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### ASSEMBLY — 36TH SESSION

#### **ECONOMIC COMMISSION**

Agenda Item 40: Regulation of international air transport services

## PROGRESS AND CHALLENGES OF CHINA'S INTERNATIONAL AIR TRANSPORT

(Presented by China)

### **EXECUTIVE SUMMARY**

With China's development of international relationship with other countries and the world economy on its way to integration, judging from its own condition and the industry circumstance, following the liberalization trend of international air transport, China pushed forward to open up the international air transport market in an "active, gradual, orderly and safeguarded" manner, and introduced into the market of the mechanism of competition and various ownerships to promote the continuous development of international air transport.

Meanwhile, China's international air transport faces high pressure on aviation safety, inadequate infrastructure, human resources shortage and insufficient legal framework and other constraints and challenges. Chinese government will actively meet the challenges to promote the sustainable development of international air transport.

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Strategic Objectives:	This working paper relates to Strategic Objective D.
Financial implications:	Not applicable.
References:	

#### 1. **INTRODUCTION**

1.1 Since its economy reform nearly 30 years ago, China's national economy has been growing with a high average rate of 9.6% annually. In 2006, China's GDP reached US\$ 2.500 billion, growing 10.7% over the same period last year. Thanks to the social and economic sustainable development, China's air transport grew fast.

<sup>&</sup>lt;sup>1</sup> Chinese and English versions provided by China.

1.2 Between 1978 and 2006, China's air transport scored an average annual growth rate of 18% in total traffic, 16.3% in passenger traffic, and 15.4% in cargo traffic. In 2006, China's international air transport achieved a total traffic turnover of 10.3 billion ton-kilometres, carrying 14.15 million passengers and 922 thousand tons of cargo and mail respectively.

# 2. DEVELOPMENT AND ACHIEVEMENT OF CHINA 'S INTERNATIONAL AIR TRANSPORT

- 2.1 With China's development of international relationship with other countries and China's farther involvement in world economy, judging from its own condition and industry situation, following the liberalization process of international air transport, China pushed forward to reform and open up the international air transport market in "active, gradual, orderly and safeguarded" manner.
- 2.2 Recently, China accelerated paces of establishing and developing aviation relations, substantially expanded traffic rights arrangements with major aviation powers, and prioritized in adjusting air traffic rights arrangements with neighbouring countries. From 2000 to 2005, China signed bilateral air services agreements or air traffic rights arrangements involving liberalizing elements with 42 countries and explored regional cooperation relations in air transport. China also explored the process of regional liberalization of air transport between China-ASEAN, launched testing points in Hainan and other coastal provinces for opening 3rd, 4th and 5th traffic rights (passenger and cargo).
- 2.3 In 2005, Chinese government stipulated and promulgated "Some Policies on Promoting the Development of International Air Transport", to improve and make it better the distribution system for the rights of international air routes to raise efficiency of air traffic right resources, to encourage China's airlines to further open up international air transport market, and to support Chinese airlines to have more cooperation with foreign airlines.
- By legislation Chinese government farther reduced barriers for foreign investors or private investors to enter the civil aviation industry, promoted competitive mechanism and various investors. Between 2002 and 2005, "Regulation on Foreign Investment in the Civil Aviation Industry" and "Regulation on Domestic Investment in the Civil Aviation Industry (trial and provisional)" were promulgated, and China highly expended Sino-foreign joint airlines and private airlines, bringing about competition in the airlines of different ownerships. Accordingly, a group of new airlines, such as Jade Cargo International, Great Wall Airlines, Okay Airways and Spring Airlines founded.

## 2.5 The Achievement of China's International Air Transport

- 2.5.1 By the end of September 2007, China will have signed 108 bilateral air services agreements of air transport (14 of them were initialled).
- 2.5.2 Currently, 93 airlines from 51 countries or regions fly to 30 cities in China, providing 1578 scheduled flights per week. 15 of Chinese airlines fly to 91 cities in 42 countries, providing 1511 scheduled flights per week.
- 2.5.3 Take Hainan Province for example, since July, 2003, China launched the program in opening the third, fourth and fifth freedom traffic rights there, the international and regional flights have increased dramatically. 18 more foreign airlines launched flights to Hainan and developed 30 new routes.

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There have been 14075 international flights, with 1.235 million passengers handled and average annual growth by 38%.

# 3. CHALLENGES OF CHINA'S INTERNATIONAL AIR TRANSPORT AND THE RESPONDING MEASURES

## 3.1 The Impacts of Aviation Safety

3.1.1 As China's civil aviation develops rapidly and flight volume grows continuously, the pressure on aviation safety becomes higher and higher. In the future, China's civil aviation will give priority to guarantee aviation safety. Observing the principle of "Safety First, Prevention Foremost, Comprehensive Regulating", we strive to promote aviation safety management system construction. With the view of system safety management, we are and will be enhancing the management of airworthiness and maintenance, aviation security and ATC safety, improving the safety operation level of air carriers and airports, implementing aviation safety and security auditing programs, speeding up the construction of aviation safety information management system.

### 3.2 The Impacts of Infrastructure

- 3.2.1 Problems of Inadequate Infrastructure with regard to Both Airports and ATC.
- 3.2.2 Currently, China does not have enough civil airports, and the distributed density of civil airports in China is less than 1 per 10,000 square kilometres. Even compared with some other developing countries, the number and distributed density of civil airports in China are relatively small. Some airports are operating beyond their capacity, quite a number of airports are operating at their full capacity. It is anticipated that 29 airports will reach their capacity between the year 2005 and 2010.
- 3.2.3 Nowadays, available airspace, air routes, slots, system facility scale and the efficiency of the automation function could not meet the demand of ever-increasing flights completely.
- 3.2.4 Therefore, CAAC has speeded up the construction pace by expanding large airports, making it better medium airports and increasing the number of small airports. By that, China will establish a fairly reasonable distributed and harmonious developing airport system within the whole country, with adequate scale and functions. Meanwhile, we have speeded up the modernization of air traffic management facilities and equipments and strengthening the application of new technology to build a modern, safe and highly efficient air traffic management system.

### 3.3 **Human Resources Shortage**

- 3.3.1 The structural shortage of human resources is an acute problem faced by China. There is a shortage of all kinds of technicians and high-level managers.
- 3.3.2 Given this situation, we have set up corresponding education plan in human resources development by improving civil aviation universities and colleges, promoting international cooperation and exchanges, starting up ATC education reforms and boost 3-level training system for ATC as well as developing various training programs.

### 3.4 Insufficient Legal Framework

- 3.4.1 In recent years, although China's civil aviation has grown rapidly, the legal framework, especially including but not limited to the laws, rules and regulations on economic management, is still insufficient.
- 3.4.2 China's civil aviation should give priority to amending civil aviation laws and put emphasis on perfecting rules and regulations on economic management, and strive to build a relatively comprehensive civil aviation system of laws, rules and regulations in the near future. We should enforce the supervision of air traffic market, maintain the market order of fair competition, protect consumers' rights and interests, and build a consolidated, open, competitive and orderly system of air transport market.

### 4. **CONCLUSION**

4.1 Responding to the challenges of high pressure on safety, inadequate infrastructure, human resources shortage, insufficient legal framework and so on, Chinese government continues to boost the opening of international air traffic market in an active, gradual, orderly and safeguarded manner; encourage market competition, reform management means, and promote the sustainable development of China's international air traffic.