

# CHINA CIVIL AVIATION REPORT

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## Aviation Expo China 2005

**Aviation firms from around the world meet in Beijing to show off the "goods"**

**Pilot Carries RMB One-Million Price Tag**

**ERJ145 Passes Line Verification**

**AMECO Beijing Signs Maintenance Contract with United Airlines**

**Regional Aviation Takes Off in Jiangsu**

**China Southern Signs PO for Ten Dreamliners**

**CAAC's New Airport Safety Audit**

**And More!**

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# Aviation Headlines



## AMECO Beijing Signs Maintenance Contract with United Airlines

On August 30th, United Airlines and Aircraft Maintenance and Engineering Corporation (Ameco Beijing) met at the Great Wall Sheraton Hotel in Beijing to sign a five-year, airframe-heavy maintenance contract for UA's Boeing 777 fleet. Over the next five years, heavy maintenance visits (HMV) on UA's Boeing 777s will be performed exclusively by AMECO Beijing. More than 50 HMV's are planned, and as many as 80 are possible during the expressed contractual period. The contract is estimated at USD 40 million. According to the contract, AMECO Beijing will begin nose-to-tail maintenance on UA's 777s by

October.

Glenn Tilton, Chairman, President and CEO of United Airlines; Greg Hall, SVO Maintenance and Engineering UA; He Li, CEO & General Manager of AMECO Beijing and Dr. Hans Schmitz, GM of Ameco Beijing all attended the signing ceremony at the Great Wall Sheraton.

In order to better serve and communicate with customers,



AMECO becomes the official maintenance center for UA's 777s

AMECO Beijing will create an IT interface with UA's data management system for e-documents, human resource data, invoicing processes and other real-time data services. The increase of flowing information will help the technicians at AMECO to check on technical documents and aviation-part availability at UA, and will also allow UA to see the labor hours consumed and invoicing processes of AMECO.

## Pilot Carries Million RMB Price Tag

Reports from United Eagle Airlines on September 9th revealed the first successful pilot transfer case in China under the new pilot transfer regulations set by the CAAC earlier this year. The personnel transfer agreement was signed between Hainan Airlines and United Eagle Airlines for the transfer of one HA pilot to UEA at a price of RMB one million.

According to the CAAC documents (Opinion on Regulating Pilots Transfer Management to Secure Stability of Civil Aviation Pilots, and the Notification of Some Questions on Implementing, Actualizing and Regulating Pilots Transfer Management to Secure Stability of Civil Aviation Pilots) issued in May and June of 2005, UEA has agreed to pay the determined sum to Hainan Airlines in order

to legally transfer the pilot to UEA. This is the first pilot transfer case in China under the recent regulation change.

Under the new transfer guidelines, the new employer of the pilot has to pay the original employer a specified amount ranging from RMB 0.7 million to 2.1 million. On top of the monetary transaction, the transferring pilot would be forbidden to fly before rescinding his/her work contract with the original employer and signing new work contract with the new employer.

### **China Eastern Airlines Receives RMB 5 Billion Credit Line**

On September 8th, China Eastern Airlines Corp. signed an agreement with the Agricultural Bank of China (ABC) in Shanghai for a RMB 5 billion (USD 616.52 million) credit line to fuel China Eastern Airlines' expanding operations, including aircrafts and aircraft parts procurement, and the funding needs of management circulation.

Of the sum, RMB 2 billion will be issued to China Eastern Airlines Corp. in the form of short-term bonds and the remainder will be used to supplement circulating funds (primarily for purchase of jet fuel of aircraft parts). In addition to the aviation relationship between the two parties, both

sides have expressed a desire to further enhance communication on finance information, risk management, and web enterprise bank accounting. Cooperation on other businesses in the future may include syndicate loans, liability value maintenance, aircraft prepayment financing, and future settlement and sale for exchange.

China Eastern Airlines said the credit line afforded by ABC would provide solid capital support to enhance CEA's position and remain a competitive power.

### **China Southern Airlines Signs Financing Pact with HSBC**

China Southern Airlines signed a financing pact for the lease of two Airbus A319s with the



China Southern gets a helping hand from HSBC to lease A319s

French bank CCF, a wholly-owned subsidiary of HSBC Holdings PLC on September 7th. This deal comes after a loan deal between China Southern and HSBC for the lease of three A319s and an A320 aircraft in mid August.

China Southern Airlines is the

first domestic airline to incorporate alternative financing methods into their operations, including Japanese leverage leasing, German tax leasing, Japanese operation leasing and French tax leasing.

### **ERJ145 Passes Line Verification**

On September 3rd, the Brazil-China jointly manufactured ERJ145 regional jet received line verification from the line verification inspection group of the East China Regional Administration of the CAAC. The 50-seat ERJ145 (originally EMB145), introduced by China Eastern Airlines Jiangsu Company, was approved after a three-day verification process in Nanjing.

Upon completion of the certification process, the China Eastern Airlines Jiangsu Company and its ERJ145 operation was deemed satisfactory and exceeded the requirements of all civil aviation regulations and safety standards. The certification delegation included Guo Youhu, Vice Director of the East China Regional Administration of the CAAC; specialists of the Security Supervision Office, Airworthiness Department, Flight Standard Department of the East China Administration and others, totaling over 40 individuals.

Included in the certification

process was a seven-day test flight of the ERJ145. With a total test-flight time of 27 hours, 22 minutes, the inspection began in Harbin and concluded in Nanjing. Other verification procedures included air-route verification of Nanjing-Hohhot and Nanjing-Chongqing and terminal inspections of Hohhot and Chongqing airports, as well as an emergency evacuation demonstration at Nanjing Airport.

Since September 8th, the ERJ145 has formally operated in five air routes, including Nanjing-Chongqing, Nanjing-Fuzhou, Nanjing-Wenzhou, Nanjing-Hohhot, and Nanjing-Shijiazhuang.

### Agusta Helicopter Plant Opens in Jingdezhen

The Changhe Agusta Helicopter Company formally launched operations in Jingdezhen on September 19th. The joint venture between world-renowned helicopter builder Italian Agusta and the China helicopter research base, Jiangxi Changhe Aviation Industry (Group) Limited Company,



World-renowned helicopter manufacturer Agusta opens shop in Jingdezhen

will exclusively produce the Agusta A109E model helicopter, which will be renamed the CA109 in China. The CA109 will be the first light twin-engine helicopter manufactured in China, and fill the previous void in its weight class.

The joint venture's controlling interest is maintained by the Chinese partner. The Jiangxi Changhe Aviation Industry (Group) Limited Company will be responsible for manufacturing, general assembly, test flight, delivery, marketing, sale, product support and after-service of CA109 helicopters. Besides volume production of CA109 helicopters and development of other models, the Changhe Agusta Helicopter Company will be authorized as the official after-service center of Italian Agusta to provide customer and parts support for Chinese customers during the full life period of their A109E helicopter. In the future, the company's scope of service is projected to include all helicopters manufactured by Agusta.

Wang Bin, Chairman of Jiangxi Changhe Agusta Helicopter Company, said the establishment of the joint venture was a large step towards establishing for Chinese and Italian aviation enterprises to establish a long-term relationship. Spangnolini, Managing Director and General Manager of Agusta, was on hand at the opening ceremony and remarked that the large market potential of China could

provide more opportunities for development of Agusta helicopters. Agusta will gradually transfer all production of the A109E to China to ensure complete localized production.

### China-Manufactured Jets Head into International Markets



The Y-12 is set to become the first Chinese-produced aircraft to operate internationally

Two Y-12 aircraft manufactured by Haifei Aviation Industry Company and owned by China Flying-Dragon Special Aviation Corporation, the largest general aviation enterprise in China, recently flew from Hafei Aviation Airport to Nepal for long-term commercial operation. This marks the first Chinese-manufactured regional aircraft to be utilized in commercial operation internationally.

Flying-Dragon invested in two Y-12 a few years ago and partnered with a Nepalese private aviation firm to establish the Nepal Flying-Dragon Aviation Company. The two 17-seat Y-12s will be utilized for passenger transport, cargo transport and aircraft charter. The aircraft will operate to ten airports including Katmandu

airport.

Flying-Dragon is a unique aviation firm shared by Hafei Aviation Industry and held by the state. It owns and operates 51 aircraft, mostly Y-12s and Z9 helicopters manufactured by Hafei. Its main operations include air prospecting, ocean monitoring, and aerial landscaping.

### **Chinese Aviation Ranks among World's Busiest**

Recently, four Chinese airlines and two airports were named to Air Transport World Magazine's new list of the 25 top airlines and 50 top passenger-transport airports.

In the top 25 airlines in terms of total operating revenue, Air China placed 23rd with its USD 4.055 billion. Air China also ranked 12th in net income with USD 289 million, Taiwan China Airlines came in 23rd in the same category with a net income of USD 121 million. In terms of passenger traffic, China Southern Airlines ranked number 14 with 28.207 million passengers, Air China and China Eastern Airlines ranked 18th and 24th, with passenger volumes of 24.5 million and 19.648 million passengers, respectively. The top 25 list of international freight operators saw Air China and China Eastern Airlines come in 20th (2.582 billion ton/km) and 24th (1.877 billion ton/km) in cargo turnover in 2004.

Beijing Capital and Shanghai Pudong International Airport both made it onto the 2004 top 50 passenger-transport airport list. Beijing Capital International Airport came in 20th with 34.883 million passengers while Shanghai Pudong ranked 46th with a passenger volume of 21.124 million. The top three airports worldwide are: Atlanta International Airport (83.5789 million passengers), Chicago O'Hare (75.3739 million passengers) and London Heathrow (67.344 million passengers).

### **China Airlines Gain Stake in Yangtze River Express**

On September 12th, Hainan Airlines Group and a consortium of Taiwan businesses, including China Airlines, signed an agreement to transfer a 49% stake of Yangtze River Express Airlines Co. from Hainan Airlines. This is the first-ever stake-transfer agreement between China and Taiwan airline companies.

According to the agreement, four Taiwan companies-China Airlines, YES Logistics Corporation, Yang Ming Marine Transport Corp. and Wan Hai Lines LTD.--will obtain 49% stake in Yangtze River Express.

Yangtze River Express was established as the second CAAC-approved domestic cargo-

exclusive airline in July, 2002. The airline possesses vast transport resources as well as an extensive network of air routes. The company has over 600 employees and operates more than 80 freighters on over 480 flight routes.

### **China Air Transport Association Founded**

The first meeting of the China Air Transport Association was held in Beijing on September 9th. CAAC Vice Minister, Gao Hongfen, was present at the event and also presented a speech.

The China Air Transport Association was founded after the civil aviation association reform and has been in the works since August 24th, 2004. The preparation for the formation of the new association was led by China National Holding Company and includes nine member units, including China Eastern Airlines Group, China Southern Airlines Group, Hainan Airlines, Shanghai Airlines, Civil Aviation University of China, Xiamen Airlines, Shenzhen Airlines and Sichuan Airlines. On February 8th of this year, the CAAC examined and approved the preparations for, and appointed chairs of, the China Air Transport Association, resulting in the September 6th approval of the application of establishment. So far, the association has recruited 39 members.

## Police Aviation Class Now in Session

September 12th marked the beginning of the inaugural training classes for the police aviation crew of the Ministry of Public Security at the Civil Aviation University of China. The police aviation crews from Guangzhou, Shenzhen, Nanjin, Wuhan and Zhengzhou will receive 15 days of theory and practical police applications training at CAUC.

The cooperation between the Ministry of Public Security and CAUC aims to introduce police helicopter maintenance technicians to helicopter theory, parts and system performance, jet and piston engine theory and actual assembly and disassembly. Administrators of the program hope to create a solid foundation for improving the police aircraft crew's general abilities in maintenance and retrofitting.

Tao Junsheng, Vice Director of Equipment and Finance Bureau of the Ministry of Public Security, stated that police enforcement using general aviation is still in its infant stage in China. The Wuhan Police Department introduced the country's first police helicopter in 1993, but the craft was not formally confirmed by China until 2003. That same year, the Police Aviation Management Office was established. Since their introduction, China has used police aviation for air patrol, scout and search, traffic leading,

and emergency rescues. As the number of helicopters increases, police aviation looks to develop into a staple of law enforcement in China.

Tao also added that there are many aspects of police aviation that need to be further fine-tuned, including personnel training, regulation establishment and management. Currently, many pilots come from military backgrounds and must switch gears from flying fighter jets to helicopters. In addition, the various types of helicopters utilized require pilots to be versatile as well as dependable. The training class is the first such program since the establishment of the Ministry of Public Safety, and will likely develop into a regular program at CAUC with full police aviation-training facilities.

## CJ-1 Advanced Trainers Delivered to China's Aviation Schools

Delivery of six CJ-1 advanced jet trainers from a July purchase was completed to the Civil Aviation Flight University of China from the US Cessna Company on September 15th. The delivery and maiden flight ceremony was held at the Sichuan Guanghan Airport. During the ceremony, Zheng Xiaoyong, the Director of CAFUC, turned over a set of keys to the six advanced trainers to Li Yongjun, the Director of Guanghan Flight Training Sub-College; Wang

Kaiyin, Director of Luoyang Flight Training Sub-College; and Xu Jianmin, Director of Mianyang Flight Training Sub-College. The utilization of advanced trainers to train civil aviation pilots marks a step forward for Chinese aviation training.



## Jade Cargo International Purchases Six Boeing 747-400ER Freighters

The first Chinese-International joint air cargo venture, Jade Cargo International, successfully concluded its negotiations regarding the introduction of its Boeing freighters recently. The company plans to introduce the six new Boeing 747-400ER freighters during 2006 and 2007. Jade Cargo is planning to begin operations in mid-2006 and, equipped with its fleet of Boeings, is aspiring to become one of the leading cargo transport enterprises among Chinese cargo carriers. Jade Cargo International is headquartered in Shenzhen and was established in 2004 in a joint venture between Shenzhen Airlines, Lufthansa Cargo and DEG (German Investment and Development Company). The company plans to cover Asian, European, and American destinations.





# Event Coverage

## Aviation Expo China 2005

Sept 21st-24th

As experts continue to speculate regarding the high rate of equipment procurement and operator development in the Chinese aviation sector during the next 20 years, firms determined to succeed in China have already started to carefully craft their domestic presence. September 21-24 witnessed the gathering of 175 premiere aviation firms originating from 21 countries and regions at the 11th edition of the Aviation Expo China. Held at the China International Exhibition Center, the four-day event drew upwards of 20,000 attendees.

Strolling through the exhibition hall, attendees were privileged to a veritable "who's-who" list of prominent international aviation players. With eye-catching booths and replica model-aircraft displays aplenty, companies such as Boeing, Textron, Rolls Royce, AVIC I&II, Lockheed Martin, Lycoming, Lufthansa, AMECO Beijing and others proudly displayed their skills and accomplishments.

The upbeat mood of the four-day event was driven primarily by the Chinese attendees' willingness to learn from the international firms. As eager and willing as company reps were to provide information, attendees were equally quick to ask questions and facilitate a dialog, which made for friendly interactions throughout the expo.

The successful 2005 Aviation Expo China encapsulated the spirit of aviation development and offered a glimpse into the growing international business presence in Chinese aviation at present and in the future.



## Regional Aviation Takes Off in Jiangsu

September 8th witnessed the first-ever scheduled regional flight in Jiangsu Province history. The flight (MU2855), operated by the carrier, China Eastern Airlines, departed Nanjing Lukou International Airport at 9:00AM and arrived in Chongqing at 11:10AM. Passengers on the historic flight were treated to a first hand flying experience inside the ERJ145 regional jet, the first of a five-aircraft order by China Eastern Airlines Jiangsu Company.

Su Guoxin, Vice Chairman of the China Eastern Airlines Jiangsu Company, explained the company's plans to develop the regional aviation sector in China. According to Su, the first step is to open regional routes from Nanjing to surrounding cities and neighboring provincial capitals, then to establish Jiangsu provincial regional routes that connect to Shanghai with transfer options to European and American international flights. Ultimately, the China Eastern Airlines Jiangsu Company hopes to structure a network of trunk flights with strong supplementary regional flight routes.

The marketing department at China Eastern Airlines Jiangsu Company revealed that upon introduction of the second ERJ145 in late September, the company would add additional round-trip flights from Nanjing to Xi'an (once per day), Nanjing to Chengdu (once per day), Nanjing to Guiyang (once per

day), Nanjing to Taiyun (twice per week), Nanjing to Wenzhou (twice per week), Nanjing to Ningbo (four trips per week) and Nanjing to Xiamen (once per week).

The China Eastern Airlines Jiangsu Company is currently awaiting delivery on an additional four ERJ145s. The delivery date for the new jets is set for early next year. The China Eastern Airlines Jiangsu Company is the second domestic airline to introduce the concept of regional flight routes, following China Southern Airlines.

## China Southern not to be Outdone

Not to be outdone by any of its counterparts, China Southern Airlines signed a purchase order for ten new 787s with the Boeing Company in Guangzhou in the beginning of September. Present at the signing were Si Xianmin, President of China Southern Airlines; Robert K. Laird, VP of China Sales, Boeing; and Zhu Haiping, VP of China Aviation Supplies Import and Export Group.

The first delivery of the 787s is expected in July 2008. The balance of the order is expected to be delivered to China Southern within two years of the first aircraft. China Southern has configured their 787s to seat 223 passengers, with a maximum range of 15,700 kilometers (8,500 nautical miles).

Mr. Liu Mingqi, Vice Chairman of China Southern Airlines Co., Ltd. said that China Southern is currently operating 177 Boeing aircraft, totaling 70.2% of their fleet.

## China Southern Airlines Purchases 10 A330s



On September 6th, China Southern Airlines finalized a contract with Airbus in Beijing for the purchase of ten Airbus 330 aircraft. The deal, for eight A330-300s and two A330-200s, was completed with the aid of a GTA agreement between China Aviation Supplies Import and Export Group (CASGC) and Airbus. Delivery for the ten A330s has been scheduled for 2007 or 2008. The additional Airbus jets will operate alongside the four A330-200s that China Southern is currently utilizing in its domestic trunk and international routes.

Si Xianmin, President of China Southern Airlines; Li Hai, President of CASGC; and Iain Gray, General Manager of Airbus, signed the contract and GTA in the Great Hall of the People this morning. Chinese Premier Wen Jiabao and British Prime Minister Tony Blair witnessed the signing ceremony.

"As the largest carrier in China, we are planning to expand our business both domestically and internationally. The selection of ten additional A330s

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will definitely increase our capability and flexibility in the flight operation, especially in the domestic trunk and regional routes," said Si Xianmin. "We believe that this acquisition of additional A330s will not only further optimize the operation by improving the scale of economy of the A330 fleet, but also will help us to save pilot resources due to cockpit commonality with our growing fleet of A320 family aircraft."

China Southern Airlines, the first A330 customer on the Chinese Mainland, currently operates a fleet of over 60 Airbus aircraft, including 14 A319s, 27 A320s, ten A321s, six A300s and four A330s. On April 21, 2005, the Guangzhou-based carrier ordered five A380s and became the first customer for the aircraft in China and the 15th in the world. A380s will effectively help China Southern Airlines to carry out busy transportation tasks during the 2008 Beijing Olympic Games. They will also make a key contribution to China Southern Airlines' efforts to become a major international airline.

### **China Eastern Airlines Receives Delivery of ERJ145**

The Harbin Embraer Aircraft Industry Co. Ltd has delivered the first ERJ145 in a five-aircraft order to the Jiangsu Subsidiary of China Eastern Airlines. The remaining four aircraft will be delivered before April 2006.



Su Guoxin, President of the Jiangsu Subsidiary of China Eastern Airlines, said the newest addition to their fleet would operate routes from Nanjing to Chongqing, Shijiazhuang, Zhengzhou and other cities.

The Harbin Embraer Aircraft Industry Co. Ltd is the result of an unprecedented partnership between Brazil and China in an attempt to strengthen China's underdeveloped regional aviation system. The joint venture was established in January of 2003 and has since delivered

a total of 7 ERJ145s, with new orders still being produced.

### **Air China Introduces Specialized A319s**

The sixth and final Airbus A319 to be introduced by Air China Southwest Branch left Airbus' assembly plant in Hamburg, Germany and arrived in Chengdu Shuangliu International Airport at 9:00AM on September 10th. The six A319 aircraft operation has established Air China as having the largest A319 fleet in west China.

The A319 jets are all equipped with high performance engines and have been professionally retrofitted for operation in west China's plateau terrains. The aircraft will be utilized predominantly in plateau airports such as Lhasa, Bangda, Jiuzhai Huanglong and Lijiang Airports.

### **New Airport Location Confirmed in Dalian**

A location has been determined for the construction of the new airport in Dalian. At the Symposium of Building Harmonious Port, held on September 9th, Hu Zhian, General Manager of the Dalian Zhoushuizi International Airport group, announced that the future location of the new airport would be Jinzhou Bay, and that the facility would be A380-ready.

Hu Zhian also added that construction of the new airport is projected for 2008, with commencement of the facilities scheduled for 2013-2015.

After the completion of the new airport facility in Dalian, the old airport will be converted to a freight-only facility, and the areas surrounding Zhoushuizi Airport will house new logistics zones and express parcel centers.

According to reports, the estimated investment of the new Dalian airport may reach RMB 15 billion and will meet hub airport requirements by 2050.

The first stage of the new airport construction includes the establishment of two runways--3,600 meters by 70 meters, and 3,600 meters by 60 meters, respectively. Also included in the first stage will be the construction of a 200,000-square-meter terminal building

capable of handling 20 million passengers per year.

The second phase of construction calls for a third runway as well as another 200,000 square meter terminal to be established.

### **Air China Spends RMB 300 Million to Retrofit 6 Jets**



On September 1st, the Chengdu Maintenance Base of Air China Engineering and Technology Company formally began a RMB300 million retrofitting project of six Air China A340 jetliners. The new A340 configuration will feature a more spacious cabin and include practical amenities, such as on-demand video and audio, passenger satellite phone system and luxurious lounge-style seats which will allow passengers to lie down and rest during flights. The schedule for completion of the retrofit project has not yet been released; however, Air China is hopeful that this project will make the A340 more attractive to their passengers.

### **New Capital International Airport and Germany Berlin Airport Partnership**

The 6th Beijing Chaoyang International Business Festival on September 18th provided the backdrop for the signing of a new MOU between Capital International Airport Company Ltd and the Berlin Airport Group. The facilities have officially begun a sister airport partnership in which collaborative efforts will steadily increase over the next ten years. The new agreement will officially take effect on October 1st, 2005 and look to increase direct flights between the two capitals.

Berlin has ascended to the third largest tourism city in Europe, and events such



as the FIFA World Cup 2006 Berlin and the 2008 Olympic Games in Beijing will ensure increased travel between the two destinations. Currently, passengers have to transfer in Munich or Frankfurt when traveling from Berlin to Beijing. A direct flight between the two cities can save hours of traveling time for passengers. However, further negotiations between airlines is required for this scenario. The new MOU will facilitate such talks and hopefully bring about results in a timelier manner.

## Ningbo Lishe Airport Cleared for Landing

On September 2nd, a delegation of inspectors descended upon Ningbo Lishe Airport to determine if the airport facility was adequately suited to begin operating international flights. Members of the delegation included officials from the Customs General Administration, General Staff Headquarters Battle Department, Frontier Guard General Bureau of Ministry of Public Security, General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China, East China Regional Administration of CAAC and East China Sea Fleet.



The inspection results were extremely encouraging for Lishe Airport. The inspection delegation found the airport

sufficient in all aspects of operation and has recommended Lishe Airport be formally opened for foreign flights.

In 2004, the trade volume of Ningbo Airport was USD 1.1 billion. Cargo import and export traffic totaled 6,308 tons, an annual increase of 55%. Weekly flights operating out of the airport have increased from 2 (1999) to 60 (2004).

## Hainan Airlines Group to Help Get Miyun County Airborne

On September 5th, Hainan Airlines Group signed a framework agreement for strategic cooperation with the Miyun County government. The agreement granted Hainan Airlines Group expropriated rights to 6,000 mu (approx. 988 acres) of land on which to establish an aviation base.



Party Secretary Ma of Mujiayu Town, Miyun County, said that the county had been planning to establish an airport in the region since 2002.

The new agreement includes the transfer of land use for a planned airport, to be developed by Hainan Airlines Group. The airport construction plan looks to build upon the current 1,000-meter runway and flight area, and expand the facilities to handle business jet operations.

## Shanghai Airlines Purchases Two 767s

Shanghai Airlines and the aircraft manufacturer Boeing cemented a two-767-300ER-aircraft agreement on August 18th, 2005. The two 767-300ERs, valued at a list price of approximately USD \$256 million, will be delivered to Shanghai Airlines in July and November of 2006.

Both aircraft will be powered by Pratt & Whitney PW4060 engines.



"Our fleet of Boeing 737, 757, and 767 airplanes is quite an efficient combination and helps make Shanghai Airlines a success," said Zhou Chi, Chairman of the Board for Shanghai Airlines Company Limited.

As of August 1, 2005, Shanghai Airlines operates five international routes and over 66 domestic air routes, covering 61 Chinese cities.

## Xi'an Xianyang International Airport's Rank Climbs to 8th

Xi'an's Xianyang International Airport has seen its domestic airport ranking rise from twelfth earlier this year to the eighth-most-utilized facility in China with a passenger throughput of 4.92 million at the end of August.

At the end of the first quarter, Xi'an Xianyang Airport reported a passenger volume of 1.39 million passengers and was ranked twelfth in domestic airports in China. Since then, Xianyang Airport has begun to explore different markets, and has in turn seen witnessed successive monthly passenger volume increases in April and May. On May 1st, Xianyang Airport set a new personal record of 29,638 passengers. The airport has shown the intentions to continue the marketing campaign, and have organized marketing teams to visit nine different cities in the Gansu Province and other areas for further promotions. In August, the Xi'an Xianyang Airport served 811,689 passengers, marking the first month in history to break the 800-thousand mark.



# CAAC CORNER

## Newest developments from the Civil Aviation Administration of China (CAAC)

### CAAC Institutes New Airport Security Audit

In an effort to uphold ICAO's rigorous standards of safety, the CAAC recently announced that it would implement an airport security audit program for its 147 domestic airport facilities. The new safety audit program will replace the existing security inspection process and become the foundation of China's civil aviation security. The new safety audit program, which is in its developmental phase, will be fine-tuned when the CAAC applies the new standards to Shenzhen Baoan Airport in Guangdong Province, and the Haikou Airport in Hainan Province. As the first airports to undergo the new audit program, Haikou and Baoan face a certification process comprising 360 items from ten unique categories, including passenger safety, luggage, cargo and aircraft security, equipment and facility safety, and personnel security.

The official results of the initial audits on Shenzhen and Haikou Airports are expected to be released by the CAAC within two months of the safety audit inspection. In the event that an airport facility fails to meet the requirements of the audit, the airport will be granted a period of two years to rectify the situation. If the airport fails to remedy the problem, it can face discipline ranging from reduced aircraft charges to restricted flights

and air routes.

ICAO is currently in the process of conducting its mandatory aviation security audit on the 188 member states. So far, 44 countries have successfully passed the safety audit, including China.

China accepted the ICAO safety audit in May of 2004. The audit critiqued China civil aviation's security, personnel training quality control, and practical work programs at the Beijing Capital Airport, Xi'an Airport and Kunming Airport. According to ICAO, China is above the ICAO standard in most of its regulations and measures. However, it still needs to improve personnel training and quality control. As a result, the CAAC has revised the old method of conducting security examinations during Chinese New Year and Golden Week. Now, about ten airports will be audited per year with a new and more specific certification process.

Mr. Yang Chengfeng, the Director of the CAAC Public Security Bureau and Principal of the audit program, said that the previous security examination process was a temporary solution, but the new replacement program is a very thorough and complete process. All aspects of security, from security systems to guard capabilities, will be addressed in the new security audit.



## Beijing Hosts China-Canada Aviation Symposium



Mr. Yang Guoqing, Deputy Director General of the CAAC, addresses the attendees during the opening ceremonies

CAAC Prime Minister Yang Yuanyuan and Canada Transport Minister Jean C. Lapierre speaks a new Memorandum of Understanding on Technical Cooperation of Civil Aviation Safety between Transport Canada and the General Administration of Civil Aviation of China on September 1st in Beijing. The new agreement means that China and Canada will work together on their civil aviation security management systems (SMS) and personnel training procedures. SMS is a new global aviation security concept and has proved successful in Canadian aviation applications.



Canada Transport Minister, Jean C. Lapierre, speaks on the importance of parallel development between China and Canada

A CAAC representative commented that as China continues along its path of increasing transportation volume, the difficulty and pressure to secure aviation safety simultaneously mounts. Absorbing and utilizing the newest security management measures to create a security management system based on China civil aviation's specific needs is of high priority to the CAAC.

All parties involved hope that the MoU will result in greater bilateral communication and cooperation between the two nations, as well as greater opportunities for SMS cooperation in the future.

During Mr. Lapierre's visit, the CAAC and Transport Canada also held the China-Canada Aviation Symposium to discuss topics such as civil aviation security, airport construction and operation, and aviation transportation.

## China-Canada Update Bilateral Agreement

Following the China-Canada Aviation Summit and the signing of the MOU on civil aviation security management systems a week prior, CAAC Minister Yang Yuanyuan and Canadian Transport Minister Jean C. Lapierre reconvened in Ottawa to sign a bilateral air transport MOU on September 9th.

The new bilateral agreement replaces the previous agreement signed in 1973. The updated MOU revises items such as air transport enterprises, flight safety, security, tax, application of non-scheduled flights, and attached flight lists. According to the new agreement, flights between China and Canada will increase threefold, up to 66 flights per week. Airline and cargo operations were also revised and will now offer more

flexible operating conditions than under the previous agreement. Perhaps most importantly, the MOU will support the growing commercial link between China and Canada.

Both parties consider the new agreement reflective of the air transport development progress between China and Canada, and both feel that it offers a solid foundation for the future air transport development between the two countries. The agreement will greatly facilitate airline companies in both countries to develop passenger and cargo transport business, and to promote the development of bilateral trade, tourism relationships, and personnel traffic.

## China and Vietnam Strengthen Aviation Ties

In a September 5th meeting between China and Vietnam, the two countries came to agreements on a range of aviation topics. Addressed at the meeting were passenger and cargo capacity issues, code sharing between the two countries, wet lease aircraft operation, air routes and crew visas. The meeting was a major step in the right direction as resolutions and the future growth of cooperation between the two countries quickly became the theme of the day. Previously, China and Vietnam had an agreement permitting only permitting passenger flight operation. However, the meeting expanded upon that premise and both sides agreed to allow full cargo flight operation.

Other encouraging conclusions reached at the meeting include agreements to incrementally increase passenger and cargo capacities within the next few years, and sign the Memorandum of Understanding regarding the Fifth Freedom Right.

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