

# CHINA CIVIL AVIATION REPORT

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## Air Express

US and China hold summit on aviation security and safety,  
and the future of modern air transport systems



**Is Open Skies in the offing?**

**China's air traffic volume continues to surge**

**More air routes for Beijing Olympics**

**Hongdu to make Eclipse cabin doors**

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## From the Publisher's Desk

As China continues to post growth in passenger and cargo in the air transport sector, there is now a greater demand for more airports, aircraft and aviation infrastructure. And more airports and aircraft means ensuring air safety and security, and implementing an advanced system to manage air traffic.

The US-China Aviation Summit will be the key to unlocking the future of the two countries to lead the world aviation market. The summit will cover the latest technology in air transport which China can adopt and the policies needed to manage China's growing aviation sector.

Also important is the future of the air services agreement signed by China and the US in 2004 that has made a tremendous impact on passenger movement between the two countries.

In this issue of the China Civil Aviation Report, we focus on the aviation summit and its importance in mapping out the future of China's aviation industry.

当中国在航空运输客运和货运持续成长的同时，对机场和飞机等的基础建设需求就更感到迫切。而更多的机场和飞机就需要获得并执行一个先进的系统来管理空中交通以确保航空的安全与保安。

中美航空峰会将是打开中美两国领导国际航空市场发展新局面的关键时刻，会中将要讨论的最新航空科技和政策都是中国在管理持续成长中的航空领域可加以借镜的。

同样重要的还有在2004年中美两国签署的航空服务协议的未来发展，这个协议在两国航空旅客流量的增长上发生很大的影响。本期的民航报导我们专注在航空高峰会和它勾画中国航空未来发展的重要性。



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## China's air traffic volume continues to surge

China's air transport market continues to grow, posting a total passenger traffic volume of 73.99 million in the first half of the year, up by 17.5 percent compared to the same period last year. Cargo and mail traffic volume also increased by 11.5 percent to 1.56 million tons.

Based on data released by the Civil Aviation Administration of China (CAAC), total traffic turnover volume in the first semester reached 13.83 billion ton km, an increase of 16.1 percent on year-to-year. The whole industry covered 1.48 million flight hours in the first half of the year, higher by 15.7 percent. Chinese carriers had an average passenger load factor of 71.9 percent.

By the end of June, China had 913 aircraft, adding 50 aircraft in the first six months of the year.

The CAAC said that in the first half of the year, no flight or ground accident

occurred. Flight incident rate per ten thousand hours was 0.28 and incident rate per ten thousand flights was 0.47, lower than last year's average level. General aviation registered 24,727 flight hours in

the first semester.

China's whole aviation industry posted revenues of RMB 102.91 billion (USD \$12.9 billion), up by 20.6 percent compared to the same period last year.



Passengers check their flight schedule at Shanghai's Pudong International Airport. Chinese airports are posting profit, thanks to the increase in passenger and cargo volumes.

Chinese airlines, however, posted losses of RMB 2.57 (USD \$322.27 million) billion in the first semester as cost, including high prices of jet fuel, increased by 20.9 percent to RMB 73.56 billion (USD \$9.22 billion).

In the second quarter of the year, the whole industry posted 370,000 flights with an on-time performance of 80 percent. Airlines which posted higher on-time performance included Hainan Airlines, 83.5 percent; Shandong Airlines, 82.8 percent and China Eastern Airlines, 81.8 percent.

## IATA, CAAC expand aviation cooperation agreement

The International Air Transport Association and the Civil Aviation Administration of China signed a memorandum of understanding in Beijing on August 10 to develop China's air transportation system in 11 areas, including air traffic management, training, fuel efficiency and technology.

Giovanni Bisignani, IATA director general and CEO, said that China's double-digit aviation industry growth is "at an incredible pace."

"This is a strategic agreement, and IATA is a strategic partner in the growth of Chinese aviation," said CAAC Minister Yang YuanYuan.

"We are dedicated to global best practice as a fundamental for sustained growth. This MoU formalizes our existing cooperation and expands it into



IATA Director General Giovanni Bisignani (left) and CAAC Minister Yang YuanYuan at the signing of the cooperation agreement

critical areas such as fuel efficiency and management of safety data," added Yang.

In 2005 the CAAC signed a deal

to implement IATA's Simplifying the Business program on electronic ticketing.

An IATA spokesperson said that this resulted in an increase of e-ticket penetration in China from 0.2 percent to 60 percent in 19 months.

"By year's end, 80 percent is clearly achievable and I am confident that China will achieve 100 percent by our end-of-2007 deadline," said Bisignani.

Other safety agreements also exist. All Chinese carriers are committed to making the end-of-2007 deadline for the IATA Operational Safety Audit (IOSA).

Bisignani said that China is committed to aviation safety, as indicated by the fact that there were no major accidents in 2005. Seven Chinese airlines are registered in the IOSA.

There are 17 Chinese carriers that are members of IATA, an organization which represents 260 airlines worldwide. IATA said that its office in Beijing will be upgraded and the number of employees increased from 57 to 100 by 2010.

## Upgrade of Jiayuguan Airport completed

Flights at Jiayuguan Airport in Gansu province resumed August 4, following the completion of the runway and apron upgrade in four months.

Yang Zhiming, vice governor of Gansu, and Liu Xuesong, director of the Northwest Regional Administration of the Civil Aviation Administration of China, attended the ceremony to mark the resumption of flights.

The airport's runway was extended from 2,800 to 3,000 meters and widened from 48 to 60 meters. The apron grade was changed from 2C to 2C+1E. The flight area grade is now 4D, which can accommodate the takeoffs and landings of aircraft below B737-800, and can be used as an alternative landing area for 4E-grade aircraft such as B747. The new airport can accommodate 300,000 passengers.

With the reopening of the airport, Hainan Airlines will open the once-a-day Lanzhou-Jiayuguan-Lanzhou route using a B737-300 aircraft. The Gansu Airport Group Co. plans to open a new route from Jiayuguan to Beijing via Lanzhou this year.

The Jiayuguan Airport is the only alternate airport for E-grade aircraft for domestic and international flights within the Lanzhou-Urumuqi section of the Europe-Asia air route.

## More air routes for Beijing Olympics

China will open new routes from Beijing to Japan and South Korea in anticipation of increased flight volume during the 2008 Olympic Games.

The China Civil Aviation Administration said the plan is to optimize the Beijing air routes. A new route will be opened to Mongolia and between Shanghai and Hong Kong.

New air routes will be established from Beijing to Guangzhou and Shanghai.

The CAAC also announced that two secondary radar stations will be constructed at Beijing airport. Also to be added are four 8-20 channels VHF remote control stations, automatic and

information processing systems for communication and weather.

As part of the air traffic management during the Olympic Games, China's National Air Traffic Management Commission said the Beijing military and civil aviation will operate under a single terminal control area by end of 2007.

CAAC's Air Traffic Management Bureau of the CAAC signed an agreement with Boeing Co. to study the operation mode of Beijing Airport's three runways, taking the Atlanta, Georgia airport as model. The three runways will be tested from October next year to April 2008 and will formally operate starting May 2008.

## China starts use of collision analysis software

A software system for the analysis of aircraft collisions, which won in the 2005 China Civil Aviation Science and Technology Advancement, is now being used in China, following its approval by the civil aviation authority.

The software, called "Flight Collision Analysis and Evaluation System," was developed by Shenyang Air Traffic Management Technology Development Co. Ltd of Northeast Air Traffic Management Bureau under the Civil Aviation Administration of China.

Use of the software system results in

the accurate and timely analysis and evaluation of flight collisions, as well as cause and effect. The system can record and replay radar data and voice, make flight simulation, analyze and evaluate collision incidents, and create incident reports.

The data gathered in the analysis can be used in security education and training, including air traffic management. The system can simultaneously handle the collisions of three aircraft. Its data collection can handle radar information from Raytheon and Alenia radars.

### News Briefs

Chengdu Aircraft Industrial Group Co. signed its first subcontract worth USD \$10-million to produce Airbus A380 components in China with EADS Socata in Chengdu. The company will be the only supplier of the front landing-gear door for the A380, the largest aircraft in the world with a seating capacity of 555. This is the first A380 component subcontract for China. Chengdu Aircraft is an affiliate company of China Aviation Industry Corporation I (AVIC I).

Cargo company DHL announced that it will make Shanghai its hub following the signing of an agreement with Shanghai Airport. As the company's North Asia hub, Shanghai will serve countries such as Japan and Korea, and will start operating in 2009.

August 4 - Minister Yang Yuanyuan of the Civil Aviation Administration of China held a meeting with Haruka Nishimatsu, the new president and CEO of the Japan Airlines Group, to discuss the development of the China-Japan air transport market. Yang also met with president Bryan Moss of Gulfstream Aerospace Corp. in Beijing to discuss enhancing cooperation in air transport.





# Commercial Aviation *News*

## Hongdu Aviation to make Eclipse cabin doors

Hongdu Aviation Industry Group Ltd bagged a contract from Eclipse Aviation to produce cabin doors for the Eclipse 500 business jet. The contract value is estimated to reach about USD \$30 million.

The Eclipse 500 commercial jet, which costs USD \$1.52 million, is a new-concept light twin-engine jet which Eclipse Aviation began designing in 2000.

The Eclipse 500 uses two Pratt & Whitney Canada PW610F engines that are flat-rated at 900 pounds of thrust. The company has received nearly 2,500 orders for the Eclipse 500, valued at USD \$3.8 billion.

The Eclipse jet has recently been awarded the provisional-type certification by the United States Federal Aviation Administration, allowing Eclipse Aviation to operate the aircraft and deliver the Eclipse 500 to its customers.

The FAA certification was awarded to Eclipse Aviation by FAA Administrator Marion Blakey in the EAA's 2006 AirVenture in Oshkosh, Wisconsin.

The Hongdu Group will produce the cabin doors, including the upper cabin door, lower cabin door and emergency door. The group has produced more than ten types of aircraft in the last 50 years, mainly for China's Air Force and Navy.



Eclipse Aviation is set to deliver more than 50 Eclipse 500s through the end of 2006. Each jet costs USD \$1.52 million.

## Shenyang to supply for Bombardier's Q400

Bombardier has contracted Shenyang Aircraft Corp. to supply parts for its Q400 turboprop in a deal estimated to reach over USD \$30-million.

Shenyang Aircraft, a subsidiary of China Aviation Industry Corp. I, will produce the front and rear fuselages and tail section of the Q400.

The aircraft, described by Bombardier as the "quietest, most vibration-free turboprop" in the world, can accommodate 68-78 passengers. The contract signing was held in the Farnborough International Airshow in the United Kingdom on July 17. Shenyang Aircraft has produced aircraft parts for Airbus, Boeing and ECD. The company will start supplying the fuselage parts of the Q400 in 2008.

Shenyang Aircraft has supplied parts for Bombardier's Q100, Q200 and Q300 aircraft.



## Ameco Aviation College granted permit

On July 31, the North China Regional Administration of the Civil Aviation Administration of China (CAAC) awarded to Ameco Aviation College the permit to implement basic training for civil aircraft maintenance.

Ameco College is the first training organization to acquire the CCAR Part 147 maintenance training organization certificate since the new regulation was implemented last December.

The CCAR Part 147 covers the regulation of certification for civil aircraft maintenance training organizations. It prescribes the rules and standards needed by organizations to engage in civil aircraft maintenance training. Ameco Aviation College applied for certification in January.

## Avionics delivered for ARJ21

Rockwell Collins delivered the first avionics system to AVIC I Commercial Aircraft Co. for China's new ARJ21 regional jet on July 27.

Zheng Qiang, ACAC president, and Dennis Helgeson, Rockwell Collins vice president and general manager of business and regional systems, witnessed the event.

Qiang said that the delivery, which was ahead of schedule, will have a positive impact on ARJ21 stakeholders.

"This delivery marks the first large system integration test rig from our international suppliers and the start of aircraft system integration," he said. "This achievement shall inspire all ARJ21 stakeholders, and elevates our confidence in future milestones and the success of our aircraft."



Rockwell Collins' Pro Line 21 avionics system is a key feature of the new ARJ21 regional jet, which is scheduled to make its maiden flight in March 2008 and will go into commercial service by mid-2009. Rockwell Collins also produces the avionics system integrator for the ARJ21.

## China Eastern introduces fifth ERJ-145 jet

China Eastern Airlines Jiangsu Co. began deploying its fifth ERJ-145 regional jet to its routes in China on August 4.

This is the last of five jets ordered by the China Eastern Airlines Jiangsu from Embraer. In addition to the ERJ145, China Eastern Airlines' fleet includes 12 Airbus A320s.

Since August, China Eastern Airlines Jiangsu has opened 20 regional flights to Nanjing-Tianjin, Xiamen, Chongqing, Xi'an, Wenzhou, Zhengzhou, Fuzhou, Shijiazhuang and Yantai, Xiamen-Ganzhou, Ganzhou-Hongqiao, Shijiazhuang-Hohhot, Hohhot-Chifeng, Xiamen-Wenzhou, Wenzhou-Xuzhou, Wuxi-Chongqing, Xiamen, Qingdao, Harbin and Xi'an.



## China Southern Airlines posts loss in H1

China Southern Airlines Co. Ltd posted an RMB 825 million (USD \$103.44 million) loss in the first six months of the year because of the high cost of jet fuel and an increase in the interest rates of its dollar-denominated loans. The airline's announcement is based on its unaudited consolidated results.

The group's total operating revenue in the first half of the year increased to RMB 20,604 million (USD \$2.58 billion) compared to revenue in the same period last year of RMB 17,844 million (USD \$2.23 billion). The basic loss per share was RMB 0.19.

The company said that it managed to raise its passenger load factor by "increasing its carrying capacity, optimizing its route networks, raising its aircraft utilization rate, improving its service quality, and optimizing its revenue management."

In the first half of 2006, China Southern posted a total traffic turnover of 3,708-million ton-kilometers, a

10.9-percent year-to-year increase. Passenger traffic volume was 22,686,000, higher by 12 percent than the same period last year.

Cargo and mail traffic volume also increased to 376,000 tons, and the passenger load factor reached 70.7 percent, up by 3.6 percent. Passenger revenues increased by 16.7 percent to RMB 18,627 million (USD \$2.33 billion), while revenue from cargo and mail increased by 8.1 percent to RMB 1,596 million (USD \$200.11 million).

The company said that it will "maintain a strict control on its costs so as to improve its overall efficiency." It is looking at setting up a "hub-network" operation from "point-to-point" linear operation. It will also launch services such as online check-in.

As of June, China Southern has 527 routes—426 domestic, 75 international and 26 for Hong Kong and Macau. It operates with a fleet of 264 aircraft.

## Xiamen leases 9 Boeing 737-800s

Xiamen Airlines will lease nine new Boeing 737-800s from GE Commercial Aviation Services. The first delivery will be in mid-2008.

"We are delighted to expand our association with Xiamen Airlines as they continue their rapid growth in the China aviation sector," said Norman C.T. Liu, GECAS executive vice president.

Xiamen Airlines was the first airline organized in China as a business enterprise. The airline is 60-percent owned by China Southern Airlines Co. Ltd and 40-percent by Xiamen C & D Corp. Ltd.

The airline has an all-Boeing fleet of 38 737s and 757-200s on more than 100 domestic and international routes with Xiamen, Fuzhou, Jinjiang, Wuyishan, Hangzhou and Nanchang as its main hubs.

GECAS is the commercial aircraft financing and leasing arm of General Electric with a fleet of 1,400 owned aircraft it leases to more than 225 airlines in some 70 countries.



# AIR EXPRESS

Talks to focus on air safety, security and emerging technologies



By JONATHAN M. HICAP

Can China keep up with the demand of its booming aviation industry?

Since it embarked on a massive development of its aviation market in the last 10 years, China is experiencing remarkable growth in passenger and cargo volumes, which are above the average world benchmarks.

Last year, China posted total air traffic of 25.92 billion ton-km, or a 111.6 percent increase over that of 2000, and a total passenger volume of 138 million, an increase of 105.3 percent compared to 2000. Cargo and mail traffic volume also increased by 89.2 percent last year—to 3.03 million tons—compared to 2000. The average growth rate in total air traffic reached 16.2 percent; passenger, 15.5 percent; and cargo volume, 13.6 percent.

Based on the 11th Five-Year Plan, China will “speed up the development of civil aviation infrastructure in west, northeast and central China, and open up more domestic and international air routes.”

By 2020, China will become the second-largest aviation market after the United States, according to forecasts. Industry regulator Civil Aviation Administration of China (CAAC) says that, by 2010, total air traffic, passenger traffic and cargo and mail traffic will double compared to the figures of 2005.

“It will realize an average growth of over 10 percent in general aviation and more extensive application of general aviation in various fields of economy and society,” the CAAC said in a statement issued earlier this year.

“The economy of China will still be in the stage of fast growth; tourism and cargo trade will increase rapidly,” according to Gao Hongfeng, CAAC vice minister.

In the next five years, China will expand its aircraft fleet, adding 100 aircraft yearly to meet the demand. By the end of 2005, China had 863 commercial aircraft, an increase of

336 aircraft compared to 2000. Early this year, Air China purchased 10 Boeing aircraft for USD \$655 million, and China Southern Airlines announced in June that it would buy 50 aircraft from Airbus.

As it expanded its fleet, China built airports and other components of the aviation infrastructure. According to the CAAC, from 2001 to 2005, RMB 94.7 billion (USD \$11.87 billion) was spent on the aviation infrastructure, RMB 3 billion more than what was invested in the 9th Five-Year Plan from 1996 to 2000. In the 10th Five-Year Plan, 21 new airports were built and existing airports were expanded. As of 2005, China had 142 certified civil airports. Starting this year, China began massive expansion and construction of new airports.

But can China handle all these development to ensure efficiency and safety in air traffic management? The increasing capacity in passenger and cargo volumes necessitates the deployment of new technology and the building of more aviation infrastructure to meet the challenges in the aviation sector.

The CAAC calls it the “new generation of civil air transport system,” wherein new technologies will be combined with a “human-centric” approach.

“The system will fully make use of the currently emerging advanced science and technology such as modern communication, accurate orientation, computer network, computer assisting policy decision, and pursue the road of integration, innovation, introduction, digestion, absorption and renovation,” the aviation authority announced in February.

The CAAC says that the main objectives under China’s new air transport system are:

- Comprehensively upgrade and develop airport facilities in perspective;
- Set up a new type of highly effective, transparent and



multi-level, non-interference airport security inspection system;

- Fully apply new science and technology, change the concept of air traffic control and set up an air traffic control system with real adaptability;

- Set up a comprehensive public information network platform for the industry;

- Set up a legal, scientific, comprehensive and proactive safety management system;

- Comprehensively and systematically upgrade weather observation and forecast level, greatly reducing the impact of weather on flight;

- Build in an all-around way an enterprise culture and an industry culture with the characteristics of Chinese traditional culture.

These objectives will be addressed in the US-China Aviation Summit, which will be held September 17 to 19 in Washington, D.C.

The high-level summit, initiated by the CAAC and the US Trade and Development Agency, will gather top US and Chinese government officials and industry representatives to address the issues of air traffic management, airspace utilization and US-China collaboration in new airborne systems.

The US and China have been collaborating in recent years to develop China's aviation industry. In 2004, the two countries launched the US-China Aviation Cooperation Program to promote technical, policy and commercial cooperation.

According to the USTDA, "The Summit is designed to share technical, managerial, and strategic planning approaches with the Chinese delegation as it adopts integrated and automated air traffic control and management systems. These systems will focus on safety, capacity, efficiency, and security management for future air transport systems."

Participants from the US include Representatives Ted Stevens of Alaska, John Mica of Florida, James Oberstar of Minnesota, and John D. Rockefeller IV of West Virginia,



The Li Jiang Airport in Yunnan province. China will continue building new airports and upgrading existing air terminals to meet the demand.

Administrator Marion Blakey of the Federal Aviation Administration and Director Thelma Askey of the USTDA. Vice Minister Yang Guoqing of the CAAC will lead the delegates from China, including officials from the National Development and Reform Commission (NDRC), CAAC Air Traffic Management Bureau, State Air Traffic Control Commission, China Aviation Industry Corp. I and II, China's aviation sector and Chinese airports and airlines.

Among the topics to be covered in the summit are air transportation system modernization, airspace utilization and civil-military collaboration; Next Generation Air Transportation System Technology and Satellite-based Precision Systems (NGATS); aviation safety and security; China civil aviation's future development and project prospects; and the challenge of integrating new airborne systems (ARJ21 and Boeing 787).

## NEW TECHNOLOGIES

**NGATS**. The Next Generation Air Transportation System is the blueprint for the US aviation industry. The September 11, 2001 terrorist attack in the US has created an immediate need to improve the level of safety and security in aviation. The NGATS will "take advantage of data from emerging ground-based and space-based communications, navigation, and surveillance technologies." President George W. Bush and the US Congress passed the law "VISION 100 - Century of Aviation Reauthorization Act" which created the NGATS Joint Planning and Development Office that will coordinate research on air transportation. According to the JPDO, "The current aviation system cannot tackle emerging safety and homeland security issues. It cannot adequately address more efficient and enlarged capacity and changing market conditions. It cannot restore let alone enhance America's international leadership in aviation and aerospace." The JPDO includes as members the US departments on defense and homeland security, NASA, and the Federal Aviation Administration.

**ADS-B** The Automatic Dependent Surveillance Broadcast is the next generation system in air traffic management that is seen to replace the conventional radar. The US FAA says ADS-B "allows pilots in the cockpit and air traffic controllers on the ground to 'see' aircraft traffic with much more precision than has been possible ever before." The system relies on satellite-based global positioning system. It works at low altitudes and on the ground and can be effectively used in remote areas or in mountainous terrain. The FAA is testing the technology in the US. The ADS-B was tested in China in 2005, when two aircraft from the Civil Aviation Flight University of China flew using the system. An ADS-B ground station was installed in Guanghan in November last year.



# Is Open Skies

Two years after signing the air services agreement, the negotiation table for possible full deregulation

By JONATHAN M. HICAP

**W**ith the United States and China leading the world aviation market, can an Open Skies agreement be far behind?

The issue of liberalizing the US-China route will be a key issue in the 2006 US-China Aviation Summit in Washington, D.C., where civil aviation officials will meet two years after signing the broad and landmark air services agreement in Beijing in 2004.

When the two countries signed the agreement, they agreed to start in 2006 the "ultimate objective of fully liberalizing the civil aviation relationship between the People's Republic of China and the United States."

An Open Skies agreement would allow airlines from two contracting countries an unlimited number of flights, unrestricted capacity and code-sharing. Airlines will be given the right to set the ticket prices.

The 2004 agreement opened wide the US-China route, granting airlines in both countries traffic rights in passenger and cargo sectors. For the first time, it allowed US carriers to set up a cargo hub in China. The deal created 195 new weekly flights each for China and the US. By 2010, the number

of flights would reach 249 weekly. It allowed fifth freedom rights to airlines to fly to Chongqing, Gansu, Guangxi, Guizhou, Hainan Island, Heilongjiang, Inner Mongolia, Jilin, Liaoning, Ningxia, Qinghai, Shaanxi, Sichuan, Tibet, Xinjiang and Yunnan.

To a larger extent, the agreement has liberalized the US-China aviation market, but the US is hopeful that China will agree to full deregulation.

Ambassador Karan Bhatia, deputy US trade representative, was quoted by the US State Department's Washington File last year as saying that it was inevitable for the US and China to further liberalize the aviation market, owing to increased trade and tourism between the two countries.

"So there is a very compelling case that we should have a completely open aviation market in which there is unlimited entry for carriers, and services are introduced in response to customers' needs," Bhatia told Washington File.

The US has Open Skies agreements with 78 countries, of which two (Argentina and Australia) are in the cargo-only sector.

From 2001 to 2005, China signed bilateral air services agreements and air traffic rights arrangements with 42 countries. By the end of 2005, it had a total of 98 air transport agreements, according to a 2006 report by the Civil Aviation Administration of China.

In April, the CAAC approved the opening of a new route for international traffic to Europe, which has benefited 110 flights. The International Air Transport Association said the new route, called Y-1, will save airlines

about USD \$30 million on fuel bill. IATA said only 30 percent of China's airspace is allotted for civil aviation.

Last year, China eased policies on foreign investment in its civil aviation industry and, in the last five years, USD \$2.35 billion in foreign investment flowed in.

In March, representatives of the aviation industry in China met to plan how to spur growth in the international routes. CAAC Vice Minister Yang Guoqing said that, in China's 10th Five-Year Plan, international air transport has progressed, but he stressed that passenger, cargo and mail volumes in China's international routes were far lower than those in the domestic market. Yang further said that international air transport will be given priority in the 11th Five-Year Plan, including hub construction under a policy of "go outside and introduce inside."

In the International Air Cargo Association Summit, held for the first time in China in April, CAAC Minister Yang Yuanyuan announced that China will further open up its air cargo market. He said that China has plans to construct hubs to expand aviation rights to foreign companies and establish cargo airline companies through Sino-foreign joint ventures.

This year, the CAAC approved the entry of several cargo companies, including Jade Cargo, Great Wall Airlines, and Shanghai International Air Cargo. Last year, China opened its logistics industry as part of its commitment as a member of the World Trade Organization, which allowed multinational companies such as United Parcel Service and DHL to set up business in China. The country's air cargo volume is predicted to maintain an average annual growth rate of more than 10 percent, exceeding the world average of 6.2 percent.

In its latest market forecast, aircraft manufacturer Boeing Co. projects world air traffic to grow by 4.9 percent yearly over the

# in the offing?

ment, the US and China return to liberalization of the aviation markets

next 20 years. Boeing said that China's "international air travel market has increased over four-fold since 1990, with increases in frequencies and a more than tripling of nonstop markets."

China's total air traffic last year reached 25.8-billion ton-km, a 12-percent increase from 2004, and the second highest in the world after the US. Passenger traffic reached 138 million, up by 12.7 percent; and cargo volume was 3-million tons, or an 8.8 percent increase from 2004. In the US, commercial passenger traffic reached 688.5 million.

A study done by InterVistas-GA2, on the economic benefits of air transport liberalization, found that "liberalization of air services between countries generates significant additional opportunities for consumers, shippers, and the numerous direct and indirect entities and individuals affected by such liberalization."

Restrictive bilateral air services agreements, on the other hand, hamper the growth of air travel, tourism, economy and employment. Eleven organizations and companies, including Boeing, Airports Council International and the International Air Transport Association, commissioned the study.

It showed that traffic growth after liberalization of air services between countries increased from 12 to 35 percent, while in other cases the growth reached 50 and almost 100 percent. InterVistas-GA2 said that "liberalizing 320 country pair markets that are not today in an Open Skies (deregulated) mode indicate traffic growth, on average, of almost 63 percent." This growth, it said, would generate 24.1 million full-time jobs and USD \$490-billion in gross domestic product.

An Open Skies agreement between the US and United Kingdom, for instance--now a subject of negotiation--will result in nearly a 29-percent increase in traffic, the study said. Factors that would contribute to the growth are lower fares and nonstop flights. The liberalization would create 117,000 new jobs and a USD \$7.8-billion increase in GDP to both countries.

Increasing its share in the international passenger and cargo market will be a huge task for China. As it expands its airport network and aircraft fleet, it might agree to fully open its skies to the US or continue the 2004 agreement, which lasts until 2010. Whatever the decision, China is setting its sights on capturing a bigger slice of the air transport market in the next 15 years. Take it or leave it.

Chinese airlines (from left) Air China, China Eastern Airlines, China Southern Airlines, Hainan Airlines and Shanghai Airlines (Photo courtesy of Boeing Co.)



## American airlines scramble for China route

American airlines are pitching their proposals to the US government to win a coveted new route to China that will be opened starting March 25 next year.

American Airlines even launched a dedicated website, [www.flytochinaonaa.com](http://www.flytochinaonaa.com), to draw public support in its bid to fly from Dallas/Fort Worth International Airport in Texas to Beijing, China.

Three more airlines have filed an application with the US Department of Transportation for a route to China. United Airlines is proposing a Washington Dulles-Beijing route; Northwest Airlines, Detroit-Shanghai; and Continental Airlines, Newark-Shanghai.

The 2004 air services agreement between the US and China provides the opening of a new route in 2007.



Through the website, American Airlines is encouraging web surfers to sign the petition that will be presented to the US transportation department.

According to the site, "competition for this new flight will be fierce" and the airline is saying that the DFW-Beijing route is strategic that will generate revenues of USD \$120 million for the North Texas region.

If American Airlines' application is approved, it will be the first gateway to open from a city in the southwestern US to China.

Last year, American and Continental were awarded their first traffic rights to China. Continental Airlines began flying to China last year and American started this year.

American airlines currently have 74 round-trip flights per week to China, according to the US Federal Aviation Administration office in Beijing.



## Guangzhou Aircraft new member of Airbus MRO

Aircraft maker Airbus has enlisted Guangzhou Aircraft Maintenance Engineering Co. Ltd (Gameco) as the 15th member of its maintenance, repair and overhaul (MRO) network.

The Airbus MRO network provides service to customers worldwide in maintenance service of Airbus aircraft.

Gameco, based at Guangzhou Baiyun International Airport, is a company established in 1989 by China Southern Airlines and Hutchison Whapoa to provide aircraft maintenance, parts repair and painting work for its customers.

The Airbus MRO network was launched in 1995 to establish benchmarks in maintenance and customer satisfaction.

The Airbus MRO Network is comprised of Air Canada Technical Services, Air France Industries, Air New Zealand Engineering Services, EADS Sogerma Services, Hong Kong Aircraft Engineering Co., Iberia Maintenance, Lufthansa Technik AG, Sabena Technics, SIA Engineering Co., Singapore Technologies Aerospace, SR Technics Switzerland, TACA Aeroman, TAP Maintenance & Engineering and Timco Aviation Services.

## Shenzhen Airlines to fly to Lhasa

Shenzhen Airlines will start flying from Shenzhen to Tibet this year.

Zhao Pei, vice general manager, says that the airline is waiting for the approval of the Civil Aviation Administration of China to open the route. The airline made its maiden flight to Lhasa Airport in August.

“It will be a very beautiful route, with sceneries changing dramatically from China’s east to west,” said Zhao. People from Shenzhen now go to Hong Kong or Guangzhou to board a flight to Lhasa.

## China Southern Airlines opens three new routes

China Southern Airlines has opened three new routes from Beijing, including its first route to Shanghai. The airline will also fly to Hangzhou and Chengdu.

The flight to Shanghai, which uses a Boeing 777, departs from Beijing at 8:20 a.m. and arrives at Hongqiao Airport two hours later. China Southern Airlines will also



China Southern Airlines is the largest airline in China

It has also started the new Guangzhou-Manila service, adding another route to the Philippines from China’s mainland to the current Beijing-to-Manila route.

China Southern Airlines has expanded its Guangzhou-Los Angeles service to daily operations.

China Southern Airlines’ Xinjiang branch has inaugurated service between Urumqi and Astana, the

capital city of Kazakhstan.

This is the second route for China Southern from Urumqi to the Kazakhstan, as the airline currently operates service between Urumqi and Almaty.

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## Harbin delivers three planes to Zambia

Harbin Aviation Industry delivered three China-made light aircraft to the Defense Ministry of Zambia. The Y12 series planes, manufactured by Harbin, each carry 19 passengers.

The planes will be used to transport Zambian troops and in emergency rescue operations. Two additional Y12 planes will be delivered by Harbin in November.

Last year, Harbin sold about 100 Y12 planes to other countries, such as Nepal and Peru.

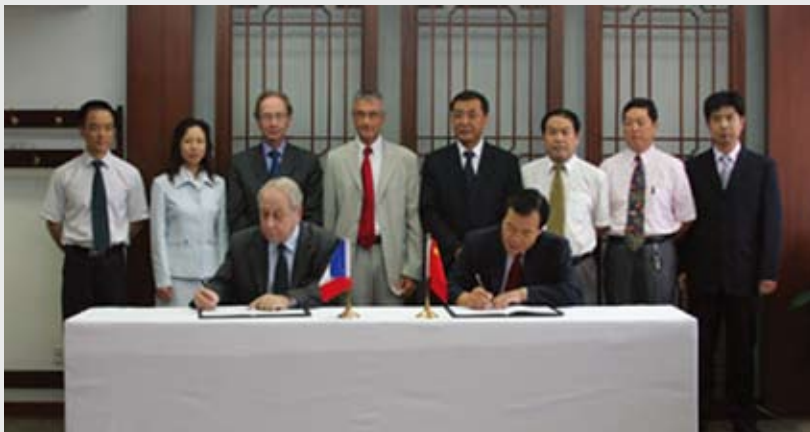
**CORRECTION:** In the story, “CAAC opens aviation security institute,” in the July 2006 issue of the China Civil Aviation Report, the Civil Aviation Security Institute of China should read Civil Aviation Safety Academy of China. The CCAR regrets the error.



# CAAC Updates

## Accord on aircraft accident probes signed

China's civil aviation authority and France-based BEA, an agency specializing in aviation investigation and analysis, signed a cooperation agreement on August 7 on investigations of aircraft accidents.



BEA Director Paul Arslanian (left) and a Chinese official sign the agreement on aircraft accident investigation

The cooperation agreement was signed by the Aviation Security Office of the Civil Aviation Administration of China (CAAC).

The move is part of China's aim to enhance long-term cooperation with BEA on aircraft accident investigation, improve aircraft accident investigators' capability and specialty level, and share technology and experience on aircraft accident investigation.

CAAC Minister Yang Yuanyuan met with BEA Director Paul Arslanian after the signing to discuss issues such as aviation security.

## Alteon awarded CAAC certification on pilot training

The Civil Aviation Administration of China awarded Alteon Training, a subsidiary of aircraft maker Boeing Co., its certification under Regulation "Part 142," for its operation in Kunming, in Yunnan province.

Alteon's certification is the first full CAAC 142 certification in China to be earned by an overseas company.

The certification covers the design and approval of training curricula in Mandarin Chinese, enabling Alteon to conduct domestic pilot training for Chinese airlines under local regulations.

"The safety of our flying public is very important to CAAC, so we do not provide this certification easily. Throughout the trial training programs we conducted with Alteon, they clearly demonstrated their world-class capabilities, experience and knowledge in aviation training," said Capt. Wu Xiao Bing, CAAC director for China's southwest region.

"China is one of the largest growth markets in the world, and we are privileged to be in a position to support the airlines in ensuring that their pilots are trained according to local Chinese standards, to ensure the safe and reliable service for their passengers," said Pat Gaines, Alteon president.

Boeing Co. delivered the first 747-400ER freighter to Shenzhen-based Jade Cargo International, the first cargo airline in China with foreign ownership. The new aircraft, the first of six that Jade Cargo ordered in 2005, will carry a maximum payload of 124 tons and has a maximum range of 4,970 nautical miles. Jade Cargo is owned by Shenzhen Airlines, Lufthansa Cargo AG and DEG - Deutsche Investitionen - und Entwicklungsgesellschaft mbH.



## Yang: China to innovate in aviation technology

China must develop its own aviation facilities and equipment and not depend on imports, an official of the Civil Aviation Administration of China said.

Speaking before participants in the 2006 Civil Aviation Airport Science and Technology Symposium in Chongqing, CAAC Vice Minister Yang Guoqing said that, for a long time, China's civil aviation industry depended largely on foreign imports.

The development of China's own technology in aviation will be pursued in the 11th Five-Year Plan, he said.

Yang encouraged Chinese enterprises to focus on production, research and development, and civil aviation science and technology. He said that domestic materials can be used in the construction of airports in China.

He also cited the automatic luggage sorting system which has been patented by China and is now being exported to other countries. The system is being used at the airports in Guizhou, Chongqing and Qingdao.

By 2010, China's aircraft fleet is estimated to reach 1,580, and the average annual increase in air traffic would be 11 percent.

## Certification awarded to China Post Airlines

Minister Yang Yuanyuan of the Civil Aviation Administration of China awarded the certification for international operations and CCAR 121-R2 to China Post Airlines Co. Ltd. on July 28. General Manager Guan Rongshun of China Post Airlines received the certification.



CAAC Minister Yang Yuanyuan (left) awards the certification for international operations and CCAR-121-R2 to General Manager Guan Rongshun of China Post Airlines.

The certification was issued by the CAAC after China Post completed the requirements in five months. China Post uses 12 aircraft for its 13 air routes and 28 flights.

On August 3, China Post Airlines started its first international cargo flight from Beijing to Seoul, Korea. The cargo airline is owned by China Southern Airlines and China's State Post Bureau.

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