

CHINA CIVIL AVIATION REPORT

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Transition and Growth

As 2005 comes to an end, the CAAC is counting on a new “Five-Year Plan” to ensure continued aviation prosperity

China Signs Purchase Agreement for 70 B737s

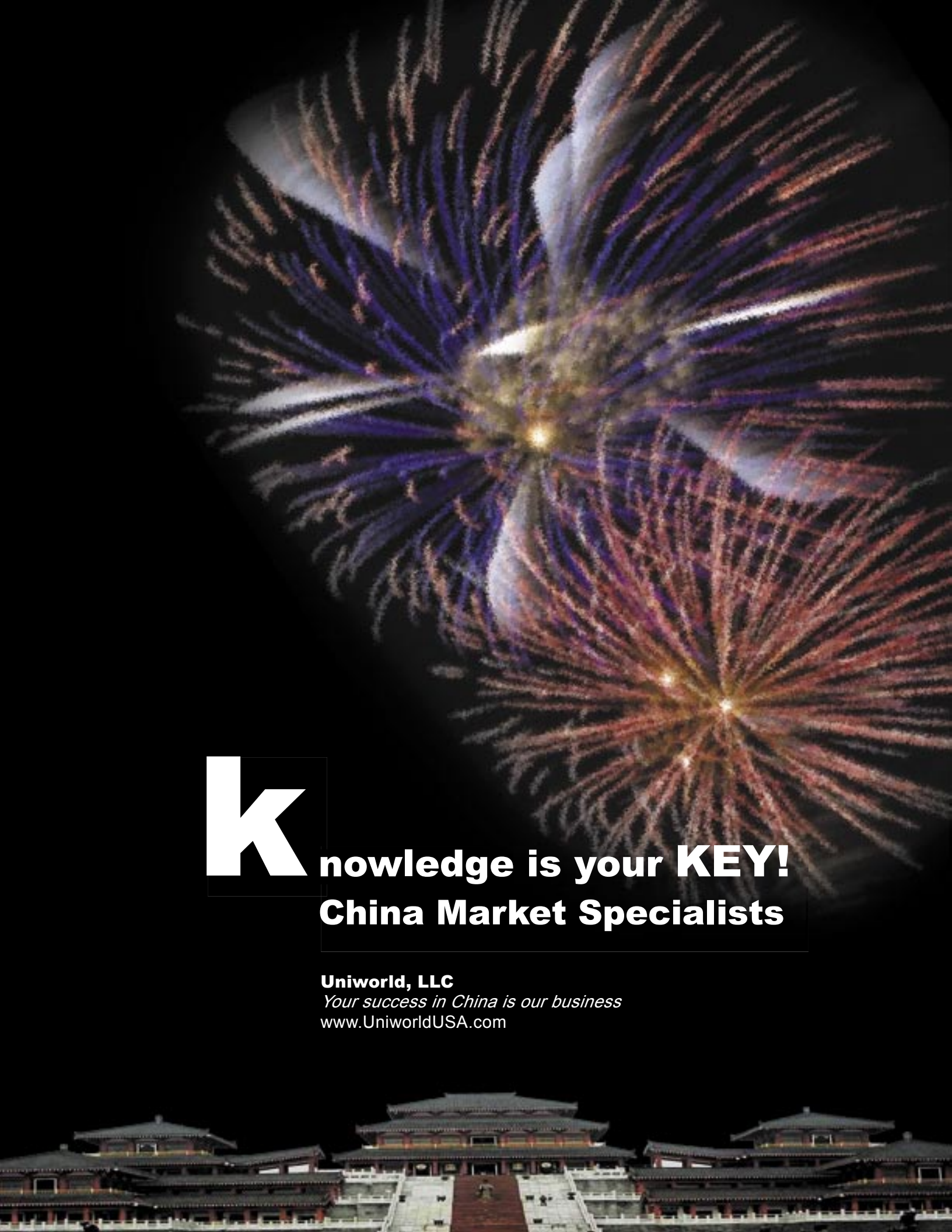
AVIC I to Produce Wing Boxes for A320

CAAC Extends Fuel Surcharge into 2006

New Accident Regulations Issued by CAAC

And more...





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Contents

Aviation Headlines 2

Civil Aviation News 7

CAAC Corner 10

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Publisher
Francis Chao

Productions Director/Writer
George Chao

Chief China Correspondent
Lili Wang

China Staff Writer
Jing Fang

Layout and Graphics Design
Zhang Lin
Emeng Hu

Editor
Bill Wine

To contact CCAR or Subscribe, please contact: Info@ChinaCivilAviation.com or visit: www.ChinaCivilAviation.com

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Aviation Headlines

China Signs Purchase Agreement for 70 B737s

China Aviation Supplies Import and Export Group Corporation (CASGC) inked a general purchase agreement with Boeing to purchase 70 B737-700/800 aircraft on November 20th in Beijing. This is the largest aircraft purchase in China's aviation history, and the agreement is reported at approximately USD 4-billion. The aircraft will be delivered to China's eight leading airlines between 2006 and 2008. Air carriers to receive the new passenger jets are: Air China, China Southern, China Eastern, Shanghai Airlines, Xiamen Airlines, Shandong Airlines, Hainan Airlines and Shenzhen Airlines.

CASGC also reported recently that

it intends to sign a frame agreement with Boeing to purchase an additional 80 B737 aircraft.

Zhang Xiaoqiang, Vice Minister of the National Development and Reform Commission; Yang Guoqing, Vice Minister of the CAAC; and representatives of the respective airlines were in attendance at the signing ceremony.

AVIC I to Produce Wing Boxes for A320

China Aviation Industry Corporation (AVIC 1) and Airbus signed a protocol to confirm the extension of their cooperation in activities to produce A320 Family wing boxes in China. The protocol was signed on November 9th

in London during Chinese President Hu Jintao's official visit to Britain.

Iain Gray, Airbus General Manager and Yang Yuzhong, Executive Vice President of AVIC 1, signed the protocol in the presence of the Chinese President Hu Jintao and British Prime Minister Tony Blair.

The protocol refers to the initial contract, with a projected total value



of over USD 500-million, signed in Beijing earlier this year between Airbus and AVIC 1, which committed the parties to the third phase of the A320 Family Wing Cooperation Program, comprising the production of wing boxes and now also including the management of a second-tier supply chain. It represents further significant progress in Airbus' overall program of technology transfer to the Chinese aviation industry. In 1999, Airbus and AVIC 1 signed an agreement to phase-transfer to China the production technology and production line of the A320 family wing. The final goal is to ensure that China can manufacture complete the wing structure of A320 family aircraft for Airbus' factories in UK's Broughton and North Wales.

In 1999, the first phase of the program was initiated. In November 2002, Airbus and AVIC 1 signed an agreement to start cooperation of the second phase of the program, which allowed Xi'an Aircraft Corporation (XAC) and Shenyang Aircraft Corporation (SAC) to produce the fixed trailing and leading edges, respectively. The first ship set of fixed leading edges was delivered in September 2004, while the first ship set of fixed trailing edges was delivered in March 2005.

On April 21st, 2005 Airbus and AVIC 1 signed the initial contract to enter into the third phase of the A320 Family Wing Cooperation Program, which comprises the production of wing box. This covers the assembly work of the first batch of wing boxes and the corresponding tooling, involving a contractual value of USD 70-million. Chinese Premier Wen Jiabao and French Prime Minister

Jean-Pierre Raffarin attended the signing ceremony at the Great Hall of the People in Beijing.

Today, five Chinese companies are involved in producing parts for Airbus aircraft: Chengdu Aircraft Corporation, Shenyang Aircraft Corporation, Xi'an Aircraft Company, Hong Yuan Aviation Forging & Casting and HAFEI Aviation Industry Co. Ltd.

Fuel Surcharge Gives Domestic Carriers New Life

CAAC Minister Yang Yuanyuan made a statement on November 3rd, noting that China's air transport industry will reap a profit from the



fuel surcharge fees initiated earlier this year. He also added that the surcharge fee will be examined and revised accordingly next year.

China's civil aviation sector was hit hard by soaring international oil prices this year, with the three largest domestic air carriers all reporting substantial losses in the first half of the year (China Southern RMB 964-million, China Eastern Airlines RMB 471.4-million, Air China approximately RMB 600-million).

Since the initiation of the fuel

surcharge, the air carriers were able to recoup the losses from the first half of the year. By the end of the third quarter, the three major carriers all reported a net profit, with China Southern coming in at RMB 9-million.

According to the CAAC, they have received an application from the Air Transport Association, on behalf of the interests of the domestic airlines, to prolong the levy period of the fuel surcharge.

ATC Reform Highlighted in the 10th Five-Year Plan

A November 13th report from the CAAC reveals that China has invested more than RMB 5-billion in the last five years to streamline its air traffic management operations. In the past half-decade, civil aviation flights have increased an average of 13.5% annually and have retained an on-time performance rate of approximately 80%.

Su Langen, Director of the Air Traffic Management Bureau of CAAC, said that the "Tenth Five-Year Plan" has strengthened the civil aviation structure and traffic management system in China. A look back at the "Tenth Five-Year Plan" shows the CAAC Air Traffic Management Bureau's (ATMB) efforts at reinforcing the ATC infrastructure in China, including successfully reconstructing 12 air routes, construction of 30 sets of secondary radars, and retrofitting nearly 20 sets of multi-radar processing systems. According to Su, the result of China's campaign to strengthen air traffic control management is improved radar

coverage and more stable signals to provide support for domestic ATC command centers. The “Tenth Five-Year Plan” also established China’s first ATC security management information system, increasing ATC security and safety.

Shanghai Regional ATC Center Plays Host to FAA Administrator

On November 9th, FAA Administrator Marion C. Blakey, accompanied by CAAC Minister Yang Yuanyuan, toured the new Shanghai Regional Air-Traffic-Control Center of CAAC.



During the visit, Ms. Blakey toured the facility’s control hall and controller rest area and marveled at the rate of civil aviation in China. Ms. Blakey also inquired about topics such as conditions of control operations, flight flow, and equipment configuration of the new ATC station.

The Shanghai Regional Air-Traffic-Control Center houses a radar data handling and displaying system which can simultaneously process information from 32 radars and monitor flight paths of up to 1500 aircrafts.

As the tour concluded, Ms. Blakey praised the establishment and development of the Shanghai Regional ATC Center and expressed her appreciation of the center’s cultural awareness. As Ms. Blakey exited the facility, she left a few warm words in the ATC center guestbook and thanked her hosts for an unforgettable tour.

The First Domestic Civil Aircraft Simulator Developed in Tianjin

On November 21st, HYL T Aviation Science and Technology Co. Ltd, the forefront aviation technology firm in Tianjin’s Hi-tech Industrial Park, announced that it had successfully developed China’s first Airbus A320 aircraft flight training simulator. This is the first China-designed flight simulator to hold Chinese proprietary IFR, and offers an alternative to the large civil aircraft flight simulators manufactured by foreign firms.

The HYL T Aviation Science & Technology Co Ltd recently signed the Boeing 737NG Flight Management System Training Simulator Development (Cooperation), Simulating Flight Training Room Equipment and the Airbus A320 Flight Training Simulator Development Agreements with the Simulator Training Center of the Flight College of Civil Aviation Flight University of China, Center of Aviation Safety Technology of CAAC, Civil Aviation University of China and Nanjing University of Aeronautics and Astronautics. The agreements represent acknowledgement by the institutions of the products produced

by HYL T Aviation Science and Technology Co. Ltd.

HYL T Aviation Science & Technology Co Ltd was founded in October 2003. It was established by international Chinese professionals specializing in civil aircraft simulator research and development.

SR Technics and Okay Airways to Establish JV in China

SR Technics has signed a Memorandum of Understanding (MOU) with Okay Airways on November 10th, to form a maintenance joint venture in China. Okay Airways, which was established in June 2004, is the first privately-owned airline in China.

This joint venture will see SR Technics and Okay Airways partner to establish a company providing technical solutions for airlines from a facility to be located in Tianjin, one of the fastest growing regions of China. Tianjin Airport is being developed to become a major passenger and cargo hub.



Full technical solutions will include aircraft services, fleet technical management and component support of both Boeing and Airbus fleets for

both existing airlines and developing new paradigm carriers.

Commenting on this development, Frank Turner, Chairman of SR Technics, said, "This new JV partnership with Okay Airways will be a first step for SR Technics in establishing a presence in China. We see the emergence of the 'new paradigm airlines' - SR Technics' term for airlines who are applying low-cost principles while providing a quality service to passengers. This new JV Company will provide a local presence backed by global experience with the intention of attracting these new paradigm carriers, at an early stage in their development, and providing an alternative solution, from an experienced world leader, for existing Chinese airlines. SR Technics is already supporting airlines in the region out of Hong Kong. This JV demonstrates SR Technics' increasing level of commitment to the

Asia Pacific region as we establish this new support hub in China". The State Council and Central Military Commission approved the construction proposal of Jixi Civil Airport on November 3rd. Jixi's advantageous location for tourism and mining was one of the main factors for establishing the new civil airport site. The final approval came after several rounds of deliberation and examination of the proposed construction.

According to the proposal, the Jixi Civil Airport will be located 22 kilometers east of downtown Jixi, and investment for the construction will be funded by the CAAC. Upon completion, operation of the facility will be transferred to the local government. During the initial operational phase, Jixi Civil Airport will operate air routes to Harbin, Beijing, Shenyang, Dalian and Qingdao. Routes to be added later include Shanghai, Guangzhou

and Vladivostok, Russia.

Intercommunication Headlines China Civil Aviation Line Maintenance Mutual Support Annual Meeting

Hainan Airlines hosted the China Civil Aviation Line Maintenance Mutual Support Annual Meeting 2005 on November 17th-18th in Sanya. Nearly 80 delegates from 14 organizations--including airlines, aircraft maintenance and manufacturing companies, and regional airworthiness officials of CAAC--attended the event.

The event addressed issues of aircraft operation intercommunications, line maintenance, operator and maintenance interaction, cooperation between airlines, establishing information notification channels and intervals, setting up an airworthiness standards, and more.

News Briefs

October 19th – The Chinese Aeronautical Establishment (CAE) and German Aerospace Center (DLR) signed an updated Memorandum of Understanding in Beijing. The new agreement reinforces their original MOU signed in 1980 and continues to promote the mutual development of aviation in both countries.

October 24th to 28th - At the 3rd meeting of the China- Singapore Civil Aviation Cooperation Committee, participants reviewed the development of China- Singapore civil aviation relationship in 2005.

October 26th - Boeing delivered the first of two specially-painted 737-700s with the official 2008 Beijing Olympics logo and theme -- "One World, One Dream" -- to Air China. Beijing-based Air China is the official host airline partner of the 2008 Beijing Olympics.

October 31st – Ameco Beijing announced that it would begin providing ground support, line maintenance and clearance services four times a week to Egypt Airlines' Boeing 777-200. Egypt Airlines is Ameco's seventeenth clearance service customer.

November 15th – Statistics from the CAAC showed continuous growth in October for the Chinese air transport sector. Specifically, the month of October saw domestic airlines operate a total transport turnover of 2.41-billion ton-kilometers (a 10.8% increase from 2004), a passenger traffic volume of 13.106-million (an increase of 14.5% from 2004), and a cargo/mail traffic volume of 269,000 (an increase of 8.5% from 2004). A total of 114.983-million passengers and 2.472-million tons of cargo were transported last year.

November 24th – Guilin Liangjiang International airport reports 3.001-million passengers served in 2005. This is the first time Guilin Liangjiang has surpassed 3-million annual passengers.

November 26th – The Civil Aviation Flight University of China in Guanghan, Sichuan, accepted its first Boeing 737-800 flight simulator.



CAUC and United Airlines Hold Training Program in Beijing

From November 16th to 17th, the AME-China (Aviation Management Exchanges-China) program, a joint operation between United Airlines and the Civil Aviation University of China, held their 13th training course in Beijing. The topic of the newest training session was engine fleet management.

The two-day course was led by experts from both domestic and international organizations, with lectures on the concept, history and development of engine fleet management, and incorporation of cutting-edge technologies. The informational forum also included interactive sessions at which attendees were encouraged to engage in discussions with the lecturers.

United Airlines invited experts from Purdue University, the University of Southern California, Boeing Company and UA itself to present at the event.

On the second day of the meeting, delegates participated in the signing of the Aircraft Line Maintenance Mutual Support Agreement, effectively establishing five distinct aspects of aircraft line maintenance, including trouble settlement support, tools and equipment support, special vehicles support, de-icing support and aircraft parts supports. The new agreement will help further define the aircraft line maintenance sector and its operators.

The annual Aircraft Line Maintenance Mutual Annual Meeting was initiated by China Southern in 1992, and grew from a meeting of four firms to the present 14. Hainan Airlines was awarded membership in 2000 and hosted this year's meeting.

Shanghai's New ATC Training Aimed at Increasing Safety

Since the inception of Shanghai Eastern Flight Training Company's East China Air Traffic Simulated Flight Viewing and Training Course on August 3rd, 2005, over 60 air traffic controllers in the Shanghai region have reported to have participated in the program.

The ATC training course is structured to help controllers become familiarized with the operating environment of pilots, and increase communications between controllers and air crew. The goal of the East China Air Traffic Simulated Flight Viewing and Training Course is to optimize the efficiency and safety of air traffic control.

Many of the training course attendees are referred by China Eastern Airlines AOC (Airline Operational Control Center), acting as a bridge between CAAC's East China ATMB and the Shanghai Eastern Flights Training Company.



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Civil Aviation News

Northeast Airlines Files for CAAC Approval

On November 21st, Liaoning Huanjiang Industry Corporation Ltd formally filed an application to the CAAC for approval to establish Northeastern Airlines Corporation Ltd. The proposed air carrier will be operated by Liaoning Huanjiang Industry Co Ltd, Liaoning Provincial State-Owned Assets Supervision and Administration Commission, Shenyang Municipal State-Owned Assets Supervision and Administration Commission, Shenyang Aircraft Corporation, and investor Wu Di. The registered capital for Northeastern Airlines is reported at RMB 151.27-million.

The investors plan for Northeastern Airlines to headquarter in Shenyang while operating out of Shenyang Taoxian International Airport, and have submitted both public air transport and general aviation applications. Northeastern Airlines plans to purchase Northeast General Aviation Corporation and convert its general aviation base in Chaoyang Airport for its operations.

Northeastern Airlines has also recently signed a letter of intent with Singapore's Phoenix Aircraft Leasing and Sales Company to lease one Boeing 737 and two Bombardier jets.

Kunming Air Traffic Management Center Implements Radar Control

At 12:01 AM on October 27th, the Kunming Air Traffic Management Center of CAAC officially implemented radar control within its region. The

new technology will safely reduce flight separation and increase traffic flow in the area. "It could greatly reduce flight delay caused by air traffic jams in the area," said Wang Ronghui,



Party Secretary of the Kunming Air Traffic Management Center.

Experts expect the new radar technology to double flight traffic in Southwest China, namely at Kunming, Panzhihua and Xingyi. However, they also add that until neighboring regions implement radar control as well, the benefits will only be felt in the Kunming region. According to the CAAC, radar air control is planned for most domestic airports.

China Eastern Introduces 100th Airbus Jet

China Eastern Airlines on October 27th took successful delivery of its 100th Airbus aircraft, an Airbus A320, becoming the first carrier operating a fleet of 100 Airbus aircrafts in China and the entire Asia-Pacific region. Li Fenghua, Chairman of China Eastern Airlines and Gustav Humbert, Airbus president and chief executive, attended the delivery ceremony, which was held on October 27th at the Shanghai Hongqiao International

Airport.

"We are very proud and delighted to deliver the 100th Airbus aircraft to China Eastern Airlines, thus setting a new significant milestone in the 20 years of close cooperation between our two companies, and also a very important event in the history of friendly cooperation between Airbus and China civil aviation industry," said Gustav Humbert, "We admire the pioneering spirit of China Eastern Airlines and will continue to provide the most modern aircraft and the best technical support to ensure the rapid expansion of its business in the future."

China Eastern took delivery of its first Airbus, an A310, in June 1985, marking the beginning of Airbus' entry into the Chinese market. By the end of August 2005, China Eastern had built up the largest Airbus fleet in China, including aircrafts from the A300/310 family, the A320 family and the A340 family. China Eastern is also the first Airbus A319 operator and first A340-600 operator on the Chinese mainland.

Currently, there are over 200 Airbus aircraft in service on the Chinese mainland, representing a market share of 28 percent. By the end of



September of this year, Airbus had received 69 orders from five Chinese airlines, including five A380, 30

A330 and 34 A320 aircraft. Four new Chinese airlines--Shenzhen Airlines, Spring Airlines, United Eagle Airlines and Hainan Airlines--have become Airbus operators. The total number of Airbus aircraft to be delivered to China is expected to reach 65--a record high-- by the end of this year.

Airbus not only sells aircrafts in China, but also works toward the long-term development goal of establishing a partnership of full-scale cooperation, and actively develops industry cooperation with China aviation manufacturers and technology transfer. This July, Airbus (Beijing) Engineering Center was formally opened. Chinese aviation manufacturers will undertake a 5% work share of the A350 project. The brand new aircraft project was launched worldwide on October 6th. By the end of this year, Airbus (Beijing) Engineering Center Office Building will formally start construction and recruit 50 engineers in China.

Airbus has set up and completed a concentrated after-sale service system. Currently, customer service and technology support service stations are dispatched in 20 Chinese cities. Meanwhile, Airbus invested USD 80-million in 1997 to establish an advanced training and support center in Beijing. So far, over 10,000 students have been trained, and stored aircraft parts has exceeded 25,000.

Liping Airport Receives Inaugural Flight

A Boeing airliner departed Guiyang on November 6th and landed safely at Liping Airport at 4:08 PM, marking the commencement of the new airport facility. The aircraft was operated by

the Guizhou branch of China Southern Airlines.



Liping Airport is a 4C civil regional airport facility established with a total investment of RMB 240-million. It operates a runway of 2,200 meters in length and 45 meters in width, and can accommodate jets up to the size of Boeing 737s. With the opening of the new Liping facility, passengers now have the convenience of a 30-minute flight from Liping to Guiyang, the capital of the Guizhou province. To date, Liping Airport is the fourth civil regional airport in the province.

HNA Tops in Punctuality

Statistical data issued by the CAAC for the third quarter of 2005 shows that Hainan Airlines retained the highest on-time performance for passenger flights in China, at a rate of 83.29%. Hainan Airlines is the only Chinese air carrier to retain an 80% on-time performance rate since 2000.

The CAAC statistics also highlight HNA's outstanding flight safety record. Since the inception of HNA twelve years ago, the operator has accumulated over 1-million accident-free flight hours and transported over 50-million passengers.

Tianjin Airport Strengthens Ground Services

On October 27th, the Tianjin Binhai International Airport, in association with Beijing Aviation Ground Services Co., Ltd (BGS) and Tianjin Wanshilong Group Co., Ltd, announced the formation of the Tianjin Airport Cargo Services Co., Ltd (TCS). Officials at the new cargo facility hope to increase the cargo throughput capacity of Tianjin Airport from 150,000 tons to 250,000 tons, and turn Tianjin into a premier air freight base in North China. The registered capital of the new company is RMB 50-million and the stakes are split 44%, 46%, and 10% among Tianjin International, BGS, and Tianjin Wanshilong, respectively.

According to plans, the newly-founded company will establish a 13,000-square-meter freight station as well as a warehouse for dangerous goods storage at Tianjin Airport, with future expansion already in the works. Presently, the cargo/mail throughput of Tianjin Airport is 54,000 tons annually; however, capacity is quickly wearing thin as Beijing Capital Airport currently supports a portion of Tianjin's cargo operations. In 2004 alone, Capital Airport processed 120,000 tons of Tianjin's cargo in their facility.

Earlier this year, approval was granted to Tianjin Airport for an RMB1.86-billion expansion project with priority for freight. As a result, Tianjin Airport estimates that by 2015, the facility will meet an annual passenger volume of 9-million, 250,000-ton cargo/mail throughput, and handle up to 66,000 landings/takeoffs per year.

Wenzhou Yongqiang Airport Announces Expansion Plans

The Wenzhou Yongqiang Airport

has announced that it will invest RMB 360-million for facility expansions that may begin as soon as the end of this year. The land expropriation for the new domestic flight terminal building has been finalized and construction efforts are scheduled to begin shortly. The goal of the expansion project is to turn Wenzhou Yongqiang into an international facility and begin operating international flights to Southeast Asia Countries during the "Eleventh Five Year" period.

The projected expansion will be the largest project in the airport's history and will include a new 19,000-square-meter terminal building, eight new corridor bridges, a 9,000-square-meter parking apron, 19 additional parking



positions, and the retrofitting of the original 13,000-square-meter terminal building. Supplementary structures such as water and power supplies will be simultaneously constructed.

The expansion project is expected to take two years and expand the airport's apron to 170,000 square meters while increasing aircraft parking from a capacity of 12 to 25 aircraft. Upon completion of the project, the Wenzhou Yongqiang Airport officials expect the facility to be able to support a passenger volume of 4.5-5 million by 2012.

The Wenzhou Yongqiang Airport currently operates 34 air routes and recorded a passenger throughput of

2.4 million, mail/cargo throughput of approximately 40,000 tons and total revenue of over RMB100-million last year. Wenzhou City Mayor Liu Qi stated that the airport expansion will provide a strong backbone for the development of Wenzhou's economy and city.

Wenzhou Yongqiang Airport is currently developing external investment and business opportunities and is looking vigorously for partners. The city is also deliberating on expanding the airport runway by 2007-2010, striving for their ultimate goal of opening international flights to Europe.

Shanghai Airlines and Lufthansa Airlines Further Expand Code-Share Area

As of December 1st, Shanghai Airlines and German Lufthansa Airlines will operate an increased flight code-share area to provide increased convenience for bilateral passengers.

The two airlines agreed to expand on their former one-way code-share to the current two-way code-share agreement. The carriers also introduced new China-Germany, domestic Germany, and domestic China flights under the expanded code-share area. The new Shanghai Airline flights affected by the agreement are Shanghai-Beijing, Shanghai-Shenzhen, Shanghai-Qingdao, Shanghai-Wenzhou, Shanghai-Chongqing, and Shanghai-Dalian, while the new Lufthansa flights include Shanghai-Frankfurt, Shanghai-Munich, Frankfurt-Hamburg, Frankfurt-Berlin, and Frankfurt-Dusseldorf.

Shanghai Airlines is the first Chinese carrier to establish code sharing in Europe, and has given it a firm base for future operation expansion.

East Star Airlines Readies Fleet for Launch

Private Chinese carrier East Star Airlines signed a RMB 12-billion (USD 1.48-billion) agreement with Airbus on November 27th to purchase ten, and lease an additional ten, A320s-- a total of 20 aircraft.

The ten-A320 purchase was facilitated by a credit offered by Airbus to the air carrier while General Electric's financing branch, GE Commercial Aviation Service, assisted the lease agreement.

Airbus reported that the first three aircraft of the deal will be delivered in May of 2006, right on time for East Star Airlines' inaugural launch.

East Star Airlines is based in Wuhan, the capital of central Hubei Province, and was founded by three firms, including the China East Star Group Co., one of China's premier tourism and property investment companies. Its president, Lan Shili, was featured as the 70th richest man in China by Forbes in 2005. East Star Air has completed most of its required preparatory work to begin operations, and currently has over 230 pilot applicants.





CAAC Corner

CAAC Unveils Eleventh Five-Year Plan Goals

According to the CAAC, China's "Eleventh Five-Year Plan" for civil aviation development will continue to focus on sector growth and expansion.

The CAAC predicts that in the next five-year plan, Chinese civil aviation will import an average of 100-150 aircraft annually. By 2010, the CAAC expects China's civil aviation fleet to approach 1600 aircraft, approximately 700 more than the current fleet. The number of airports is also expected to jump significantly in that time frame, from the current 40 to 187.

The current globalization trend worldwide is also expected to play a major role in the number of foreign flights into and out of China. Estimates predict that by 2010, China will operate 4.6-million takeoffs and

landings annually, with flights at Beijing Capital, Shanghai Pudong and Hongqiao, Guangzhou Baiyun and Shenzhen Baoan airports all exceeding 1,500 flights per day.

First Airport Certified Under New Safety Audit

As a result of ICAO's international standard for airport safety and security, CAAC recently began its own aviation security audit for its 147 domestic airports. On November 7th, Yinchuan Hedong Airport became



the first facility in China to pass the new security audit conducted by the Northwest China Regional Administration of the CAAC.

China's new aviation security audit is the result of increased safety measures prompted by the 9/11 events in the US. In 2002, ICAO decided to implement a mandatory security audit for all treaty member airports. As a result, the CAAC focused efforts on increasing aviation security and revised its previous facility inspection process. The new security audit shall be executed annually, with a mandatory two-year corrective window to any below-standards aspects of a facility. In the event that an airport fails to rectify a situation within the two-year period, the CAAC will exercise penalties such as limiting airport fee, flights and air routes.

Hedong Airport's audit checklist

includes 360 distinct, among them organization, management of controlled areas, passenger and security equipment, and aircraft ground security.

The Chief of Hedlong Airport remarked, "Former airport security inspections were a stopgap measure, but the new security audit quantifies all security indexes and evaluates every security measure. It will surely improve safety and security at the airport level."

Jet Fuel Surcharge Extended Into 2006

In the face of high international oil prices, the Chinese authorities have decided to extend the deadline of the jet fuel surcharge fee program from December 31, 2005, to March 31, 2006.

The decision was announced on November 23rd by both the National Development and Reform Commission and the Civil Aviation Administration of China (CAAC).

The original jet fuel surcharge was initiated on August 1, 2005, amidst a sharp spike in oil prices, which threatened to hamper aviation development. The fee program called for a RMB 20 fuel charge to be added onto ticket prices for passengers traveling less than 800km, and a RMB 40 charge for those traveling more than 800km.

The authorities did go on to state that the jet fuel surcharge will not be applied to those who have booked tickets before the announcement of the surcharge extension between January 1st and March 31st.

The National Development and Reform Commission increased oil prices in March, June, and July, increasing the per-ton price by

RMB 430, RMB 300, and RMB 300, respectively. During this period, China's major airlines reported earnings in the red and a net loss of approximately RMB 400-million (USD 48.37-million) in the first half of 2005. Airlines blamed the increasing fuel costs for causing the loss, saying that jet fuel comprises about 30 to 40 percent of the airlines' overall operating expenses.

"External Circumstances" May Hamper Air Traffic Management

On November 3rd, the Air Traffic Management Bureau (ATMB) of CAAC issued a report citing external circumstances as a major obstacle in improving China's air traffic safety management and operations. The ATMB stated that improvements in the short term were difficult based on the current circumstances of China's aviation situation. The ATMB concluded that, in addition to restrictions on airspace, four distinct factors severely hamper air traffic development--radio interference, foreign airborne objects (paragliders, hot-air balloons, etc), aviation equipment and crews, and the influence of military actions to enforce air traffic in China.

A related CAAC official stated that the main responsibility of air traffic management is to ensure security while focusing on aviation operations and service. Only when operational management is enhanced, operational quality heightened, operational programs improved, and operational efficiency raised will air traffic management officials in China able to provide a safer civil aviation environment. With regard to the influences of external circumstances, the official said the CAAC would try to resolve the issues.

CAAC Issues New Accident Regulation

On November 8th, the CAAC issued the new "Regulation of Civil Aircraft Flight Accident Emergency Reaction and Relations Assistance," effective January 1, 2006. The new regulation requires public air-transport enterprises to establish emergency plan preparations for aircraft accidents and enforce emergency procedure training annually. The CAAC has also deemed it the responsibility of the public transport enterprise to contact families of the missing, injured and deceased in case of an accident.

The new regulation defines an aircraft accident as "an unexpected and disastrous accident occurring in the public air transport area," and declares that proper accident management includes prompt support to the families of the affected.

Currently, there are no detailed provisions or regulations regarding relations assistance after a civil aviation accident. The "Regulation of Civil Aircraft Flight Accident Emergency Reaction and Relations Assistance" is the first attempt to initiate a liability standard in Chinese civil aviation.

New Plans to Improve ATC Efficiency

The CAAC announced on November 17th, at the Nanchang Air Traffic Control Center, that it will start streamlining the country's air traffic control layout next year. In April 2006, the civil aviation Control authority of high altitude airspace in Jiangxi Province will be transferred to the management of the Shanghai Regional ATC Center of the CAAC.

The CAAC's plan to streamline China's ATC industry includes

transferring control of 32 domestic high-altitude ATC stations to the country's new high-tech ATC centers in Beijing, Shanghai and Guangzhou. The ATC shuffling is aimed at easing the traffic control congestion in East China, the most populated civil aviation flight flow in the country.

Currently, there are 200,000 annual flights passing through the Jiangxi airspace monitored by the Nanchang ATC Center; among them, two-thirds are high-altitude flights of over 8,400 meters. After the transfer of monitoring responsibilities to Shanghai, the Nanchang ATC Center primarily focuses on ATC management of aircraft below the

8,400-meter mark, and becomes one of the backup facilities for the Shanghai Regional ATC Center.

China and Singapore Sign Expanded Air Service Pact

Singapore and China have signed an expanded air services pact, which allows airlines of both countries to operate passenger and all-cargo services between China and Singapore with no restrictions on capacity, routing or aircraft type. The pact also makes relatively relaxed arrangements about the air transport enterprises' code share and aircraft lease. The new pact was signed on November 30, 2005, in Beijing between Singapore's Minister for Transport, Mr Yeo Cheow Tong, and the Minister of CAAC, Mr Yang Yuanyuan.

The level of air services between China and Singapore has grown considerably over the years since 1979. In 2004, airlines of both countries carried 1.8749-million passengers on the China-Singapore air route. Currently, seven Chinese airlines (Air China, China Southern Airlines, China Eastern Airlines, Xiamen Airlines, Hainan Airlines, Shandong Airlines, and Yangtze Express Airlines) operate China-Singapore air routes, flying 82 scheduled passenger flights weekly and seven all-cargo flights. Four Singapore airlines (Singapore Airlines, Singapore Airlines Cargo, Singapore Silk Air, and Valuair) manage China-Singapore air routes, flying 88 scheduled passenger flights weekly as well as 10 all-cargo flights. The two countries established a vice-minister-level civil aviation consultation mechanism in 2003.

This pact marks a new stage in the bilateral civil aviation relationship, and will also greatly facilitate the airlines of both countries to develop passenger and freight operations, which will in turn lead to greater economic, tourism and social exchanges.

China-Burma Aviation Negotiation Reaches Agreement

On November 17th and 18th, a Chinese delegation led by the Director of International Cooperation Department, Wang Ronghua, met with a Burma delegation headed by Tun Hlaing, the Director of Civil Aviation Department of Transport, and held bilateral aviation negotiations in Beijing. The two-day talks resulted in a consensus on a number of topics, including a new bilateral air transport agreement; third, fourth, and fifth flight rights; code sharing and wet lease agreements. The two gentlemen initialed the new China-Burma Governmental Air Transport Agreement and signed a Memorandum of Understanding on a new bilateral air transport arrangement.

China and Burma signed their previous aviation transport agreement on November 8, 1955, in Rangoon. Currently, Air China and China Eastern both operate China-Burma flights.

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