

Report on Development of China's Air Transport (2006/2007)

1. Development of Air Transport in 2006 in Retrospect

In 2006, the whole civil aviation industry put into practice even further the scientific outlook on development, pushed forward the harmonious civil aviation construction, made new progress in air safety, transport operation and services, infrastructure construction, legal system construction, and science, technology and education construction, and realized a good start for the "11th Five-Year Plan".

(1) Development of Air Transport

In 2006, air transport continued a rapid development and the whole industry carried a total air traffic of 30.6 billion ton-km, 160 million passengers, 3.49 million tons of cargo and mail, representing increases of 17.0%, 15.5% and 13.9% respectively over those of the previous year. In the year, air routes for scheduled flights totaled 1 336, of which 1 068 were domestic air routes (including 43 air routes to Hong Kong and Macao) and 268 international air routes. (See Table-1 for the development of air transport in 2006)

In 2006, the main characteristics of air transport development were as follows: the increase of passenger traffic for the whole industry was 1.6 percentage points higher than that of the cargo and mail traffic; the traffic on international air routes increased faster, with increases of the total air traffic and cargo and mail traffic thereof being 5.3 and 7.4 percentage points higher than those of the domestic air routes and the passenger traffic being the same as that of the domestic; and the traffic on air routes to Hong Kong and Macao increased relatively slower, with increases of the total air traffic, passenger traffic and cargo and mail traffic thereof being 10,10.1 and 8 percentage points lower than those of the whole industry.

In 2006, the growth rate for the passenger traffic carried by China civil aviation was 9.8 percentage points higher than that of the world's average and both the total air traffic and passenger traffic continued ranking the 2nd among the Contracting States of ICAO.

Comparison with other modes of transport: in 2006, the passenger traffic carried in the whole society was up by 9.9% over that of the previous year and the air passenger traffic was up over 15.9%, 6 percentage points higher than that of the average growth. The proportion of air passenger traffic in the entire national transportation was 12.3%, 0.6 percentage points higher than that of the previous year. The cargo traffic carried in the whole society was up by 8.1% over that of the previous year, and the air cargo traffic was up by 19.5%, 11.4 percentage points higher than that of the average growth. (See Table-2 for the traffic growth of various modes of transport in 2006)

(2) Aviation Safety and Flight Regularity

In 2006, no air transport flight accidents or aviation security accidents occurred in the whole industry. In the whole year, 117 flight incidents occurred with the rate of incidents being 0.35 per 10 000 flight hours, 0.05 lower than that of the previous year. The rate of incidents per 10 000 flights was 0.65, 0.03 lower than that of the previous year.

In 2006, the average rate of flight regularity of the whole industry was 81.48%, 0.51 percentage points lower than that of the previous year. The flight regularity rate of domestic flights was 81.27%, 0.67 percentage points lower than that of the previous year. The rate of flight regularity of international flights was 84.27%, 0.44 percentage points higher than that of the previous year.

(3) Economic Benefits and Tariff

In 2006, the principal business of the whole industry earned RMB 227.6 billion yuan in revenue at the cost of RMB 192 billion yuan, 20.3% and 21.7% up respectively over those of the previous year. In the whole year, the profit gained was 6.86 billion yuan, an increase of 4.22 billion yuan compared with that of the previous year. The principal business of airlines earned 158.9 billion yuan at the cost of 135.7 billion yuan, with 18.4% and 19.4% increase respectively over those of the previous year. The profit gained for the whole year was 2.38 billion yuan, an increase of 3.73 billion yuan over that of the previous year.

In 2006, the transport revenue of the whole industry was RMB 5.18 yuan per ton-km, with 0.06 yuan increase per ton-km over that of the previous year. The revenue on domestic routes (Hong Kong and Macao routes not included) was RMB 5.65 yuan per ton-km with 0.10 yuan increase per ton-km, that on Hong Kong and Macao routes was 6.75 yuan per ton-km with 0.45 yuan decrease per ton-km, and that on international routes was 4.14 yuan per ton-km with 0.02 yuan increase per ton-km.

(4) Market Structure and Passenger Composition

Of the total air traffic carried in 2006, 66.3% was on domestic air routes (4.7% of which was carried on Hong Kong and Macao routes) and 33.7% was on international routes. Of the total air traffic carried, 69.2% was passenger traffic (77.9% on domestic routes and 22.1% on international routes) and 30.8% was cargo and mail traffic (40.2% on domestic routes and 59.8% on international routes).

A sample survey showed: of the air passengers in 2006, the passengers traveling at their own expense accounted for 55.0%, those at state expense accounted for 45.0%, those on business accounted for 49.2%, those on tourism accounted for 40.3% and those on visits to family accounted for 10.5%. (See Table 3 for the composition of air passenger transport market in recent years)

(5) Aircraft Fleet and Utilization of Transport Capacity

In 2006, 178 transport aircraft were added to the fleet (160 airliners and 18 freighters) and 43 transport aircraft were reduced (40 airliners and 3 freighters), with a net increase of 135 transport aircraft (120 airliners and 15 freighters). By the end of 2006, the whole industry had had 998 transport aircraft, including 952 airliners with 153 000 passenger seats, 12.5% more than that of the previous year and 46 freighters with a loading capacity of 2 300 tons, 64.3% more than that of the previous year.

In 2006, the average daily utilization of transport aircraft in the whole industry was 9.48 hours, 0.1 hours more than that of the previous year. Comparing with those of the previous year, there were considerable increases of average passenger load factor and load factor of regular flights. The passenger load factor of regular flights was 73.5%, with an increase of 2 percentage points over that of the previous year and the load factor of regular flights was 65.7%, with an increase of 0.7 percentage point over that of the previous year.

(6) Construction of Infrastructure

In 2006, the fixed asset investment of the whole industry was RMB 26 billion yuan. Within the year, the projects completed were: the construction of the airports of Wenshan, Linzhi, Narati, Koramay and Baise (for military-civil use), reconstruction of Beijing-Xi'an-Chengdu-Kunming air route and KU satellite communication network. The projects newly started were: the expansions of Shanghai Pudong Airport, Taiyuan Wusu Airport, airfield area of Qingdao Liuting Airport and Yinchuan Hedong Airport.

By the end of 2006, a total of 147 certificated civil airports had been available to air transport in the whole country, 142 airports of which had been available to scheduled flights serving 140 cities. These airports had handled 330 million passengers and 7.532 million tons of cargo and mail, with increases of 16.7% and 19.0% respectively over those of the previous year.

(7) Structure Reform and Opening to the Outside World

"CAAC Guidelines on Deepening the Civil Aviation Reform" was formulated and began to be implemented, in which, the guiding ideology, objective principles and basic tasks were defined. China Civil Airport Association, China Civil Aviation Maintenance Association and Civil Aviation Science Popularization Funds were registered and established and the organizational system of the industry was being improved. Wuhan was selected for experimenting the comprehensive reform on air transport to seek new ways for airport development.

By the end of 2006, China had signed a total of 106 bilateral air service agreements with other countries. As the result of actively developing bilateral relations for air transport, bilateral air service agreements were signed with the 3 countries of Afghanistan, Algeria and Burma, and air service agreements or arrangements for extending traffic rights were

initialed with 22 countries. New air transport memorandums were signed respectively with the governments of Hong Kong and Macao Special Administrative Regions, resulting in new destinations and transport capacity arrangements. Passenger transport service was opened between Chengdu and Amsterdam—the first route between Central and Western regions of our country and Europe. The direct air service between our country and Brazil was realized.

2. Prospects for the Development of Air Transport in 2007

(1) Air Transport Market Analysis

According to the latest forecast of IMF, in 2007, the growth rate of the world economy will be 4.9%, and the world trade volume will increase by 7.6%. The transnational investment will still be active, and the regional economic cooperation will continue deepening. ICAO forecasted that in 2007, the passenger traffic of the world air transport would increase by 5.8% to 4 177 billion passenger-km and further increase by 5.6% in 2008 to 4 411.2 billion passenger-km.

In 2007, our economy will grow fast and the gross domestic product will increase by about 8%. Foreign trade will continue expanding and it is estimated that the total volume of our foreign trade will hopefully reach 2 000 billion US dollars, an increase of about 15%. Our tourist industry will keep the momentum of fast growth and it is estimated that more than 129 million tourists will come to our country, an increase of 4%, and the domestic tourists will be 1.5 billion, an increase of 8%. By the end of 2006, the tourist destinations abroad for Chinese citizens approved by the State Council had reached 132 countries or regions, 86 of which had already been implemented, and the number of tourists going abroad will hopefully continue increasing.

The main factors favorable to the development of air transport in 2007 are as follows: the deepening of the structure reform of civil aviation and the strengthening of the opening to the outside world will further enhance the industry's entire vitality and development potential; the effect of the territorial management of airports will become even more obvious and the local governments will be more active to participate in airport construction and civil aviation development; the integration of the internal resources of civil aviation enterprises will be improved continuously; the operating management ability will be gradually enhanced and competitive strength and developing vitality obviously augmented; and the reform of domestic air fares and rates will increase the need for air transport market.

The unfavorable factors are as follows: the fast development of air transport makes it harder to ensure safety; the infrastructure and airspace resources of some regional airports and ATC cannot meet the requirements of the air transport development; the professional and technical personnel such as pilots and ground crews are in great demand and the contradiction between demand and supply is obvious.

(2) Forecast of Air Transport Development

It is estimated that air transport of the whole industry will remain fast growth in 2007. It is forecasted that the total air traffic to be carried will be 35.2 billion ton-km, the passengers to be carried will be 185 million and the cargo and mail to be carried will be 3.90 million tons, an increase of 15%, 16% and 12% respectively over that of the previous year. (See Table 4 for estimated traffic growth of various modes of transport in China in 2007)

(3) Policies and Measures to Promote Air Transport Development

In 2007, the whole industry will put into practice in an all-round way the scientific outlook on development; firmly follow the policy of "Safety First, Prevention Foremost and Comprehensive Management"; make efforts to promote safe operation, enhance macro control, change growth mode, push forward reform and innovation, upgrade service quality, actively construct a harmonious civil aviation, realistically develop civil aviation in a scientific way, and work hard to have a better and faster development realized for civil aviation.

1) Strengthening safety management and ensuring civil aviation safety. The main targets for safety in 2007 will be: to stop major transport flight accidents and prevent major flight accidents in general aviation, to stop major aviation ground accidents and serious aircraft maintenance accidents, and have air traffic incidents lower than 0.6 per 10 000 hours. We will firmly establish the sense of safety and ensure a sustained stability for air transport safety. We will strengthen and carry out the safety responsibility system by comprehensively implementing the system of holding enterprises responsible for their own safety and government responsible for safety supervision. We will carry out deeply the special straightening-outs for safety and make efforts to solve striking problems, emphasizing on those of operation control, apron order, general aviation safety and air fuel supply. We will do a good job of safety audit by identifying and removing hidden troubles on the system level. We will actively push forward the construction of safety management system and enhance the ability of safety risk control. We will appropriately increase the inputs of funds and technological research and application on the technical transformation of the safety facilities and equipment of airlines and airports to increase the scientific and technical content of safety support.

2) Strengthening and improving macro control to maintain and extend the good momentum of civil aviation development. We will strengthen the monitoring of macro economic environment and the industry economic operation and timely take targeted macro control measures. We will do a good job of transport capacity control and keep the balance of supply and demand. We will improve market management and regulation policies, comprehensively employ the measures of law, economy and necessary administrative means to cultivate and build an unified, open, competitive and orderly market for air transport. We will use market

mechanism to increase the efficiency of the use of the resources of the airports in the east region at the time of resource shortage and set up a fair, just, and open distribution system of flight schedules. We will actively develop international air routes and encourage airlines to open up more international air routes and expand international air route network.

3) Optimizing investment structure and strengthening infrastructure construction. We will give full play to the adjusting function of civil aviation special funds, implement the policy guidance of "favoring safety construction, favoring underdeveloped regions and favoring medium and small-sized airports", and provide support and services for the development of local economy and society. The principles of overall planning and paying attention to the key points will be abided by to guarantee the implementation of key projects like Capital Airport, etc.. We will complete the expansion of the airports of Hohhot Baita, Qingdao Liuting, Wuhan Tianhe and Zhengzhou Xinzheng, etc.; start the construction of Kunming New Airport and Ali Airport, and the expansion of the airports of Shanghai Hongqiao, Hangzhou Xiaoshan, Shenzhen Bao'an, Changsha Huanghua, Chengdu Shuangliu, Xi'an Xianyang and Urumqi Diwopu; actively speed up the preparatory work of the construction of Hefei New Airport and the expansion of the airfield area of Chongqing Jiangbei Airport, terminal area of Guiyang Longdongbao Airport, Lasa Airport and Nanchang Airport; vigorously promote the ongoing projects of the airports of Beijing Capital, Tianjin Binhai, Shanghai Pudong and Yinchuan Hedong. We will complete the reconstruction of the air routes of Beijing-Xiamen, and Shanghai-Xi'an- Chengdu-Kunming and the project of 3# and 4# home-made radar systems for Changchun and Guanghan; start the construction of regional ATC centers of Xi'an and Chengdu; actively accelerate the projects of air route radar controls of Shanghai Terminal Area, Guangzhou Terminal Area and East and West regions and the Civil Aviation Operation Management Center; and step up the ATC facility construction projects, such as the first phase of the reconstruction of Beijing Airspace and its terminal area, and the reconstruction of the air routes of Shenyang-Shanghai and Beijing-Shenyang.

4) Continuing to deepen the reform and open wider to the outside world and promoting the scientific development of the industry. We will carry out the "CAAC Guidelines for Deepening Civil Aviation Reform", further rationalize the division of the responsibilities among CAAC, Regional Administrations and their Safety Supervision Management Offices (SSMO), and complete the separation of governmental affairs and the integrated reform of ATC system. We will advance tariff reform, introduce "Reform Plan on Civil Airport Charges", revise "Reform Plan for Domestic Air Transport Tariff", put forward "Management of Clearly-Marked Prices on Domestic Air Routes" and further improve the management system for passenger and cargo tariff of domestic air transport. We will participate more extensively and more deeply in the multilateral affairs of ICAO and actively take part in the drawing up of the international standards and regulations for civil aviation. We will encourage, support and guide the investment of non-state capital into civil aviation industry. We will energetically and practically

advance the overall, direct and two way flights across the Taiwan Strait.

5) Carrying out the strategy of vigorously developing civil aviation industry through science and education and the development of qualified personnel to increase the industry's innovative ability. We will organize and carry out the study of "the national ATC system of a new generation", cooperate with the scientific research forces at home and abroad to tackle special key problems, such as the major scientific and technical problems that specially cropped up in the construction of the green, environmentally sustained and energy saving civil airports and in the maintenance of large transport aircraft and their engines. We will quicken the planning and construction of safety experimental bases of civil aviation, and continue pushing on the construction and management of scientific research bases. We will do a good job of the study and implementation of the information strategy for Olympic Games, and intensify the training of civil aviation professional and technical personnel in the areas of flight, maintenance and air traffic control, etc..

6) Persisting in taking air consumers first and earnestly promoting flight regularity. We will take the promotion of flight regularity as the starting point for building harmonious civil aviation, enhance our awareness and sense of responsibility, and strengthen the guidance for the work of flight regularity. Airlines shall be held accountable for flight delays, airports and ATC units shall improve their own work and coordinate with airlines, and ground handling agents shall be responsible for flight supporting. Flight regularity shall be linked with the management of air route operating rights; specific standards shall be formulated, and the airlines shall be deprived of their operating rights for the air routes or flights with higher average delay rate or longer average delay time within specified period of time. Flight regularity rate of every airline shall be made public regularly.

Table-1 Development of Air Transport in 2006

Target	Item	Performed	Increased %
Total traffic (100mil. Ton-km)	Total	306	17.0
	Domestic	203	15.3
	HK & Macao	10	7.0
Passenger (‘0000)	Total	15 968	15.5
	Domestic	14 553	15.5
	HK & Macao	536	5.4
Cargo & mail (‘0000 tons)	Total	349	13.9
	Domestic	257	12.1
	HK & Macao	18	5.9

Table-2 Traffic Growth of Various Modes of Transport in China in 2006

Category	Item	Performed	Increased %
Passenger traffic (100 mil. Passenger-km)	Whole society	19 203.5	9.9
	Air transport	2 370.7	15.9
	Railroad	6 622.0	9.2
	Highway	10 135.9	9.1
	Water transport	74.9	10.5
Cargo traffic (100mil. Ton-km)	Whole society	85 603.1	8.1
	Air transport	94.3	19.5
	Railroad	21 954.0	5.9
	Highway	9 647.0	11.0
	Water transport	53 907.8	8.5

Table-3 Composition of Air Passenger Transport Market in Recent Years

(unit: %)

Calogory	Item	2004	2005	2006
Purpose of Travel	On business	56.8	49.6	49.2
	As tourist	32.5	38.4	40.3
	For family visit	10.7	12.0	10.5
Nature of consumption	At state expense	60.8	48.6	45.0
	At one's own expense	39.2	51.4	55.0
Frequency of flight	1-3 times	36.4	40.6	42.3
	4-6 times	23.2	24.1	27.0
	7-9 times	13.4	12.9	11.3
	10-15 times	9.8	8.9	8.5
	Over 15 times	17.2	13.5	10.9
Class	First	3.5	3.9	3.3
	Business	13.1	12.0	9.9
	Economic	83.4	84.1	86.8

Table-4 Estimated Traffic Growth of Various Modes of Transport in China in 2007

Category	Item	Performed	Increased %
Passenger traffic (100 mil. Passenger-km)	Total	21 319	11.1
	Air transport	2 746	15.9
	Railroad	7 276	9.9
	Highway	11 220	10.7

Cargo traffic (100 mil. Ton-km)	Water transport	77	2.8
	Total	101 550	18.6
	Air transport	105	11.3
	Railroad	22 830	4.0
	Highway	10 615	10.0
	Water transport	68 000	26.1