

# CHINA CIVIL AVIATION REPORT

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## Exclusive Coverage EU-China Aviation Summit



**Boeing's New USD 600 Million Parts Contract**  
**CAAC Look to Regional Aviation Development**  
**Lishe Airport and Fraport Team Up**  
**New Ganzhou Airport Breaks Ground**  
**New Regulations for China's Flight Training Facilities**

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# Contents

Volume 7, Issue 7

July 2005



## *Pg2 Aviation Headlines*



## *Pg6 Airport Focus*



## *Pg10 Feature Article*

*Exclusive Coverage of the  
Beijing EU-China Summit*



## *Pg12 CAAC Coverage*

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**Publisher**  
Francis Chao

**Productions Director/Staff Writer**  
George Chao

**Advertising/Subscription Director**  
Andrew Edlefsen

**Chief China Correspondent**  
Lili Wang

**China Correspondent**  
Zhang Yu  
Layout and Graphics Design  
George Chao  
Zhang Lin  
Emeng Hu

To contact CCAR or Subscribe, please contact: [Info@ChinaCivilAviation.com](mailto:Info@ChinaCivilAviation.com) or visit: [www.ChinaCivilAviation.com](http://www.ChinaCivilAviation.com)

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# Aviation Headlines

*China's breaking aviation news*

## Boeing Signs USD 600 Million Contract for Parts with Chinese Suppliers



On June 2nd, Boeing announced agreements with Chinese suppliers worth an estimated USD 600 million for production of commercial airplane parts and components, including the first firm contract with such suppliers to build parts for the all-new Boeing 787 Dreamliner.

Boeing Commercial Airplanes Vice President and General Manager, Airplane Production, Carolyn Corvi, represented Boeing in Beijing to finalize contracts for the 787 composite rudder, the 737 forward entry door and the 737 automatic over-wing exit door with Chengdu Aircraft Industrial (Group) Co. Ltd. (CAC), a China Aviation Industry Corporation I

(AVIC I)-affiliated company. Also completed were contracts for the 787 wing-to-body fairing panels between Boeing and Hafei Aviation Industry Co., Ltd. (Hafei), an AVIC II-affiliated company.

Additional announced agreements further reflect the expanding role by China in the production of airplane components for Boeing.

Shenyang Aircraft Corporation, an AVIC I-affiliated company, signed a memorandum of understanding agreement with Boeing to build the 787 leading edge assembly for the vertical fin. BHA Aero Composite Parts Co. Ltd. signed memorandums of understanding to build the interior panels for the 777 control cabin, as well as the wing-to-body fairing panels and tail cone for the Next-Generation 737. BHA is an equity-share joint venture between Boeing, Hexcel Corp. and AVIC I.

Today, more than 3,500 Boeing airplanes -- one third of Boeing's world fleet -- have major parts and assemblies built in China. Examples of major parts and assemblies built for Boeing by the Chinese industry include the 737 horizontal stabilizer

from Shanghai Aircraft Corporation, 737 vertical fin from Xi'an Aircraft Corporation and 737 tail section modules from Shenyang Aircraft Corporation.

## The Chengdu-Lhasa Monopoly Broken

The Chengdu-Lhasa air route operated exclusively by the Southwestern Branch of Air China for the past 40 years will soon have added company. On June 13th, the Chengdu Business Division of China Eastern Airlines reported that they would open flights to Lhasa later this year. The Southwestern Regional Administration of CAAC confirmed the report and added that Sichuan Airlines had also submitted the same application, making them eligible as well.

Once the flight route applications are certified, this will signal the end of a very exclusive route held for the last four decades by Air China. This comes as good news for Chengdu citizens traveling to Lhasa; the added routes should ensure increased choices and

decreased fares.

A Chengdu spokesperson said that the sudden applications to operate a Lhasa route are due to the heightened anticipation of a prosperous tourism market in Tibet. Airlines are anticipating the opening of Nyinchi Airport next year will significantly increase tourism in the area.

### **Spain and China Sign MOU to Increase Aviation Cooperation**

Minister of CAAC, Mr. Yang Yuanyuan, and Spain's Minister of Development, Ms. Magdalena Alvarez Arza, met in Beijing on May 27th, to sign a Memorandum of Understanding (MOU) to promote aviation development between China and Spain. In the meeting, the two leaders exchanged opinions on issues such as opening flights and further increasing the aviation partnership between the two countries.

The new MOU agreement eliminates restrictions regarding the numbers of air carriers permitted to operate between the countries. As a result, travelers will be able to enjoy increased flight destinations; and transport capacity between Spain and China is expected to increase at least ten fold. The MOU also permits air carriers the new luxury of third-country code sharing, creating a sound foundation for future expansion of aviation transportation between the two countries.

Ms. Arza's delegation traveled to China upon Spanish airline Air Europa's inaugural direct flight from Madrid to Shanghai on May 23rd. The recent establishment of

Air Europa's Madrid-Beijing and Madrid-Shanghai flight routes marks the first non-stop flight between Spain and China since the signing of the bilateral aviation transportation agreement in 1978.

According to both parties, the new non-stop flights are expected to facilitate increased trade, economic prosperity, and personal exchange between the countries.

### **IATA Honors Chinese Minister with Gala Award**

The International Air Transport Association (IATA) honored Yang Yuanyuan, Minister of the Civil Aviation Administration of China (CAAC) with its second Global Aviation Leadership Award (GALA).



"In his three year tenure Minister Yang has led the development of aviation in China with a great vision. His commitment to progressively liberalize the Chinese aviation market and work to harmonize Chinese air traffic control with global standards demonstrate the leadership that the GALA awards were intended to recognize," said Giovanni Bisignani, IATA's Director General and CEO.

Mr. Bisignani also added that the development of China's aviation sector has benefited from a strong

vision and policy leadership. From progressive liberalization to modernizing air traffic control, streamlining industry processes and improving safety, the results are impressive. IATA looks forward to further strengthening the partnership with China to continue to build a vibrant aviation sector based on global standards.

China's record on safety has also been top notch. Despite the high-speed growth of recent years, China was accident-free between May 2002 and November 2004. Already 5 Chinese carriers have completed the IATA Operational Safety Audit OSA and 11 more are committed to complete the audit by year's end.

### **China United Airlines Approved for Commercial Operation**

A CAAC spokesperson announced on June 17th that China United Airlines had officially applied for a public aviation transportation enterprise operation permit from the CAAC. China United Airlines will be headed by the current President of Shanghai Airlines, Zhouchi, with the current Manager of Beijing Business Division of Shanghai Airlines, Mr. Shen Zhilun, taking over duties as General Manager.

The reorganization of China United Airlines was a joint project between Shanghai Airlines, China Aviation Supplies Imp. & Exp. Group Corporation and Beijing Tianqu Investment and Management Company Ltd. The new carrier has a registered capital of RMB 100 million with Shanghai Airlines holding a 70% stake in the company.



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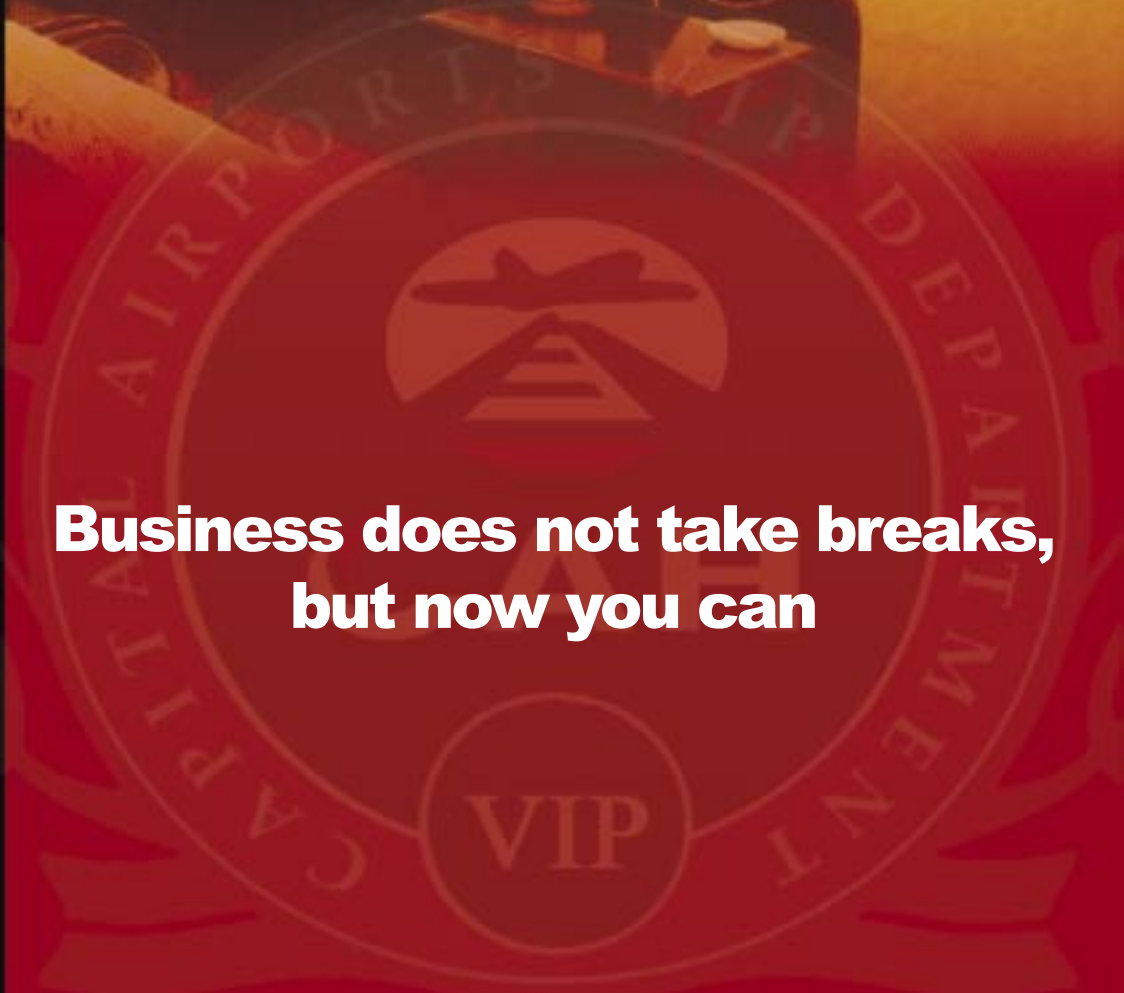
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# Airport Focus

## Lishe Airport and Fraport Team up

Ningbo Communication Investment & Development Corporation, the governing body of the Lishe Airport, entered a joint venture agreement with Fraport Frankfurt Airport Services Worldwide on June 8th, officially giving Fraport an undisclosed stake in Lishe Airport in return for their managerial and operational expertise. This union marks the second such airport joint venture in the Zhejiang Province, the other being the recent Hangzhou-Hong Kong joint venture.

The Lishe-Fraport joint venture was initiated when Ningbo formally issued their 2005 investment projects list earlier in March. Among the potential investment projects in Ningbo was the Lishe Airport, which opened the door to talks with potential foreign investors. Upon much deliberation, the Ningbo Lishe Airport appointed Fraport Frankfurt Airport Services Worldwide as their teaming partner. According to the stipulations of the joint venture, Fraport will now obtain a bit of stake in Lishe Airport; the exact amount of shares remained undisclosed.

Industry experts agree that international joint ventures with second level Chinese airports are becoming more popular because they are easier to establish than partnerships with first tier airports such as Guangzhou Baiyun or Shanghai Pudong.

A Ningbo Lishe Airport representative said that the new foreign investment will help them improve their brand and competitive edge in future stock market listings.

## Qianjiang Zhubai Airport Awarded RMB140 Million

The Planning Commission of Qianjiang District announced on June 2nd that the Qianjiang Zhubai Airport was recently awarded RMB 140 million by the central government to accelerate the construction efforts. The Qianjiang Airport is located 5 kilometers from downtown Qianjiang, and the facility is considered a 3C regional civil aviation facility.

The allocated funds have been designated for the construction of the terminal building and corresponding air side structures.



A recent RMB 140 million investment grant by the central government brings total investment of Qianjiang Zhubai Airport to RMB 317 million

Total investment for the airport stands at RMB 317 million. The airport operates a 2,100 meter long and 45 meter wide runway capable of servicing regional aircraft such as the Dornier 328, CRJ200, and ERJ145. The Qianjiang Airport is expected to begin operations in 2008 and handle an estimated 260 thousand passengers per year by 2020.

## New Ganzhou Airport Breaks Ground

June 9th witnessed the official groundbreaking ceremony for the new Ganzhou Airport in Nankang

City, Taoyuan. Approximately 1,000 villagers were present to witness the ceremony. The new Ganzhou Airport is expected to be completed by the end of 2006, and will be the second largest airport in the Jiangxi Province, behind Nanchang Changbei Airport.

The Ganzhou Airport will be situated 16 kilometers from downtown Ganzhou City. The total construction investment is reported at approximately RMB 420 million. The new facility will be a 4C grade regional airport featuring a 2,300 meter long, 45 meter wide runway. The main terminal structure will be 5,000 square meters with a passenger capacity of 200 thousand and a 108 ton cargo/mail volume, annually.

Reports indicate the construction funds of the new Ganzhou Airport were acquired from auctioned sales of the old airport facility by the government. The design and bid process of the new project have been completed.

The new large aircraft MRO station at Pudong is a joint project between Boeing, Shanghai Airport Group Company and Shanghai Airlines



### New Large Aircraft MRO Base for Pudong Airport

It was reported on June 9th that the new Large Aircraft MRO base, a joint project between Boeing, Shanghai Airport Authority and Shanghai Airlines is expected to open later this year. The new MRO base will comprise of four different hangars and serve the new Boeing 787.

According to a spokesperson, total investment for this project is approximately USD 100 million,

with the 51% of the shares (approx USD 51 million) belonging to Boeing. Shanghai Airport Authority and Shanghai Airlines both invest the remainder of the construction costs as well as land used for the MRO base.

The new large aircraft MRO base is situated at the south maintenance base of Shanghai Airlines. Once completed, the facilities will provide MRO service for medium and large sized aircraft from around the world.

Initially, the projected investment amount was set at USD 80 million. However, as construction progressed, the total investment increased an additional USD 20 million. In 2004, a Boeing Senior Chief announced that the new MRO base would begin servicing airplanes in the first quarter of 2005; however, recent construction progress has slightly deviated from those expectations.

Currently, there are a total of three large aircraft MRO bases throughout China, all of which are currently expanding. Besides the Shanghai project, the other three MRO bases include: Xiamen, Beijing and Guangzhou.

The MRO base located in Xiamen is also heavily invested by Boeing and has recently begun its fifth phase construction. The other

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two large aircraft MRO facilities in China include the Beijing Aircraft Maintenance Engineering Corporation (Ameco Beijing) and Guangzhou Aircraft Maintenance Engineering Company Limited (GAMECO), both of which are also expanding or planning to expand.

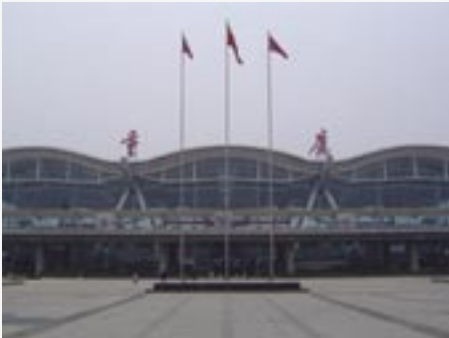
In late-May, Ameco Beijing finalized the plans to construct a maintenance hangar for the A380 at a cost of approx RMB 500 million. According to a spokesperson for the Public Relations and Communications Center of Ameco, by 2004, the company had already invested nearly USD 190 million into their facilities. Currently Ameco operates three hangars and has completed overhaul work on over 1,000 aircraft.

At the end of last year, the Guangzhou based MRO center GAMECO, which is a joint venture of China Southern Airlines, Hutchison Whampoa (China) Ltd. and Lockheed Martin Aeronautics Services International, officially began construction on a new hangar at the New Baiyun Airport. Reports indicate that the hangar will be able to accommodate four A380s simultaneously for repairs. The cost of the operation is over USD 100 million.

Recently, the large international engine manufacturer, Honeywell, has also expressed interest in expanding in the Chinese MRO market. The international giant recently signed an agreement with Xiamen airlines and is looking to increase investments in the aviation maintenance sector.

Mr. Dong Suguang, Vice General Manager of GAMECO, recently said that the annual

production value of global aircraft maintenance is approximated at USD 30 billion. He went on to add that China alone accounts for USD 2 billion of that total.



The new terminal building at Chongqing Jiangbei is scheduled to open in September

### Completion Date Set for Chongqing Jiangbei Airport's Terminal Reconstruction

Recent reports indicate that the new Chongqing Jiangbei Airport's terminal building will open for operation in September. The terminal opening is scheduled to coincide with the Asia Pacific City Mayor's summit later this year.

The new terminal building at Jiangbei Airport is a retrofit of the old terminal building and stands at approximately 18,000 square meters with six fixed boarding gates. The airport will have the capacity to accommodate six aircraft or two Boeing 747s simultaneously. The new terminal building include handicap access throughout the entire facility, a VIP lounge on the second floor, as well as a special passenger gate for VIP's traveling through the airport. The Jiangbei Airport will also feature a designated

transfer bridge for domestic flights transferring on to international destinations, therefore improving the convenience for transfer passengers.

### Guangzhou Baiyun Expands Parking Apron

Recent reports out of Guangzhou Baiyun International Airport indicate plans to expand the existing parking apron in attempts to alleviate congestion due to incessant passenger growth.



Guangzhou Baiyun Airport will expand their parking apron to accommodate up to 72 aircraft

The southeast international parking apron at Baiyun International is scheduled to expand to accommodate an additional eight aircraft, bringing total capacity from 64 to 72 aircraft simultaneously. The new parking apron will be utilized mainly for international, VIP, and unscheduled aircraft. Completion of the new apron is scheduled before 2006 Spring Transport.

Guangzhou Baiyun International also announced that its "Phase Two" expansion project will break ground in September in order to ensure its completion by the 2010 Asia Olympic Games.

## Guizhou Liping Airport's Countdown to Completion

The Liping Airport, located in the Guizhou Province, has entered the final leg of its construction project and is expected to be operational on September 28th, 2005. The 4C facility is the product of a RMB 230 million construction project and is projected to be the fourth largest civil regional airport in Guizhou Province.



The Guizhou Liping Airport is expected to commence in September

Currently, the terminal building, air traffic management station and air traffic management building are all in the final stage of installation.

Certifications and flight route planning are also in the final approval process. According to a spokesperson, most management and professional personnel have already been trained.

## Site Selected for the New Chongqing Airport

On June 13th, the site location for the new Chongqing Second International Airport was officially announced. Director of Public Relations for the Dianjiang County Party Committee, Mr. Zhang Guangquan, said that the new airport location will give the county a great advantage. Mr. Zhang added that, although construction plans have yet to be finalized, the site confirmed is in the town of Huangsha, in Dianjiang County.

Officials disclosed that one of the main factors in naming Huangsha as the final location was its advantageous weather conditions. Weather at Huangsha typically contrasts the Chongqing other airport, Jiangbei International, making Huangsha the ideal location for the new airport.

## New Airport Scheduled in Heilongjiang Province

Reports out of the China Harbin Fair for Trade and Economic Cooperation indicated that the city of Jixi in Heilongjiang Province would initiate the construction of a new 3C regional civil airport. Total investment of the project was announced as RMB 144.18 million. The projected passenger volume for the new facility is 80,000 annually. The city is currently establishing the feasibility study and hopes to commence construction later this year.

The new airport will be located in the Chengjia Village of Hada, part of the Jidong County. The projected runway will be 2,300 meters long and 45 meters wide. According to plans, the terminal, air traffic management facility and apron will occupy a 17,800 square meter area. Chen Xianwu, the Section Chief of the Preparation Department of Jixi Airport said that initially, the new airport facility is expecting to operate routes from Jixi to Harbin, Shenyang, Dalian, Qingdao, Yantai, and Beijing.

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**Airport Forum**

2005 Hangzhou, China

# 2005 China Airport Forum

**Hangzhou, China August 24-26, 2005**

Only less than six weeks remain until China's airport operators, managers, and authorities gather together under one roof for an important international airport event, 2005 China Airport Forum. Since recent privatization of China's airports, the country's airport-related businesses and government authorities have come to a realization of the urgent need for the international community's help in the revamping and expansion of China's airport infrastructure. Among those state-owned entities who see such a need, and are taking decisive action to address this need, are the co-sponsors of China Airport Forum:

- **Civil Aviation Administration of China(CAAC), Airport Division**
- **China Development Bank**
- **China Aviation Oil Supply Corporation (CAOSC)**
- **China International Engineering Consulting Corporation**
- **China Airport Construction Corp. of CAAC**
- **Beijing Capital Airport Group Company**

Through their tireless efforts to make China Airport Forum an effective platform for exchange between China and the international airport community, each of the co-sponsors have spread the word of this event in their respective domains to hundreds of airport operators and managers throughout China. These airport delegates will be coming to China Airport Forum anxious to meet with international providers of airport services/equipment to discuss business and key China airport issues. Panels consisting of local and international experts will lead the discussions on critical airport issues, including:

- **Management & Operational Training**
- **Finance Modeling**
- **Technology Solutions**
- **Franchising and Non-Aviation Business**
- **Facility Planning & Design**
- **Airport Safety and Security Management**
- **Airport Construction Management**
- **Fuel Farm Management and Safety**

In addition to the panel discussions, participants will also take advantage of one-on-one meetings with the local delegates as well as a chance to visit a local airport facility. The true value in attending China Airport Forum lies in the fact that you will have the rare opportunity to meet with so many of China's airports and local governments at one time and under one roof and avoid having to spend a fortune of your time and money to visit each of them individually! Your airport services are badly needed in China, and the contacts you make at Airport Forum should keep you busy for years after the event. So learn how to get involved, visit [www.chinacivilaviation.com/events/airport.asp](http://www.chinacivilaviation.com/events/airport.asp) or email to [info@chinacivilaviation.com](mailto:info@chinacivilaviation.com).





# EU-China Aviation Summit

Beijing Hotel, June 29th - July 1st

Photos By: Francis Chao  
Written By: George Chao

As China continues its prosperous economic development, the central government has acknowledged the need for an international presence in assuring proper and healthy growth. This sentiment rings especially true for the aviation sector. The two aviation powerhouses (US and the EU) have long competed for position as the premier consultant to China's aviation development.

In an effort to further promote prosperity between the China and EU, the Directorate General for Energy and Transport of the European Commission and the General Administration of Civil Aviation of China (CAAC) held the first ever EU-China Aviation Summit from June 30th to July 1st, 2005. Aviation giants such as Airbus, Rolls Royce, DHL, EUROCONTROL, alongside other prominent European aviation players descended upon the Beijing Hotel overlooking Tiananmen Square to discuss progression and development techniques for China's aviation sector.

Ironically, the highlight of this year's summit occurred before the opening ceremonies. Attendants at the reception mixer were treated to news that a new bilateral transport agreement had been reached between the sides. Earlier in the day (June 29th) CAAC Minister, Yang Yuanyuan, and European Commission Vice President, Jacques Barrot, finalized the EU-China Co-operation in Civil Aviation agreement; acknowledging the mutual intent to increase the aviation relationship between the two parties. The new bilateral agreement was met with excitement and optimism as it was revealed to the attendees at

the reception ceremony later that afternoon.

The goals of this year's EU-China Aviation Summit were addressed in nine distinct sessions throughout the summit. Topics touched upon include:

- Political, market and regulatory developments in China and EU aviation markets in a globalizing economy – liberalizing air transport and removing bottlenecks in rapidly growing markets
- Developing trends in the international airline industry building strong China – EU links
- Future trends in China civil aviation
- Infrastructure and investments – scope for cooperation
- Safety and security in EU and China civil aviation
- Developments in China and EU air cargo markets
- Air traffic management - safety first
- Doing business without obstacles
- China – EU operation in civil aviation



China Vice Minister Mr. Huang Ju giving the opening speech



European Commission Vice President, Jacques Barrot, shares ideas with CAAC Minister Yang Yuanyuan



EU-China Project Manager Bill Woon, meets attendees at the summit reception

Much to the delight of the attendees, the 2005 EU-China Aviation Summit kicked off with a welcome and introduction speech by China's Vice Prime Minister, Mr. Huang Ju. The theme of the Beijing summit was undoubtedly cooperation as an early presentation by the Directorate General for Energy and Transport of the European Commission clearly emphasized the necessity for increased teamwork between China and Europe in order to successfully develop the new "Single European Sky" policy. An issue regarding the "Single Sky" policy remains the legality of bilateral agreements signed between countries before the formation of the new governing structure. The European Commission vowed to continue bringing existing bilateral agreements into line with the new Community law through horizontal agreements and also reinforced the desire to continue strengthening the relationship between Europe and China.

of traditional Chinese hospitality. All the summit members enjoyed a boat tour of the Summer Palace, the vacation palace of China's past emperors. After witnessing a magnificent sunset on the lake, the delegation docked at a restaurant on the shore to enjoy dinner and a traditional Chinese performance. There, both delegations got a chance to interact outside the formal summit environment and in turn established some very encouraging dialog between the two parties.



*Vice Minister of the CAAC, Mr. Yang Guoqing, gives a short speech before dinner*



*Wang Liya of the CAAC-ATMB presents a speech to the attendees*

Day one attendees were also privileged to a presentation from aircraft manufacturing giant, Airbus, speaking on their strategy and vision for China's aviation market. Through the use of detailed statistics, Airbus reiterated the ambitions of a thriving Chinese aviation sector. According to the aircraft manufacturer, new aircraft deliveries will average 866

per year from now until 2023, at an estimated worth of USD 1.9 trillion. Airbus also touched on air traffic management, elaborating on the differences between Fragmentation (Point to Point) and Consolidation (Hub to Hub) traffic management techniques. A final overview of Airbus' immediate future strategy in China concluded the presentation.

After a long yet productive day of meeting and presentations, the attendees were treated to a bit



The second day was back to business as usual, the topic of discussion shifted to safety and cooperation between the two sides. Mr. Olivier Onidi, the Head of Unit (Bilateral Air Transport Agreements) for the Directorate General for Energy and Transportation, European Commission encouraged further bilateral relationships between Europe and China through the SESAME (technology for the "Single European Sky" program) and GALILEO (positioning system similar to the US GPS system) programs. After a detailed explanation of the two programs, Mr. Onidi highlighted the cooperation possibilities in these applications, and especially how the GALILEO program can benefit China's transportation structure.

The 2005 EU-China Aviation Summit came to a conclusion Friday afternoon. It was evident that both parties gained much from the three-day event. It turns out that the announcement of the new bilateral agreement on Wednesday ultimately set the tempo for constructive dialog and interaction between the two delegations during the rest of the summit.

So as the US and Europe continue to compete for the privilege of assisting China's aviation development, the EU-China Aviation Summit was definitely a step in the right direction for the European Union.



*EU-China attendees relax after a long day of business*

For more pictures of the EU-China Aviation Summit, please visit [www.ChinaCivilAviation.com](http://www.ChinaCivilAviation.com)

# CAAC Coverage

CAAC Look to Regional  
Aviation Development

Flight Training Centers  
Face New Regulations

CAAC Lends Helping Hand  
to Hainan Aviation

## CAAC Looks to Regional Aviation Development

The Party Committee of Civil Aviation Administration of China (CAAC) held a meeting on June 3rd to discuss the topic of regional aviation development in China.

Mr. Yang Yuanyuan, Minister of the CAAC expressed in his speech that, due to the rapid and continuous development of China's national economy, urbanization has quickly followed suit, resulting in more small and medium size cities looking to develop an aviation infrastructure. However, the general practice in China remains that aviation carriers continue to give precedence to large metropolitan cities with thriving international airport facilities; resulting in many air hubs and trunk airports feeling the effects of over saturation. The current situation, coupled with the "national policy of great development of west China", "policy of reviving old industry bases in Northeast China", and implementing of "2004 – 2010 compendium for China red tourism development plan", ensures that regional aviation will witness a very substantial increase in terms of growth in the near future. Mr. Yang concluded his speech by saying that the situation of Chinese regional aviation transportation has almost progressed to the point of maturity, the CAAC should study and in turn, revise the policies and measures

accordingly to ensure the flourishing development of the regional aviation sector.

Gao Hongfeng, the Vice Minister of CAAC, also recommended at the conclusion of the meeting that the CAAC should enhance their knowledge of the necessity of regional aviation to ensure a smooth and efficient progression of the sector.

## Flight Training Centers Face New Regulations

The CAAC recently issued the new regulation, "Certificate Approving Regulations for Flight Training Centers", effectively introducing a new certification policy for China's flight training centers. The new regulation outlines the appropriate measures and requirements necessary for proper certification of flight training centers; more specifically, all new flight training centers must first acquire the certification approval in order to begin training students.

The "Certificate Approving Regulations for Flight training Centers" will become effective June 1st, 2005. Any training facility operating before the implementation of the new regulation will have to successfully complete certification prior to July 1st, 2006.

## CAAC Lends a Helping Hand to Hainan Aviation

Beijing recently held the third meeting to discuss the partially opened flight traffic in Hainan. The

purpose of the meeting was to study and calculate the next step in opening the air traffic in Hainan. To promote the new measure, the CAAC offered their full support on the issue.

On May 10th, 2005, the CAAC decided to show their support by announcing a few policy changes to help stimulate aviation in Hainan. The CAAC announced a new reduced flight route fee which is applicable to small aircraft (under 25 tons) operated by both international and domestic carriers in Hainan. At the same time, the CAAC also agreed to give funding support for facilities and equipment for projects relating to security, communications and navigation.

In the third meeting to discuss opening the air traffic in Hainan, Vice Minister of the CAAC, Mr. Yang Guoqing, said the CAAC would actively promote Hainan in bilateral talks, multilateral cooperation and international organizations and activities.

To encourage and attract international airlines to utilize Hainan's new air traffic flight right liberalization policy, the Hainan Province issued the "Regulations of Policies by Hainan Province on Opening Partial Air Traffic" in February, 2004. The regulation calls for governmental finance to subsidize airlines flying to and from Hainan. In 2004, the Hainan Province subsidized airlines a total of RMB 10 million in flight fees and another RMB 50 million in business taxes paid in Hainan.



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