

**CONFERENCE ON THE ECONOMICS OF AIRPORTS AND
AIR NAVIGATION SERVICES**

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Agenda Item 2: Organizational issues

**PRESENT AND FUTURE STATUS OF
CIVIL AIRPORT MANAGEMENT STRUCTURE IN CHINA**

(Presented by China)

INFORMATION PAPER

SUMMARY

This paper presents information on the present status and future outlook of the airport management reform in China

1. By the end of 1999, there are in China 987 domestic routes serving 132 cities with 142 airports, among which 22 can accommodate B747 and 103 can accommodate B737 aircraft. Since 1981, civil aviation of China have been experiencing an increase of 18.04%, 17.08% and 19.57% in terms of total traffic turnover, passenger and freight & mail respectively.
2. Before 1987 when an industry reorganization took place, civil aviation of China was regulated as a highly intensive combination of government and enterprise under a planned economy where airports and airlines operated as one entity other than separately.
3. In 1987 when the system reorganization first took place, the airports were gradually separated from the airport-airline entity and started to operate as enterprises with autonomy. However, most of the airports were still operated within the combination with the government. The Government was responsible for the update of airport facilities and subsidized the losses of airport operation.
4. In order to satisfy the needs of opening and reforming and those of economic development, since 1985 the local governments in China have been gradually intensifying their efforts in funding airport construction, thus the investor for this purpose is no longer solely the central government but multiplied.

Statistics show that the investment made by the local governments in airport construction represents 70% of the total during the past decade.

5. For fully stimulating the initiatives of the local governments in airport management and construction, the local governments are entitled to be a co-manager of airports with the central government, or carry immediate responsibility for airport construction investment and management. Since 1988 when Gaoqiao Airport in Xiamen city of Fujian Province was shifted to the local authority, more than 20 airports have been handed over to the local governments.

6. At present, civil airports of China can be divided into the following three categories in terms of how they are managed: airports directly under CAAC (Central Government) being 90, those under local governments being more than 20 and under Central-local governments being 4 (including 1 joint venture airport managed by the Chinese and overseas partners). The airports which are operated with full enterprise autonomy and many more which have not been separated from the regulatory body co-exist in China for the time being.

7. Most of the civil airports of China are yet the market players in real sense nor have they become the key parts in air transport industry. Only 4 airports of China are listed publicly and very few airports practise a management system that is requested by a real enterprise in a market economy. The civil airports in China have quite a long way to go before they can be comparable to their counterparts in other countries in terms of their performance of operation and management.

8. The imbalance of social and economic development of various regions in China results in the different growth of air transport markets. Further, the differences of facilities and infrastructure as well as management level of the airports make their operation performance vary from each other dramatically. On the other hand, as the construction of airports is financed with a lot of loans, the airports carry heavy economic burden, resulting in serious losses of the previously profitable airports after renovation and expansion, posing a big challenge on the civil airports in China.

9. Therefore China will vigorously restructure the civil airport regulation system with immediate efforts being made to:

- adjusting the route layout and establishing hub-spoke route system to optimize aviation market resources and increase traffic, catering for the general trend of the development of international air transport;
- reorganizing airport operation structure to turn them into a social and professional player so as to increase efficiency;
- developing airport commercial activities to increase non-operational yields;
- encouraging airports to perform capital operation and increase investors in terms of number and nature, helping the airports directly accede to the capital financing market so as to promote airport integration and to raise the level of intensive operation; and
- localization of airport management, targeting at separating enterprise operation from government authority, and establishing an airport management system that could multiply the investors and give better play of the initiatives of all interesting parties concerned.

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