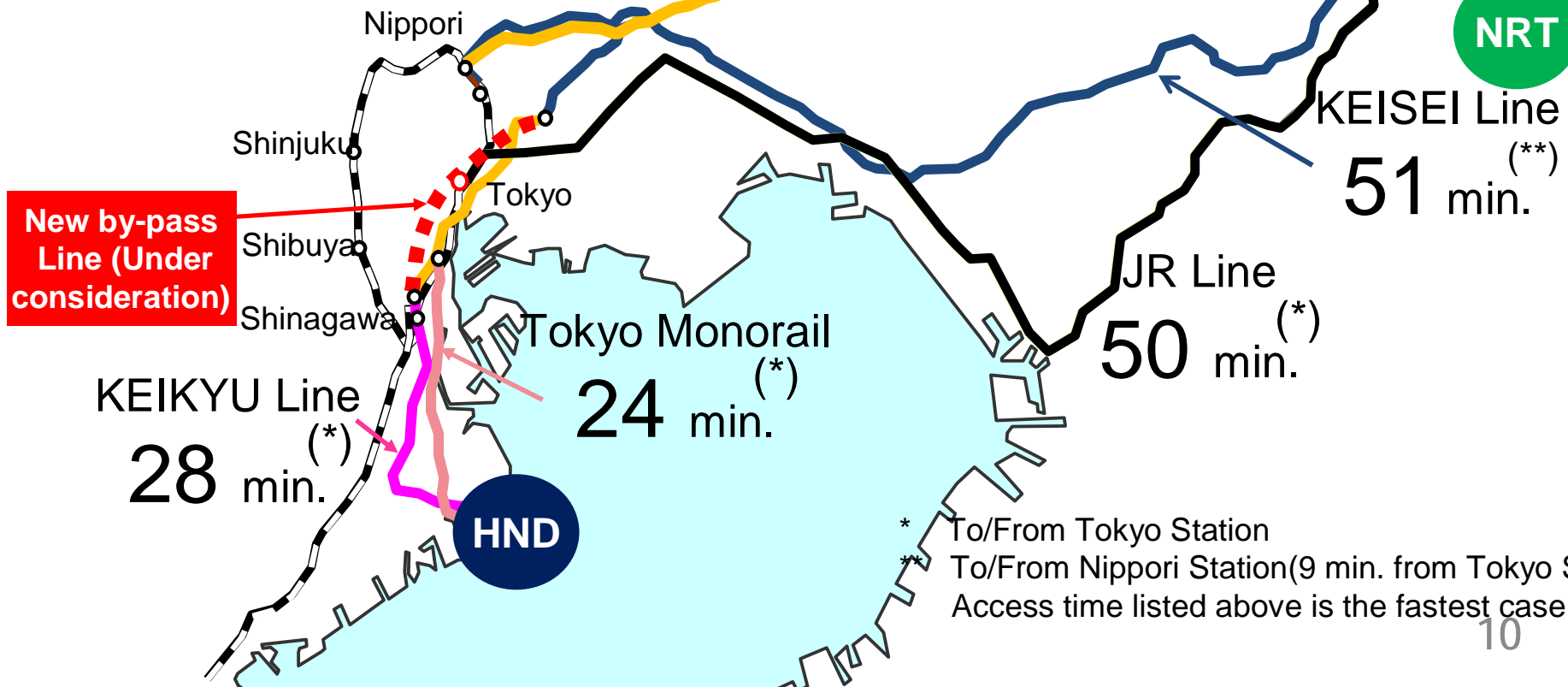
With new high-speed train in service, access time to Narita will be as short as 36 minutes from Tokyo downtown.

New by-pass line would shorten the access time between two airports dramatically, if realized in the future.



Narita Sky Access Line
(will be in service 17 July 2010)

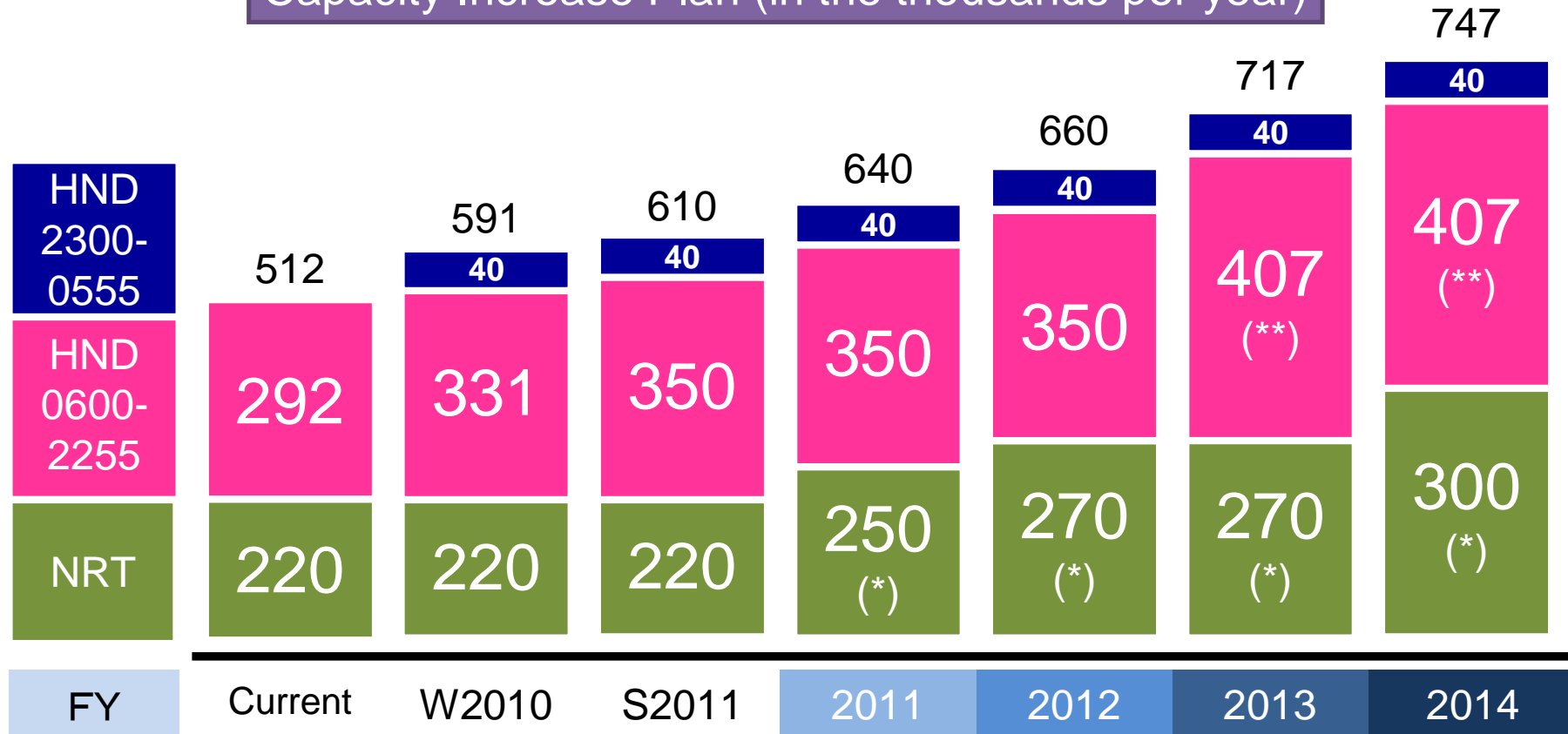
36 min. (**)



* To/From Tokyo Station
 ** To/From Nippori Station (9 min. from Tokyo St.)
 Access time listed above is the fastest case.

Dramatic Capacity Increase

Capacity Increase Plan (in the thousands per year)



* Subject to the consent of local residents.

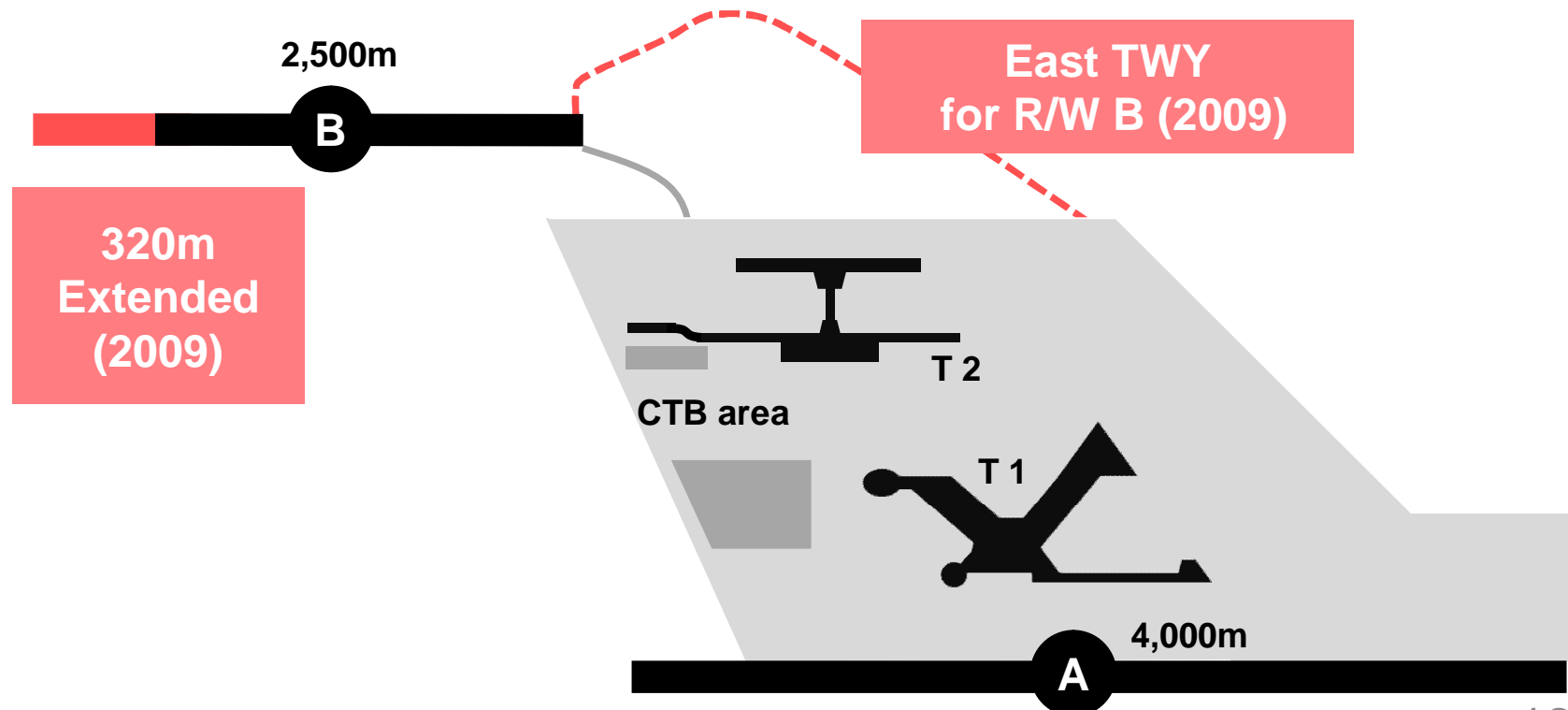
** Subject to full familiarization of airport operations involving the fourth runway.

60,000 slots among 407,000 will be used for international scheduled service.

Current Status of NRT

Current Status

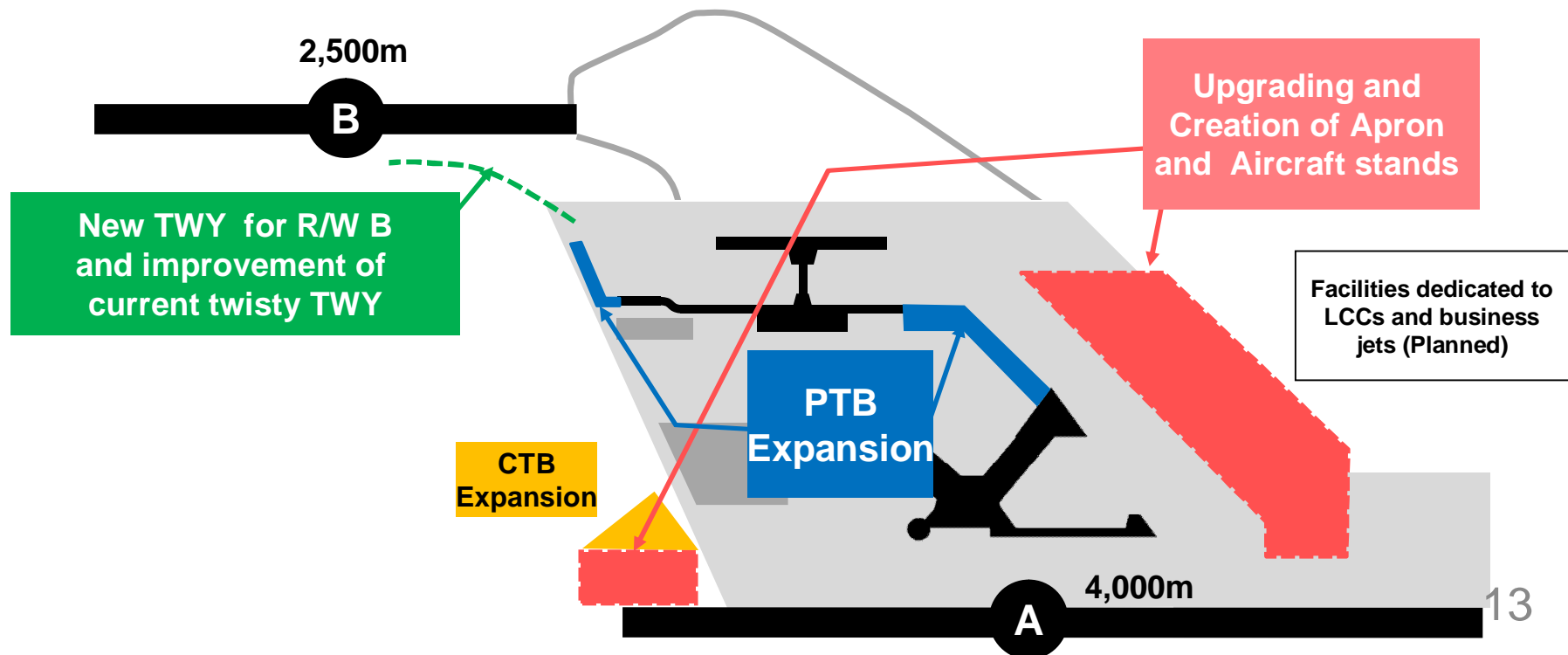
- ▶ R/W B extended to 2,500m, with additional east TWY in Oct. 2009.
- ▶ Airport capacity was expanded from 200,000 to 220,000 slots annually from S2010.
- ▶ However, NRT has been excluded from Open Skies agreements so far, due to still overwhelming demand.



Future Strategy of NRT: “Leading Hub in Asia”

Future Measures

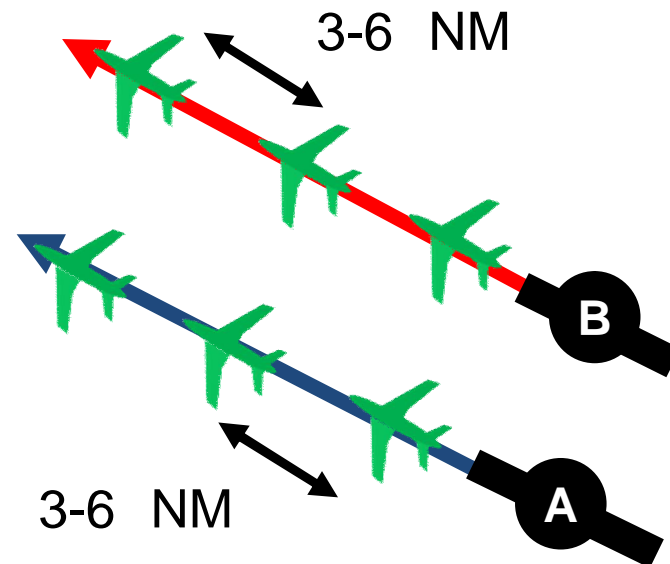
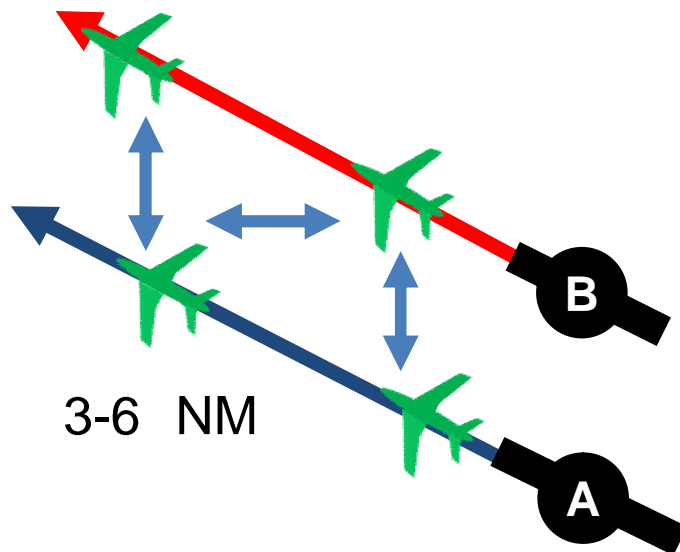
- ▶ Airport capacity will be ultimately increased to 300,000 by FY2014, subject to the consent of the local residents, at the earliest.
- ▶ Expand global network furthermore by designating NRT as Open Skies airport.
- ▶ Expand domestic feeder routes.
- ▶ Create dedicated facilities to accommodate LCCs and business jets.
- ▶ To boost the handling capacity, PTB, CTB, TWY, Apron will be upgraded.



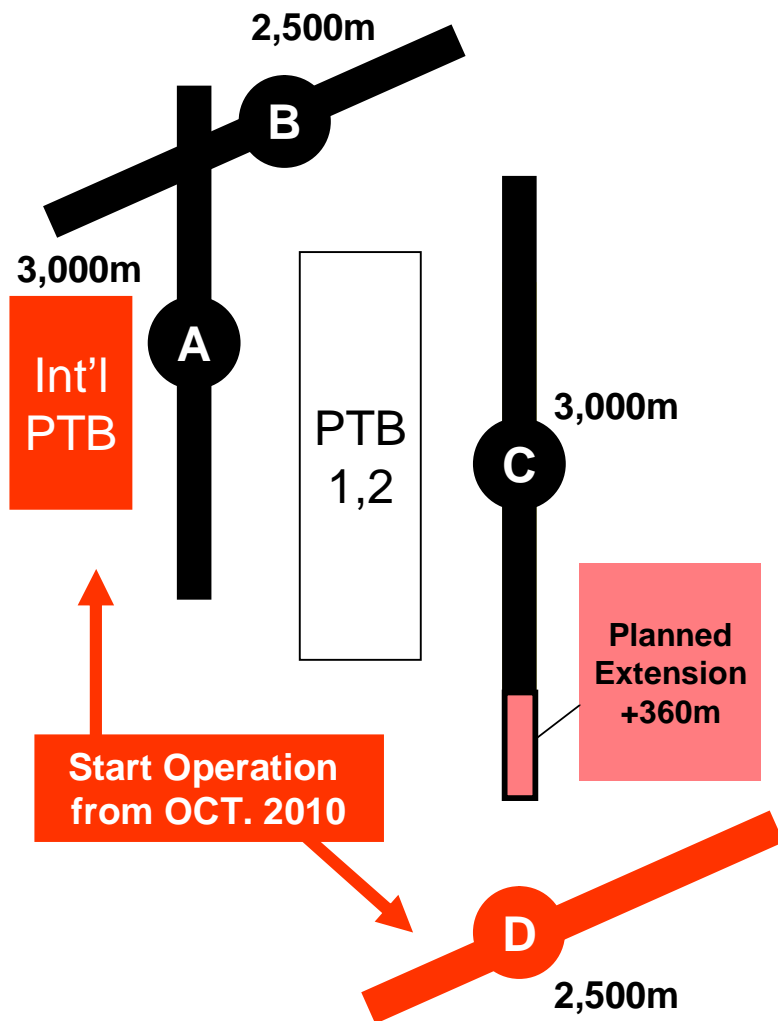
ATC Improvement at NRT

Drastic Measures

- Removal of runway pre-assignment rule (from S2010)
 - Realizing more efficient use of runways A and B
- Introduction of procedure for departing aircraft in simultaneous operations (scheduled in FY2011, subject to the consent of the local residents)
 - Increasing hourly limit drastically, enabling airlines to secure more desirable time slots in peak hours.



Current Status of HND



Current Status (from W2010)

International Scheduled Flights : 60,000 slots
Daytime (0600-2255) : 30,000 slots
Late-night and early-morning hours (2300-0655) : 30,000 slots

- ▶ Daytime international flights limited to business destinations of nearby Asian countries and regions.
- ▶ Late-night and early-morning international flights accessible to/from major cities of the world.
- ▶ Reduce the MCT to 60 minutes (embarkation) and 75 minutes (disembarkation) to meet the international standard.

Future Strategy of HND: “Business Hub in Tokyo”



Future Measures

International Scheduled Flights : **90,000 slots**
Daytime (0600-2255) : **60,000 slots**
Late-night and early-morning
hours (2300-0655) : **30,000 slots**

- ▶ Expand the capacity of the new int'l passenger terminal ASAP.
- ▶ Daytime international flights on high-demand and/or business destinations to/from major cities of the world.
- ▶ Slots will be strategically allocated through bilateral consultations.
- ▶ Review all possible measures to further shorten MCT.

Fair and Neutral Coordination of Time Slots

- As Open Skies expands, fair and neutral coordination of time slots would become more and more important.
- Japan Schedule Coordination (JSC) Office is responsible for slot coordination for all Japanese Level 3 airports, including NRT/HND.
- JSC is nonprofit organization, completely independent from government, airport corporations, and airline companies.
- JSC follows a fair and neutral coordination mechanism in line with the IATA Worldwide Scheduling Guidelines (WSG).



More Flexibility and Transparency

- To realize more flexibility and transparency in slot coordination, Japanese government has taken various measures:
 - Removal of runway pre-assignment rule at NRT (from S2010).
 - Authorization of JSC as the unified coordinator for not only int'l, but also domestic flights (from S2010).
 - Free exchange of slots between domestic/int'l flights and Japanese/foreign airlines (from S2010).
 - Introduction of SCORE system (from S2010).
 - Regular meeting with foreign airlines (from W2009).etc...

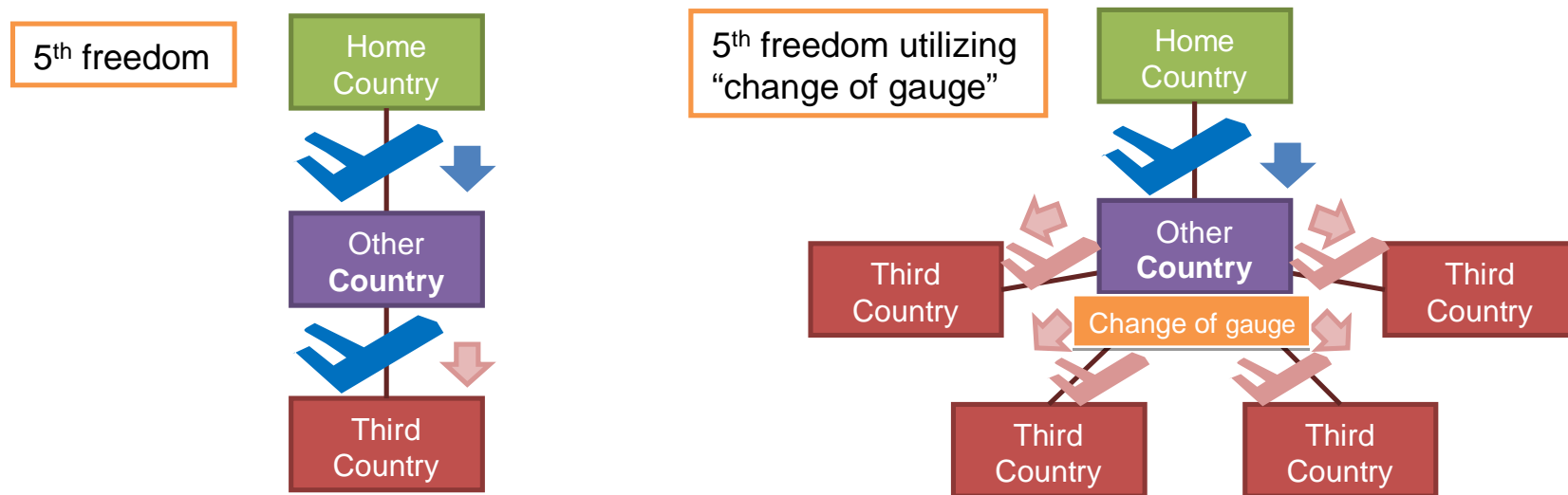
Basic Strategy 2

Strategic Open
Skies Aimed to
Boost
International
Air Logistics



Basic Strategy 2: Strategic Open Skies for Int'l Air Logistics

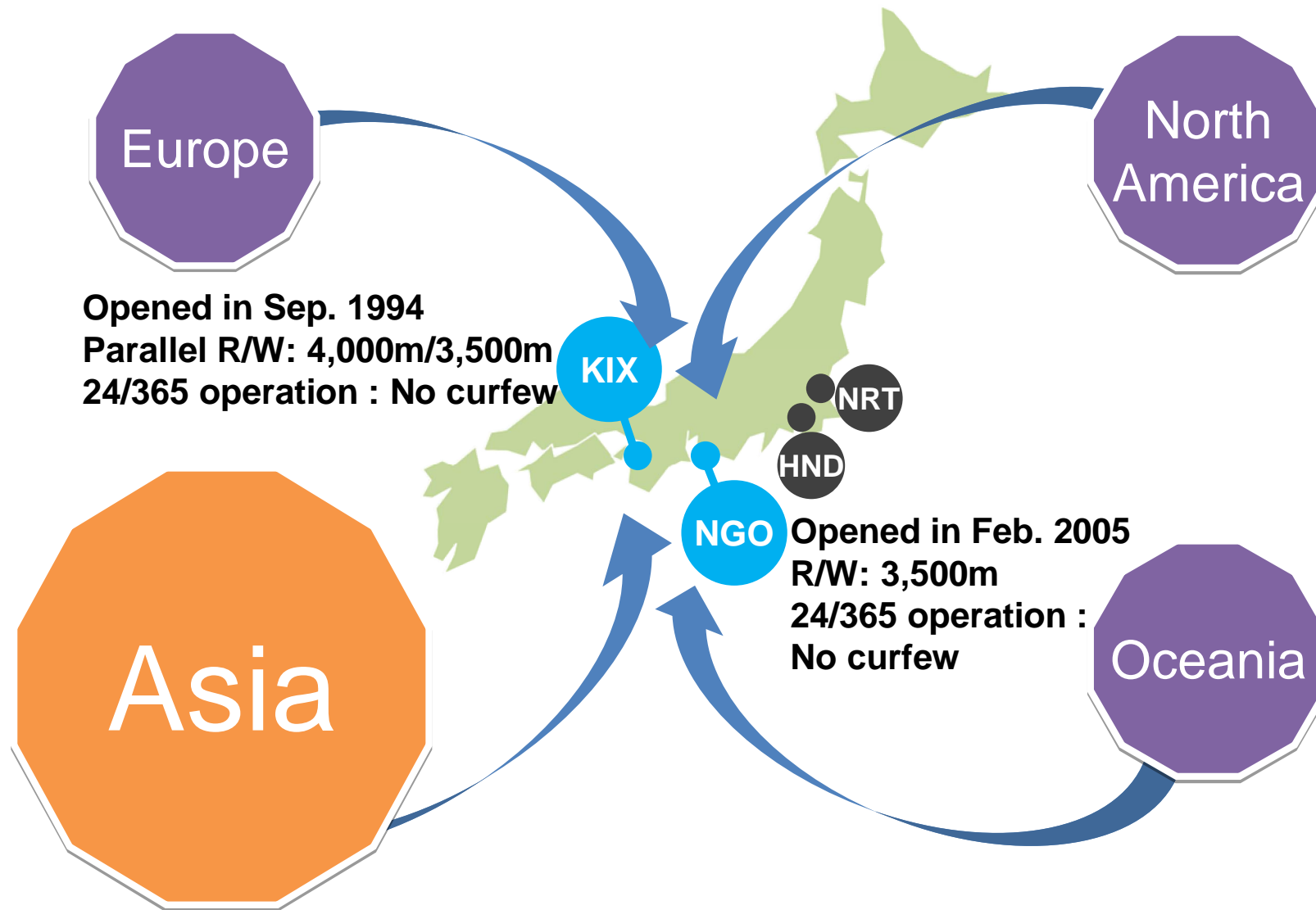
- Even before the full-fledged Open Skies becomes effective, Japan is prepared to open KIX, NGO, and other major airports, as “cargo hub”, for free access by int'l cargo operations.
- ü In addition to entitlement of 5th freedom traffic rights, eliminate the restrictions on “change of gauge” through bilateral negotiations.



- ü Lift the existing ban on so-called “forwarder charter” and “third-country charter” on a reciprocal basis, to promote the development of “cargo hubs”.

KIX & NGO: Crossroad of Asia and the World

Kansai Int'l Airport (KIX) and Chubu Int'l Airport (NGO) are well located at “global crossroad”, the gateway to fast-growing Asia.



KIX/NGO: Ideal Airports for “Cargo Hubs”

- Off-shore landfill airport; 24-hour, 365-day operation; abundant capacity; vast nearby undeveloped site: ideal for “cargo hubs.”



- Large and attractive hinterland:
 - Concentration of large population
 - Heart of Japanese global manufacturers: Panasonic, SHARP, TOYOTA, SUZUKI, and etc...
 - World-famous tourism sites: Kyoto, Nara, and etc...
- High-level service and better management:
 - Government will take strong measures to improve management of KIX, starting from merger with the neighboring government-owned domestic airport, ITM.

Basic Strategy 3

Relaxation of
Rules &
Regulations on
Int'l Aviation
Business



Basic Strategy 3: Relaxation of Rules & Regulations

- ▶ In order to maximize the effect of Open Skies agreement, by encouraging competition for the benefit of travelers and shippers, the current rules and regulations concerning international aviation business need to be fully reviewed.
- ▶ Japan will review the rules and regulations promptly with great emphasis on charter and tariff/pricing framework.
- ▶ Basic ideas are:
 - Enabling flexible increase of supply by the form of charter flights to response the fluctuating user demand.
 - Realizing timely, market-driven pricing.
 - Protecting the consumers' rights.

Facilitating Global Alliances

- Facing the growing demand for strengthened relations among alliance partners, Japan will treat applications of anti-trust immunity appropriately to balance consumers' rights and benefits for alliance partners.



Thank you for your attention.



HND Check-in Lobby

Contact:

International Air Transport Division
Civil Aviation Bureau
Ministry of Land, Infrastructure, Transport and Tourism

Tel : +81-3-5253-8703

Fax: +81-3-5253-1656



MLIT

Ministry of Land, Infrastructure, Transport and Tourism
2-1-3 Kasumigaseki, Chiyoda-ku, Tokyo 100-8918, JAPAN