

CHINA CIVIL AVIATION REPORT

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Lost in translation

Why business aviation remains grounded in China

1st quarter passenger traffic hits 35.13-million

Air China, Shanghai Airlines to join Star Alliance

US, China to hold aviation summit

And more...



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Aviation Headlines

China, US to hold aviation summit

China and the United States will hold an aviation summit this fall to strengthen the commercial and strategic relationship between the two countries, according to the US Trade Development Agency (USTDA).

Deputy Director Leocadia Zak of the USTDA underscored the importance of developing China's civil aviation.

"USTDA is focusing significant attention on civil aviation because we recognize the importance of this subject to China's development," said Zak. "Civil aviation infrastructure is also essential to support an even deeper commercial relationship between the United States and China."

The summit was announced in a special session of an executive management training program under the China-US Aviation Cooperation Program (ACP). Minister Yang Yuanyuan of the Civil Aviation Administration of China (CAAC) and Administrator Marion Blakey of the US Federal Aviation Administration participated in the event.

To be held in Washington, D.C., the

summit will include a series of government meetings, workshops and site visits to showcase the United States' state-of-the-art technological developments in avionics, aircraft designs, and air traffic management systems.

It will also promote U.S. aviation standards, practices and procedures on aviation safety, air-traffic management and operational management skills.

USTDA said that, since 2001, it has funded over 80 activities supporting important development objectives in China. Its China program targets development projects in transportation, energy, and environment.

The USTDA advances economic development and US commercial interests in developing and middle-income countries. It provides funds for various forms of technical assistance, feasibility studies, training, orientation visits, and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

3 air traffic bureaus sign accord on aviation

Representatives from the Air Traffic Management Bureaus of Northeast China, Northwest China and Xinjiang signed an agreement on the Mutual Backup of Flight Data Dynamic Information Systems to enhance cooperation on aviation.

The signing was held during a meeting attended by 30 delegates from China's Northeast China Air Traffic Management Bureau of CAAC from April 19-21.

Among the topics discussed at the meeting were the backup of flight data among the three regions; system emergency plans for each region; rules of implementation; and the exchange of Communication Network Management System (CNMS) system backup data.

The purpose of the meeting was to improve security and establish operations and technological cooperation between the Northeast China ATMB and other regional air traffic bureaus.

Chinese aviation university, Eva Air ink training deal

The Civil Aviation University of China (CAUC) and Taiwan Eva Air signed a cooperation agreement on training in Taiwan on May 9th. Under the agreement, Eva Air will hold a study forum every year for CAUC teachers.



Eva Air is the fastest developing airline in Taiwan

Each forum will last for two weeks. Topics to be included are modern

civil aviation management, aircraft maintenance management, civil aviation license training, and aviation security management.

Eva Air, founded in 1989, has more than 40 widebody jetliners and freighters, such as Airbus A330-200, Boeing B747-400 and B767-300 ER/200. As Taiwan's second largest airline, Eva Air is the fastest developing airline of the four main airlines in Taiwan.

CAUC has been fostering civil aviation education and training between mainland China and Taiwan. Last year, a delegation from CAUC went to Taiwan and visited Eva Air. CAUC also invited He Qingsheng, vice general manager of Eva Air, as a visiting professor.

Six Cessna 172 aircraft delivered to Luoyang

Six Cessna 172 aircraft arrived in Luoyang City in Henan Province on April 26th.

The Luoyang Institute of Civil Aviation Flight University of China (CAFUC) earlier sent Chinese pilots and crew to train in the United States, where they passed and acquired their licenses to fly the Cessna aircraft.

The Mechanic Department of the Institute also underwent training on maintenance and operation of the Cessna 172. Officials from the airworthiness department of the Southwest China Regional Administration of the Civil Aviation Administration of China (CAAC) were present at the delivery at Luoyang Institute to examine and approve the maintenance qualification for the Cessna aircraft.

Cessna's technicians are expected to arrive at the Institute for aircraft assembly.

MA60 aircraft gets approval from Indonesia

The Indonesia Civil Aviation Authority awarded a foreign aircraft model certificate to the China-made MA60 aircraft on May 10th.

This is the first time that a China-manufactured aircraft has received a model certificate, which paves the way for the MA60 aircraft to be exported to other countries.

Mohammad Iksan Tatang, director general of air transportation at the Indonesia Transportation Ministry, and Yang Yuanyuan, minister of the Civil Aviation Administration of China, attended the awarding ceremony.

Turboprop aircraft are well-suited for Indonesia, a country dotted with islands. Indonesia has an advanced aviation industry and a strict airworthiness program.

From March 20th to April 5th, the airworthiness department of the Indonesia civil aviation authority sent 14 model certificate examiners and experts to China to examine the MA60.



Representatives from civil aviation authorities of Indonesia and China at the signing ceremony

The group went to the Xi'an Aircraft Industry Company (XAC) of AVIC 1 for a thorough model certificate inspection based on Indonesian airworthiness regulations

CASR Part 25. After inspection, the group declared that the MA60 passed Indonesian regulations.

Gao Dacheng, board chairman of XAC, stated that the MA60 is a new type of turboprop regional airliner, designed, produced and test-flight validated in accordance with CCAR Part 25.

Using state-of-the-art technologies, the MA60 has reached performance in safety, cost effectiveness, comfort, and maintenance comparable to similar airlines in the market.

The direct operating cost of the aircraft is 10 to 20 percent lower than similar aircraft in the market.

In 2005, about 20 MA60s were exported to other countries, including Zimbabwe and Laos.

China Aviation Oil registers \$216.52-M net profit in Q1

China Aviation Oil (Singapore) Corporation Ltd. posted a net profit of Singapore \$342.2-million (US \$216.52-million) in the first quarter of this year due to a restructuring program and growth in its business.

Its restructuring plan was implemented starting on March 28th of this year, following the issuance of new ordinary shares to existing shareholders, the investors and creditors. On the same day, the company made a cash distribution to creditors. The balance amount of creditors' debts are deferred and repayable over a five year period.

Based on the restructuring plan, CAO recorded a one-off waiver of

debts of Singapore \$3124-million (US \$19767-million) in the current quarter.

The current quarter also benefited from a net foreign exchange gain of S\$11.5-million due to the weakening of the US dollar against the Singapore dollar, and a fair value adjustment gain of S\$8.1-million recognized by the group.

CAO reported a gross profit of S\$5.2-million in the quarter, a 69.5-percent increase over the S\$3.1-million reported in the same period last year.

Procurement volumes during the quarter reached 922,000 metric tons, or 68 percent higher than the 548,000 metric tons delivered in the same period last year. This

led to revenue reaching S\$5.3-million, up by 71.2 percent over the same period last year.

The Pudong fuel-supply associate contributed S\$9.5-million, up 3.6 percent compared with the same period in 2005. Delivery of fuel to airlines at Pudong has grown, especially for international flights.

“The first quarter of 2006 signaled the close of the restructuring,” said CAO Chairman Lim Jit Poh. “CAO has introduced new equity investment and restructured its debts to a sustainable level. We now look forward to devoting our attention to the business of CAO to complete the rehabilitation process.”

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4 firms to establish Beijing Capital Airport Finance Company

Beijing Capital International Airport Company announced on May 16th that it is partnering with its parent company, Capital Airports Holding Company, together with China Airport Construction Corporation and Wuhan Tianhe Airport, to establish the Beijing Capital Airport Finance Company Limited (BCAF) with a registered capital of RMB 500-million.

Ownership of the BCAF is as follows: 10 percent by Beijing Capital International Airport Company, or RMB 50-million; 70 percent by Capital Airports Holding Company, or RMB 350-million; 10 percent by China Airport Construction Corporation; and 10 percent by Wuhan Tianhe Airport.

BCAF's scope of business includes providing insurance agency services and issue of debentures to members of parent company members and independent third parties; investment in securities of financial institutions and other marketable securities; financial and corporate funding advisory, credit verification, trade settlement and guarantee, lending and investment on trust, settlement among members of the parent company, design of settlement schemes, collection of deposits, lending and financial lease, underwriting of corporate debentures, provision of consumer credits to members of the parent company; and other activities as approved by the China Banking Regulatory Commission.

Heilongjiang Airports Management Group formed

Capital Airport Group Company and Heilongjiang Provincial State Assets Supervision and Administration Commission signed an agreement on April 28th to form the Heilongjiang Airports Management Group Company Ltd.

Heilongjiang Airports Management Group currently manages five civil airports: Harbin, Qiqihar, Mudanjiang, Jiamusi and Heihe. The company has RMB 177-billion in capital.

The five airports have a total of 71 flights, including 17 scheduled international flights.

In 2005, Heilongjiang recorded 35,000 takeoffs and landings, carrying 349-million passengers and 41,000 tons of cargo and mail.

Aircraft accidents kill two, injure four

Two men were killed and four persons injured when their aircraft crashed in two separate accidents in the Hubei and Jiangsu provinces on May 1st.

The Flight Security Office of the Civil Aviation Administration of China (CAAC) confirmed that a light aircraft crashed in Liangzihu Island of Ezhou City, Hubei. The three persons aboard the aircraft were slightly wounded.

A glider also crashed in Sucheng District, Suqian City in Jiangsu, killing two men and wounding a woman aboard the aircraft.

Authorities said that the flights were illegal because they were not approved.

The State Administration of Work Safety and the CAAC have asked Hubei and the Jiangsu Safety Administrations and Civil Aviation Security Supervision and Management Offices to investigate the accidents.



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China Southern Airlines resumes flights to Moscow

China Southern Airlines has resumed its flights to Moscow from Urumqi, the capital of Xinjiang.

The route will be operated by either a B737 or B757. China Southern Airlines will operate flights to Moscow every Monday, Wednesday, Friday and Sunday, with return flights on Mondays, Tuesdays,

Thursdays and Saturdays.

The fivehour flight between Urumqi and Moscow was suspended in 2003 because of the Asian financial crisis and the spread of the severe acute respiratory syndrome (SARS) that hit China.

Li Jian, general manager of China Southern Airlines' Xinjiang branch, said that the company will operate four two-way flights on the route every week, making Urumqi one of the best choices for transferring stations on international air traffic from Europe to the East and Southeast Asian regions.

China Southern Airlines currently operates four air routes between China and Russia: Urumqi-Moscow, Urumqi-Novosibirsk, Harbin-Khabarovsk and Harbin-Valdivostok.



General Manager Li Jian of China Southern Airlines announces the new Moscow flight

Air China, Shanghai Airlines to join Star Alliance

Chinese carriers Shanghai Airlines and Air China are currently in negotiations to become members of Star Alliance, an affiliation of 18 airlines.

Air China and Star Alliance signed a memorandum of understanding on May 22 confirming the invitation for Air China to join the Alliance.

Shanghai Airlines and Star Alliance also signed a memorandum of cooperation stipulating that the Alliance will assist the carrier in making improvements and adjustments in the fields of sharing information with other member carriers, ticketing systems, safety, legal affairs and training.

The membership of Air China and Shanghai Airlines will boost the Star Alliance network to 20 members, offering more than 16,500 daily fights to 912 destinations in 160 countries.

Membership in the Alliance will boost the international competitiveness of Air China and Shanghai Airlines, and expand their routes.

“With Air China having chosen to join Star Alliance, we have now taken the decisive step in implementing our strategy for the Chinese market. This decision truly

FedEx opens branch in Nanjing

Federal Express Corp has opened a new branch in Nanjing, the third in Jiangsu Province after Suzhou and Wuxi.

FedEx now has 26 branches, 38 ground operation stations, and three gateways, including Beijing, Shanghai and Shenzhen.

From its current operation in 200 cities, FedEx plans to expand operations in another 100 cities over the next few years.

FedEx launched three new weekly freighter flights to mainland China in March, increasing its flights to China to 26 per week, exceeding all other US cargo airlines.

lays the foundation for the future pace in Chinese Aviation,” said Jaan Albrecht, Star Alliance chief executive officer.

Li Jiexiang, chairman of China National Aviation Holding Company; Ma Xulun, president of Air China Limited; Jaan Albrecht, CEO of Star Alliance; and several CEOs of the Star Alliance member carriers were present at the signing ceremony, together with 150 distinguished guests.

In his speech, Li Jiexiang said: “With economic globalization and open skies, the competition in the airline industry will become more and more severe. No one airline can create a global



Representatives from China National Aviation Holding Company, Air China Ltd. and Star Alliance at the signing ceremony

network by itself. In order to survive and develop, airlines have to cooperate with other partners in various forms, including multilateral alliance cooperation.”

Shanghai Airlines expects to be a member of Star Alliance in 2007.

Albrecht said that the airline is required to make improvements to meet the operational standards required by the

Alliance before it could join.

Shanghai Airlines applied for membership in November of 2004 and became an observer of the 18-member Alliance in November of last year.

The Star Alliance was founded in 1997 by Thai Airways, Lufthansa of Germany, Air Canada, Scandinavian Airlines and United Airlines of the United States.

Zhou Chi, chairman of Shanghai Airlines, said that membership in the Alliance will be beneficial.

“Joining the Star Alliance is expected to improve the competitiveness of Shanghai Airlines on the world market,” he said.

Shanghai Airlines

operates international routes to Japan, the Republic of Korea, Germany, Vietnam and other countries.

As a member of the Alliance, the airline can offer customers the opportunity to combine frequent flyer programs with other carriers, share airport lounges, and access convenient transfers; as well as offer a number of other services.

UPS receives go signal to operate in East China

The East China Regional Administration of the Civil Aviation Administration of China (CAAC) granted the United Parcel Service (UPS) its Operation Certification on April 29th. This certifies that UPS has successfully completed the ECRA-CAAC requirements. The certificate was awarded to Karen Lee, director of operations for UPS.



Karen Lee, UPS director of operations, presents a model plane to Zhang Fa, chief pilot of the East China Regional Administration of CAAC

Under CCAR Par 129, CAAC has authorized the East China Regional Administration to examine and approve applications to operate 14 foreign airlines. All foreign airlines operating in China are required to pass the operation qualification.

Beijing Airport posts 24.2% increase in passenger traffic

Beijing Capital International Airport Co Ltd. announced that its April passenger traffic increased 24.2 percent on a year-to-year basis to 4.11-million. Cargo volume was 79,908 tons for the month, up by 18.6 percent.

From January to April this year, passenger traffic reached 14.55-million, up by 20.8 percent; and cargo volume reached 282,200 tons, an increase of 19.2 percent compared to the same period last year.

Qinghai Airport posts 64% increase in passenger, cargo in April

Passenger and cargo traffic volume at Qinghai Airports increased in April by 64 percent compared to the same period last year.

The number of flights increased by 131 percent on a year-to-year basis. From January to April this year, accumulated passenger and cargo volume increased by 24.15 percent and 25.54 percent, respectively, compared to the same period last year.

The increase in passenger and cargo volume is attributed to the implementation of the Civil Aviation Summer Autumn Scheduled Flights Timetable. The establishment of overnight flight bases by China Southern Airlines, China Eastern Airlines and Hainan Airlines at Xining Airport is also seen as contributing to the growth.

Flights at Hangzhou Xiaoshan Airport up by 41.7%

Hangzhou Xiaoshan Airport in Zhejiang Province posted 4,231 domestic and international flights from January to April this year, up by 41.7% compared to the same period last year. Departing and arriving passengers in the same period totaled 380,000, up 25.3 percent in a year-to-year comparison.

Hangzhou Xiaoshan Airport has direct flights to Tokyo and Osaka in Japan; Busan and Seoul in South Korea; Bangkok, Thailand; and Singapore.

Some passengers fly from Xiaoshan Airport to Hong Kong Airport, from where they depart to their final destinations in the United States or Europe.

Flights between Xiaoshan Airport and Hong Kong Airport have increased from 1-to-2 flights daily to 10 flights daily.

ABB gets \$7.5-M contract from Beijing Airport

Power and automation technology provider ABB announced on April 24th that it has won an RMB60-million (\$7.5-million) order from Beijing Capital International Airport to supply ABB low-voltage products for a power distribution system to the airport's Terminal 3 project.

Terminal 3, about 1.2-million square meters in size and one of the largest single buildings in China, is designed to ease high traffic during the Olympic Games in 2008.

ABB will provide air circuit breakers, molded-case circuit breakers, intelligent power devices, miniature circuit breakers, EIB intelligent installation system, switches, relays and control products.

News Briefs

May 8th - A Mi-8 helicopter of Xinjiang Kaiyuan General Aviation Company crashed in Heihe City in Heilongjiang Province, injuring seven people, including its pilot.

Authorities said that hydraulic system failure caused the crash. The helicopter was carrying 17 firemen.

An accident investigation group of the Northeast China Regional Administration of the Civil Aviation Administration of China (CAAC) was sent to the crash site to investigate.

China's airlines registered 27,338 flights during the seven-day May Day holiday, up by 10 percent compared to the same period last year.

The planes carried 3.1 million passengers during the holiday, an increase of 12 percent, or 340,000 passengers, over last year's figure.

April 29th - Air China Air Cargo Company has acquired a new Boeing 747-700 freight jet, increasing its cargo fleet to seven.

The aircraft arrived on April 29th at the Capital Airport from Seattle, Washington.

With the new plane, Air China Cargo's fleet comprises three Boeing 747-400 and four Boeing 747-200 cargo planes.

Yao Jun, general manager of Air China Cargo, said that this year the company would introduce two Boeing 747-400 retrofitted freighters and three Tu-204 freighters.

May 11th - Three high-altitude control towers have started operating in Urumqi, Xinjiang.

Increase in flights to and from Urumqi has been noted as more domestic airlines link to the area. Hainan Airlines established a base in Urumqi to operate several domestic and international air routes.

May 12th - China Eastern Airlines has recommended to its passengers the use of eticket self-service check-in at Capital International Airport.

Passengers of China Eastern Airlines on domestic eticket flights from Beijing and without consigned baggage can use the eticket service.

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Lost in Transl

Why business aviation

By: George Chao

Failing to bridge the cultural divide

It's 2:15 PM on a Wednesday in Newport Beach, California. Just like clockwork, the 405 highway begins its daily transformation from a flowing Southern California artery into the world's longest parking lot. At the same time, Mr. Hiroshi Hara, managing director of a high-end automobile gallery, heads out of his Newport office, on his way to a meeting with a potential client in Tempe, Arizona at 4:30 PM. For most travelers in his situation, this is the ultimate nightmare commute, as the local airport, John Wayne in Irvine, does not fly to Tempe, and the 65 km drive to Los Angeles International at this time of the day would take at least three hours, not including check-in. Yet, with a smile on his face, Mr. Hara calmly gets into his Mercedes, adjusts the volume on his CD player, and goes over the minutes of the meeting in his head; the nightmarish commute is the farthest thing from his mind. He knows a shortcut. Avoiding the 405 like the plague, Mr. Hara takes familiar surface streets and arrives at John Wayne Airport in 15 minutes. He then spends the next 15 minutes in transition from his Mercedes to a Bombardier Learjet and subsequently from ground to air. By 2:45 PM, Mr. Hara is on his way to Tempe, Arizona, completely avoiding the dreaded Southern California "rush to park" afternoon commute.

The aforementioned scene is common practice in the United States and many other parts of the world. However, in China, business aviation remains more of a novelty than a reality. It is instinctive to wonder how the "third largest aviation nation in the world" can have such a discrepancy between its commercial aviation activities and its private aviation sector. In 2005, Forbes issued the "100 Richest Chinese Individuals" in China, the results showing that the top 100 wealthiest Chinese had combined assets totaling over 29.2-billion USD, having grown over 42% over the previous year. Obviously, wealth--or the lack thereof--is not the main factor behind the stifled business aviation growth. What, then, are the reasons keeping private businessmen, government officials and the financially sound from trading in their first-class seat for the convenience of a business jet? On paper, China's business aviation environment has all the ingredients necessary for the high-octane growth currently being experienced by its commercial aviation brethren. However, three major factors continue to constrain any major development momentum.

In many parts of the world, business aviation and private jets represent the highest model of efficiency in the world of corporate business. According to Anderson Consulting and the National Business Aviation Association (NBAA), the average cumulative sales growth of S&P 500 firms that have operated business jets from 1990-1999 was 258% higher than those that operated without business jets. However, an interview with operators on the front lines of business aviation in China reveals that business jets are not being perceived by the general public in the same light as countries in the west. Jimmy Gao and George Geng, sales directors at Embraer's Beijing office and experts on the subject, reveal that China's reluctance to embrace business aviation stems mainly from the lackluster appeal of business jets as a "rich man's toy."

In a country in which government officials travel via Audi A6s while the majority of the population rely on buses and taxis to move about, there is a strong negative connotation associated with ultra-luxurious items such as private jets. Although many have the means and need for private and business aviation, the majority simply shy away from utilizing private jets because of their fear of the anti-aristocratic sentiment of their peers. Chinese officials are also reluctant to utilize business aviation to maximize work efficiency because of the vertical infrastructure of China's government. The fear of attracting unwanted attention from higher departments and individuals mean that many tiers and branches of China's government prefer traveling among the masses rather than charter their own business jet. Recent figures from Embraer show that, compared to the US corporate jet fleet of 9,657 and world fleet of 13,124 jets, China's 26 business jets hardly register as even a drop in the world's business aviation bucket.

Indeed, stereotypes stem from many different factors, and the negative connotation cast upon private and business aviation in China cannot rest solely on the shoulders of an anti-aristocratic middle class. At the core of the issue lies a fundamental view shared by the majority of Chinese passengers: that small-cabined aircraft are simply unsafe. This mindset can be traced back through the origins of aviation in China. Initially, aviation in China was exclusively utilized by the government and military in order to protect and serve citizens, and it was not until the 1970's that commercial aviation became available to the general public. The sudden deregulation, coupled with immediate rapid expansion, left

remains grounded in China

China's citizens with misconceptions and speculations regarding the way that aviation travel actually works. The fundamental differences between commercial aviation progressions in Western countries as opposed to the Far East have fostered a deep-seated assumption amongst China's public that flying in small-cabined aircraft is much more dangerous than flying in a large-cabined aircraft such as a B747.

According to Mr. Geng and Mr. Gao, the negative stigma associated with business jets, along with a general misconception surrounding their benefits and safety, are currently the biggest factors affecting development rates in China. In their expert opinions, campaigns to educate and shift the general image of business and personal aviation holds precedence over regulation and even equipment initiatives. The idea that private jets are the ultimate in luxury may fly in extensively developed aviation nations such as the US and Europe. However, in a country in which commercial aviation history dates back only a few decades, knowledge is a far more powerful tool than the promise of an extravagant lifestyle.

Taking the “business” out of “business aviation”

Even for individuals who think outside the box and realize the benefits that business aviation affords, there are still barriers to overcome before being able to take to the skies. One of the biggest headaches for jet charter companies as well as their customers is the permit application process enforced by the CAAC. Granted, the process for filing a permit and obtaining approval has decreased drastically in the last year or so (from over a week to the current average of 3-4 days, even a few hours in emergency cases), the troublesome regulations that one must adhere to before flying dramatically take away from the fundamental advantage that business aviation offers: flexibility. Jet charter operations must receive the flight itinerary from its customers well in advance of their departure dates, submit the permit application to the CAAC for approval and wait an average of 72 hours for the green light before fueling up and taking to the runways. During this application process, customers have no means of revising their travel times and itinerary; and in today's fast-paced, business-driven world, this is simply unacceptable for many travelers.

While the business aviation regulatory environment in China continues to improve, the fact that government approval outweighs convenience continues to be an important topic. The root of business aviation is flexibility; take that away, and all that is left is a

very expensive commercial aviation ticket. With this fact looming over China's aviation sector, potential customers will continue to favor airlines over business jets until the CAAC decides to extend business aviation some breathing room.

Clearance to fly, but not to land

Business jets in the US maintain their highly desirable status because of their ability to land at any of the more than 5,000 airport facilities around the country. Instead of landing at SFO and battling the rush-hour commute to Silicon Valley, passengers can pick any one of the small GA facilities in and around San Jose, and land directly in the heart of Silicon Valley. However, in China most business aviation operations remain focused in 144 commercial aviation airports scattered around the country. While China does also have a few GA facilities (fewer than 300 total airports), the majority lack the proper runway to handle business jet landings. The lack of a proper GA network leaves business jet passengers relegated to land at large airports such as Beijing, Shanghai and Guangzhou. The purpose of business aviation is to buy more time and improve efficiency, but Chinese passengers often find themselves having to contend with airport congestion and the same nightmarish commute faced by their commercial aviation counterparts.

With China's current infrastructure limitations, passengers cannot receive the full flexibility unique to business aviation, thus invoking the question: what are the benefits, if any, of utilizing business jets in China at the moment?

It is a fact that China's business aviation sector is poised to expand exponentially in the coming years. However, at the present moment, jet manufacturers and charter companies are facing some tough barriers. Image, regulation and lack of infrastructure all play a major role in constricting business aviation development. Yet, projects such as Beijing Capital Airport's new “World's largest FBO,” and recent policy shifts towards business aviation operations show that the CAAC is taking this issue very seriously. In due time, China will no doubt develop into one of the world's leading business aviation segments. However, in the meantime, manufacturers and jet charter companies must work closely with the government, as well as potential passengers, to establish a development plan unique to the rest of the world. In reality, it should not be a surprise to anyone to learn that the western standard of business aviation development has failed to garner much interest with local passengers. It is simply another example of the adage, “You don't change China, China changes you.”

First-quarter passenger traffic reaches 35.13-million

Total passenger traffic volume in China reached 35.132-million from January to March this year, an increase of 20 percent compared to the same period last year, according to the Civil Aviation Administration of China (CAAC).

The CAAC announced that cargo and mail traffic volume totaled 749,000 tons, 12.5 percent higher than last year. The whole air transport industry had a total traffic turnover volume of 6.58-billion ton kilometers.

Domestic flights had a traffic turnover volume of 4.51-billion ton kilometers (a 20.5 percent increase), passenger traffic volume of 32.116-million (up by 21.1 percent) and cargo and mail traffic volume of 563,000 tons (a 14.8-percent increase).

By the end of the first quarter, there were 883 registered civil aircraft, up by 20 compared to the same period last year. The average normal flight seating rate is 70.8 percent, and the normal flight carrying rate is 64.8 percent.

General aviation registered 9,928 flight hours, down by 84 percent in a year-to-year comparison.

The whole airline industry posted an operation income of RMB 474.3-billion, an increase of 21.5 percent in a year-to-year comparison.

But while the civil aviation passenger traffic volume has increased, the cost of rising jet fuel price has resulted in a drop in profit.

The whole civil aviation industry posted an operation income of RMB 474.3-billion (US \$573-billion) in the first quarter, up by 12.5 percent on a year-to-year basis.

Operating cost reached RMB 484.7-billion, up by 26.4 percent,

translating into a loss of RMB 1.34-billion.

The operating income of airlines reached RMB 33.3-billion (US \$4.02-billion), an increase of 177 percent in a year-to-year comparison. Operating cost, however, reached RMB 34.98-billion, up 23.5 percent, resulting in a loss of RMB 2.14-billion. The only airlines which reported a profit in the first quarter are Shenzhen Airlines, Xiamen Airlines and Hainan Airlines.

The CAAC said that no transport flight accidents or severe ground accidents occurred in the first quarter.

Flight incident rate per ten-thousand hours is 0.31, and incident rate per ten-thousand flights is 0.54. Airlines that had no accidents in the first quarter were Shanghai Airlines, Xiamen Airlines, Shenzhen Airlines, Sichuan Airlines, Shandong Airlines, Spring Airlines, United Eagle Airlines, Okay Airlines and China United Airlines.

In the first quarter, the entire aviation industry registered 348,000 flights. Average on-time flight performance was 81.07 percent. Airlines with higher on-time performance were Shandong Airlines, 84.4 percent; Sichuan Airlines, 83.7 percent; and China Eastern Airlines, 82.2 percent.

In the first quarter, the CAAC, all regional administrations and Customer Affairs Center of the CAAC, received 89 complaints about airlines. Among the airlines with passenger traffic volume of 1-million to 5-million in the first quarter, Shanghai Airlines, Sichuan Airlines and Shandong Airlines posted the lowest complaint rates.

In the first quarter, airlines transported 16.23-million pieces of baggage and 2.27-million pieces of cargo.

China, Croatia ink air transport agreement

China and Croatia signed a Memorandum of Understanding on bilateral scheduled flights on April 24th.

Civil aviation representatives from China and Croatia met in Beijing to discuss details of the agreement, including transport capacity limit, the fifth traffic right, code sharing and wet lease.

Vice Director for International Cooperation Wu Zhouhong of the Civil Aviation Administration of China (CAAC) and Croatia's Assistant Minister for Air Traffic Pero Bilas signed the agreement.

Croatia, one of the six republics of the Socialist Federal Republic of Yugoslavia, became an independent state in 1991.

In 2003, China and Croatia signed a tourism cooperation agreement, but this was hindered by lack of a direct flight between the two countries.

CAO files airworthiness application

The China Aviation Oil Holding Company has filed application for an oil supplier airworthiness certificate and a civil aviation oil testing unit certificate with the Civil Aviation Administration of China (CAAC).

Gong Feng, CAO vice general manager, gave the application to Zhang Hongying, director of the CAAC's Aircraft Airworthiness Department (AAD), in a ceremony held on April 21st.

The AAD plans to examine and approve all industrial oil suppliers and testing units by the end of 2007.

As the leading company in China's aviation oil industry, CAO has developed airworthiness work as a civil aviation oil supplier and civil aviation oil testing unit. It supported the establishment of the Regulation of Civil Aviation Oil Airworthiness Management.

In 2004, the State Council issued an administrative order giving authority to the CAAC to issue Civil Aviation Oil Supplier Airworthiness Certificates and Civil Aviation Oil Testing Unit Certificates.



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