

# CHINA CIVIL AVIATION REPORT

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## Flying High

### Boeing keeps its foothold in China

**ARJ21 jet gets go-signal for manufacturing**

**Tianjin selected as Airbus plant site**

**Aviation authority mulls easing policies for low-cost airlines**

**And more ...**

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### Boeing keeps its foothold in China



#### Boeing's early years

Beijing-born Wong Tsu (inset), an aeronautical engineer, was hired by William E. Boeing in 1916, the founding year of Boeing, to design the Model C seaplane (above), the first commercially successful plane of Boeing. On March 3, 1919, Boeing (right) and pilot Eddie Hubbard performed the first U.S. international airmail flight using the Model C from Vancouver, Canada, to Seattle, Washington. Tsu's work became the basis for the generation of early airplanes.

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# Aviation Headlines

## ARJ21 jet gets go-signal for manufacturing

The ARJ21 advance regional jet, the first Chinese-made aircraft, has been approved for full trial manufacturing.

The Commission of Science Technology and Industry for National Defense made the announcement during a review meeting on May 31st.

Zhang Yunchuan, director of the COSTIND, said that China's aviation industry, which has overcome many difficulties, has had great success in the new regional aircraft project in recent years.

The ARJ21 is being developed by the consortium AVIC I Commercial Aircraft Company (ACAC), together with eight domestic units and 19 foreign suppliers, including First Aircraft Institute of AVIC 1, Xi'an Aircraft Industry Company of AVIC1 and Shanghai Aircraft Manufacturing.

The ACAC has signed purchase agreements of 35 ARJ21 aircraft with Shanghai Airlines, Shandong Airlines and Shenzhen Financial Leasing Company; and one for 6 jets with Xiamen Airlines.

Under the full trial manufacturing phase, ARJ21 will undergo production, testing, test flight and airworthiness work.

The first ARJ21 should be assembled by the end of 2007, with the test flight to be held in March of 2008.

By 2009, the jet would receive its airworthiness certificate and be delivered to customers. By 2010, annual production of the aircraft should reach 11 jets.

ARJ21 has a powerful takeoff and climb performance, thus allowing the use in airports with short runways.



By 2009, the ARJ21 will be delivered to customers.

## Construction of Hechi airport approved

The construction of the Hechi airport in Guangxi Zhuang Autonomous Region has been approved.

The airport will be built near Jiantangshan, northwest of Hechi City, at a cost of RMB 393-million (US \$49.12-million).

Its runway will be 2,200 meters long, with an apron that can accommodate two Class C aircraft. The design meets the need for the landing and takeoff of regional aircrafts, such as the Dornier 328, CRJ 200 and ERJ 145. The airport terminal building will occupy about 1,500 square meters.

The cost of building the airport will be shouldered equally by the Chinese central government, the Civil Aviation Administration of China and the Hechi local government.

It is estimated that by 2010, the passenger traffic volume at Hechi Airport will reach 150,000.

## Aviation law forum held in Beijing

The Civil Aviation Administration of China (CAAC) recently held the International Aviation Laws Forum in Beijing to promote international aviation conventions, and encourage cooperation with the International Civil Aviation Organization (ICAO) among civil aviation organizations and enterprises and airports.

The forum invited experts—including Denys Wibaux, legal bureau director of ICAO—to give lectures on new developments in international aviation conventions; the amendment to the 1952 Rome Convention; and five aviation security conventions, including the Tokyo Convention.

International law experts from the Supreme Court of China were also invited to discuss the application of international conventions in China.

CAAC Vice Minister Gao Hongfeng also graced the forum, and pointed out that the five aviation security conventions, including the Tokyo Convention, unify the regulations on public law, such as international aviation criminal law and the aviation security area.

The 1952 Rome Convention regulates the private law area, said Gao, including compensation for damage caused by foreign aircraft to third parties.

## Wuyu Int'l Airport expansion approved

In anticipation of a steep increase in passenger and cargo volume by 2015, the Nanning Wuyu International Airport will be expanded and upgraded.

The Civil Aviation Authority of China has approved the airport's plan to meet the expected volume of 5.6-million passengers and 53,000 flights in 2015.



Nanning Wuyu International Airport expects to handle 5.6-million passengers by 2015.

Based on the plan, the airport needs 102 hectares of land for future use. By 2035, Wuyu Airport is expected to handle 12-million passengers; 148,000 tons of cargo and mail; and 103,000 flights.

In the future plan, the airport's flight area would be upgraded to 4E, and a new runway with a length of 3,200 meters would be built. The current runway will be extended to a length of 3,200 meters to serve as a parallel taxiway, so there will be two quick exit taxiways.

## Flights to increase between China, South Korea

China and South Korea have agreed to increase cargo and passenger flights between their countries after three days of negotiation in Weihai in Shandong.

Under a memorandum of understanding signed on June 17th, flights between the two countries will be increased from 197 to 401 per week, and cargo flights from 12 to 36 per week, according to the Civil Aviation Administration of China (CAAC).

Chinese destination cities covered in the deal are Yanji, Shenzhen, Hefei, Zhengzhou, Changsha and Weihai.

If the demand increases, Chinese airlines will be allowed to increase their flights to Cheju in South Korea, which signed a civil aviation agreement with China in 1994.

## New terminal to be built at Urumqi Airport

Urumqi International Airport in the Xinjiang Autonomous Region will construct a new terminal building in the second half of 2007.



Urumqi International Airport gets a facelift worth US \$335-million.

The new terminal will have a total of 100,000 square meters, including a new freight warehouse and air mail building occupying 40,000 square meters. The current international terminal building will be retrofitted.

Total investment for the new terminal is estimated to be RMB 2.68-billion (US \$334.87-million). The project is expected to be finished in 2009, with 35 parking aprons for jetliners and 10 parking aprons for freighters to be constructed. Two deicing aprons, one for class E aircraft and another for class D aircraft, will also be built.

A freight warehouse and air mail building occupying 40,000 square meters will be built to match the construction of the Urumqi Airport logistics base, and to handle the increasing cargo and mail traffic volume.

Urumqi Airport is one of the major airports in west China. Its 120 air routes link with 20 countries and 86 domestic and foreign cities.

### Hangzhou region capacity reaches 800 flights

Flight capacity in the Hangzhou region in Zhejiang province has doubled to more than 800 flights with the implementation of safe aircraft separation.

The plan was implemented on June 8th within the controlled area of Hangzhou Air Traffic Management Department.

After implementation, the safe separation between two aircrafts will be only 10 kilometers. Previously, Hangzhou region was controlled under radar supervision. Since implementation in April of 2003, the current daily flight total has reached 410, of which 250 flights land and depart from Hangzhou Airport.

### ICAO establishes Sanya Flight Information Region

The International Civil Aviation Organization (ICAO) Council has approved the changing of the Sanya Area of Responsibility (AOR) into a Flight Information Region (FIR), effective June 8th.

Since the establishment of Sanya AOR on November 11, 2001, the Civil Aviation Administration of China (CAAC) has been providing safe and high-quality air traffic service.

The Sanya FIR is located over the South China Sea area. It connects with Guangzhou FIR in the north, Ho Chi Minh FIR in the south, Hong Kong FIR and Manila FIR in the east, and links with Hanoi FIR in the west.

It has an area of about 280,000 sq. km., and is an important passageway for Japan, Korea, Hong Kong, Taiwan and Guangzhou to and from Southeast Asia.

The establishment of the Sanya FIR is a result of cooperation among China, Vietnam and other countries in the region.

## News Briefs

May 19 - Minister Yang Yuanyuan of the Civil Aviation Administration of China met with Sam-Koo Park, president of the Korea-China Friendship Association and Asiana Airlines.

May 22 - Minister Yang Yuanyuan of the Civil Aviation Administration of China met with Peter Bakker, global chairman and CEO of freight company TNT. Both discussed business development of TNT in China and China's policies on the opening of the airfreight market.

May 22 - Minister Yang Yuanyuan of the Civil Aviation Administration of China attended the signing ceremony for the entry of Air China into the Star Alliance. Angela Merkel, chancellor of Germany, also attended the ceremony.

May 22 - Vice Minister Yang Guoqing of the Civil Aviation Administration of China met with Colin Hansen, minister of economic development of the British Columbia province of Canada, to discuss enhancing civil aviation cooperation between their countries.

May 23 - Vice Minister Yang Guoqing of the Civil Aviation Administration of China met with Michael Taylor, vice minister of the Department of Transport and Regional Services of Australia. They discussed the preparation work of the next Asia-Pacific Economic Cooperation (APEC) transport ministers meeting, to be held in Australia, and how to enhance cooperation between China and Australia on civil aviation, especially on aviation security.

May 26 - Minister Yang Yuanyuan of the Civil Aviation Administration of China met with Dominique Perben, France's minister for transport, infrastructure, tourism and the sea. Topics included enhancing the bilateral civil aviation relationship, personnel training, airports and air traffic management.

May 26 - Minister Yang Yuanyuan of the Civil Aviation Administration of China met with Gordon Bethune, new chairman of the Cendant's Travel Distribution Services Division.

May 26 - Vice Minister Yang Guoqing of the Civil Aviation Administration of China met with Olivier Hourri, vice president of Unisys, regarding development of the civil aviation information system and support work for the 2008 Beijing Olympics.

## Aerial sowing success rate reaches 44% in China

Aerial sowing's effectiveness for reforestation in China is increasing, according to data from China's State Forestry Administration (SFA).

Aerial sowing is accomplished by using small planes to drop tree or plant seeds in many different parts of China.

The use of technologies, including mixed sowing and vegetation processing in sowing areas, has resulted in an increase in the effect rate of aerial sowing in the last four years. National forestation review results show that the aerial sowing effect rate was 32.3 percent in 2002, 43.4 percent in 2003, 24.6 percent in 2004, and 43.9 percent in 2005, the latter the highest since aerial sowing was first used in China.

But while the effect rate has increased, the area covered by aerial sowing has decreased.

Data from the SFA Forestation Department showed that, during the Eighth Five-Year Plan, aerial sowing reforested a total area of 4.036-million hectares. But this dropped to 3.33-million hectares during the Ninth Five-Year Plan, and to 3.11-million hectares during the Tenth Five-Year Plan.

China has desertified land covering 2.6362-million sq. km., sandy land of 1.73-million sq. km., and extensive barren mountains, land and sandy land needing forestation. In western China, sandstorm and arid lands are common and the soil erosion problem is serious. Western China has the weakest ecological environment in China, so artificial forestation in the area is very difficult.

According to the SFA, aerial sowing forestation has many advantages. The method can be employed easily, saves manpower, and requires little investment. Small airplanes can fly deep into remote mountainous and desertified areas, and the process quickly resumes vegetation, and the soil erosion and land desertification.

## Hohhot Baita Airport to expand terminal, runway

Hohhot Baita Airport, the largest airport in Inner Mongolia, will undergo expansion in celebration of the 60th year of the Inner Mongolia Autonomous Region.

The plan for expansion, due to be finished in 2007, includes an airport terminal building and runway, which will cost RMB 1.45-billion (USD \$181.21-million).

The expanded airport will have a 4E grade flight area that can accommodate the Boeing 747 aircraft. The new terminal building will have an area of 50,000 sq. m., which can accommodate three-million passengers yearly.

## Capital Airport Real Estate Company established

A new airport real estate company was formed on June 9th that can help companies with airport management and financial investment.

The Capital Airport Real Estate Company Ltd. is owned by the Capital Airport Holding Company, with a registered capital of RMB 1-billion (USD \$125-million).

General Manager Li Peiying says that the new company will develop real estate projects related to airports, and will have projects in Beijing, Guangdong, Hainan and Sichuan.

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## Tianjin selected as Airbus plant site

The Chinese government has approved the establishment of the final assembly plant for Airbus' A320 aircraft family in Tianjin.

Airbus and the National Development and Reform Commission of China (NDRC) made the announcement on June 8th, following the signing of the memorandum of understanding between the NDRC and Airbus in December 2005 to further upgrade cooperation between Airbus and China in the field of civil aviation.

Of the four cities considered for the plant, Tianjin has been selected after evaluation of factors including facility site and land, sea port proximity, airport characteristics, and labor and industrial capability.

The site selection is an important step, enabling the ongoing feasibility study to continue, with an objective of reaching a final decision on the establishment of the plant by the end of September of 2006.

Plant operation is expected to start in 2008 with a production quota of four aircraft by 2011.

Cooperation between Airbus and China has increased steadily in recent years. This includes parts procurement and the establishment of the Airbus (Beijing) Engineering Centre, which was inaugurated in July of 2005 with a target of 200 Chinese engineers by 2008.

A participation of up to five per cent of airframe content in the A350 program is being proposed to the Chinese aviation industry, with specific design of the parts to be manufactured in China.

## Sikorsky, China Aviation sign deal on helicopters

China Aviation Industry Corp. II (AVIC II) and Sikorsky Aircraft signed a memorandum of understanding on June 1st for the development and manufacture of civil helicopters.

Under the agreement, AVIC II and Sikorsky will discuss helicopter manufacturing, assembly, flight test, engineering design and analysis, and new product development in the light, intermediate, and medium classes.

The companies will also explore establishing Changhe Aircraft Industry Corporation under AVIC II as a second source for the S-76 helicopter airframe.

"We look forward to exploring many potential projects with AVIC II for both the Chinese and international marketplace. We are excited about the opportunity to execute

projects outlined in the current MOU that create additional areas of cooperation in the future," said Carey Bond, Sikorsky vice president for corporate strategy and advanced programs.

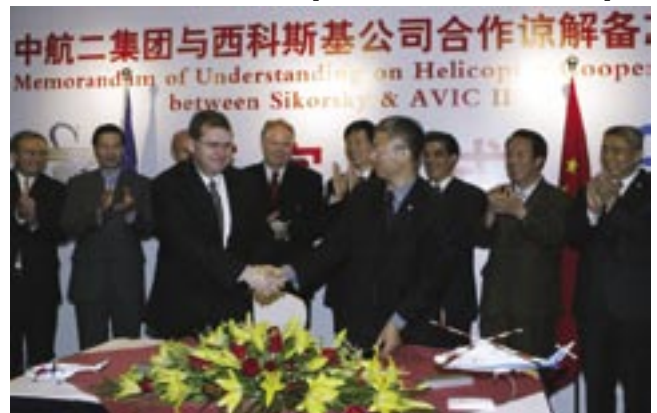
According to Steve Estill, Sikorsky vice president and chief marketing officer, "China is a dynamic country, AVIC II is a company with great technical capabilities, and Sikorsky Aircraft is an international company committed to developing business relationships and strategic partnerships globally."

Other potential business opportunities between the companies include after-sales support and pilot training for the Chinese

market.

"We see this MOU as another step toward opening up new markets and business opportunities for both Sikorsky and AVIC II globally. These cooperative agreements will also have a positive impact on Sikorsky's core business in the United States," Estill said.

Sikorsky's business relationship with AVIC II dates back more than a decade to the development of the S-92A helicopter,



Xianping Ni, AVIC II deputy chief engineer (right) and Carey Bond, Sikorsky vice president for corporate strategy and advanced programs, shake hands after signing the memorandum of understanding.

the world's newest medium-lift helicopter. Changhe, an AVIC II subsidiary, manufactures the S-92A tail pylon.

Shi Jianzhong, vice president of AVIC II, said: "AVIC II and Sikorsky have established a good relationship of mutual trust over a collaboration of 12 years. We share a common wish to expand our cooperation in civil helicopters. We see great potential for future collaboration."

The US-based Sikorsky Aircraft Corporation, a subsidiary of United Technologies Corp., is a world leader in helicopter design, manufacturing, and service.



## Shenzhen Airlines takes over Changzhou Airport

Shenzhen Airlines has taken over the management of the Changzhou Airport in Jiangsu province with the establishment of the Changzhou Airport Corp. Ltd., which is 90-percent owned by the airline.

On May 18, Shenzhen Airlines also inaugurated its new branch in Chanzhou. The ceremony was attended by Li Kun, vice chairman and president of Shenzhen Airlines Co., Ltd.; Xiao Liyuan, deputy director of the East China administration of the Civil Aviation Administration of China; and Wang Weicheng, Wang Zhengping and Ding Guoliang, officials of Changzhou.

Changzhou is the second base established by Shenzhen Airlines, having

opened the first base in Wuxi Airport.

Shenzhen Airlines Co., Ltd. is the biggest privately-held airline corporation, aiming to increase its fleet from 35 to 160 airplanes over the next nine years.

The number of flights at Changzhou Airport has developed from the initial two air routes and six flights a week to the current four air routes to Shenzhen, Guangzhou, Shenyang and Harbin, and 28 flights a week.

In April, Changzhou Airport posted passenger traffic volume of 42,896, an increase of 30.28 percent compared to the same period last year, and an increase of 70 percent compared to March.

## Great Wall Airlines commences operations

The East China Regional Administration of the Civil Aviation Administration of China (CAAC) has awarded Great Wall Airlines its air carrier operation certificate and operations regulation, formalizing the start of the airline in the cargo business in China.

Great Wall Airlines is the first joint-venture company by a Chinese company and a foreign investor to be approved by the CAAC.

Great Wall Airlines, based in Shanghai, has a total investment of RMB 1.2-billion (US \$150-million) and registered capital of RMB 1-billion (US \$125-million). It is 51-percent owned by China Great Wall Industry Corp., 25-percent by Singapore Airlines Cargo and 24-percent by Singapore's Dahlia Investment.

The cargo airline will have Shanghai

Pudong International Airport as its main operation base, and will use two Boeing 747-400 freighter aircraft for its international and domestic air cargo and mail transport business.

The CAAC has approved Great Wall's three international freight air routes: Shanghai-Amsterdam, Shanghai-Singapore and Shanghai-Bombay/Chennai.

"The commencement of operations by Great Wall Airlines signifies the further development of the air cargo industry in China. We are confident that Great Wall Airlines is well positioned to meet the needs of businesses as a result of the burgeoning Chinese economy and the booming trade between China and the markets in Europe, USA and Asia." said Goh Choon Phong, president of Singapore Airlines Cargo.



Boeing delivers new plane to Shanghai Airlines. The Boeing Company, in conjunction with the International Lease Finance Corp., delivered on May 18 to Shanghai Airlines its new Next-Generation 737-800, the 600th Boeing aircraft delivered to ILFC. The aircraft is ILFC's 11th 737 leased to Shanghai Airlines. Established in 1985, Shanghai Airlines operates 39 Boeing jetliners including 20 Next-Generation 737s, 13 757-200s, five 767-300s and one MD-11 freighter. The carrier operates more than 100 domestic routes and six regional services to neighboring countries and areas in Asia.

## Ameco Beijing elects new chairman

Ameco Beijing elected Ma Xulun, president of Air China, to succeed Li Jiexiang as board chairman of Ameco Beijing during the 35th Ameco board of directors meeting. According



Ma Xulun is the new president of Ameco Beijing.

to Ameco Beijing, Li, general manager of China National Aviation Holding Co., resigned from his post.

Ma has been with Air China since December 1998, first as vice president, then as president since October 2004. Ma, who graduated from Shanxi University of Finance and Economics, specializes in economy management and capital operation.

# Flying High

## Boeing keeps its foothold in China

### EDITOR'S NOTE:

Since 1978, China's civil aviation has leaped forward with unprecedented growth. In the next five years, Chinese aviation authorities expect passenger and cargo volumes to double. This fast-paced growth is attributed to the liberalization of the Chinese aviation market and the influx of companies in China that fuel the drive. Starting with this issue, the China Civil Aviation Report will write about the major players in the aviation market in China that have contributed to the development.

By JONATHAN M. HICAP

Since the 1970s, every Chinese leader who went to the United States for an official visit had also dropped by Everett, Washington, to visit the facility of leading aircraft manufacturer Boeing Co.

Likewise, Chinese President Hu Jintao's four-day state visit to the US in April, since becoming president in 2003, included paying a visit to Boeing's Everett plant in the Evergreen State. The visit underscores the growing economic relations between China and Boeing in the last 34 years.

"President Hu's visit to Boeing underscores the deep and trusting relationship that can only be developed by years of working together," Boeing China spokesman George Liu told the China Civil Aviation Report.

China is the second largest market in the world for new commercial airplanes over the next 20 years. The International Air Transport Organization (IATA) predicted China to be the fastest growing passenger market in the world until 2008 with an average annual growth rate of 12.5 percent.

Because of this huge potential for growth, other aircraft manufacturers are trying to penetrate the Chinese market.

### Capturing the market

China and Boeing reciprocate economic activities through airline purchase and supply agreements and training. China made its first purchase of Boeing aircraft in 1972, when it ordered 10 Boeing 707s. The agreement was sealed the same year that US President Richard Nixon visited China.

Today, Boeing has captured the majority of China's market. As

of the first quarter of the year, Boeing has provided 61 percent of China's commercial jetliner fleet, according to Liu.

"Commercial aviation is crucial to China's economic growth," said Liu, adding that China is experiencing "rapid airline growth—a time during which China has achieved high marks for aviation standards and set new expectations for the future."

### Continued growth

Boeing's market outlook for China and Asia in the next 20 years projects that more new aircraft and infrastructure are needed. Between now and 2024, China will require over 2,600 new airplanes, worth USD \$213-billion. Of these aircraft, 1,678 will be single-aisle, 568 twin-aisle, 293 regional jets and 73 larger-size airplanes.

Liu said the high demand for airplanes in China is due to the "increasing affluence among the Chinese people and an increased desire to travel within China and to neighboring countries."

Figures from the World Tourism Organization showed that from January to April this year, there were 236-million international tourist arrivals worldwide, more than 10-million compared to the same period last year.

The Asia and the Pacific region posted a 7.5 percent increase, "one of the strongest among world regions," the WTO said.

"Arrivals climbed by 7 percent in North-East Asia, with the Chinese territories of Macao (+21 percent) and Hong Kong (+12 percent) leading the way, boosted by the continued liberalization of travel from mainland China," the organization said in a statement. Based on WTO data, 31-million Chinese made international trips in 2005 and 91 percent of them chose an Asian destination.

The development of airports is included in the proposed 11th Five-Year Plan from 2006 to 2010 of the Chinese government. Among these are the expansion of the airports in Beijing, Shanghai, Guangzhou and 7 others, and the relocation of Kunming and Hefei airports.

Boeing predicts that, until 2024, "China is and will remain the largest market outside the United States for new commercial airplanes." Not only that: China's air cargo traffic will grow at an average rate of 10 percent and its domestic market by 8.8 percent annual growth in the forecast period.

China's domestic and international air transportation market will grow 7.8 percent yearly, said Liu.

"Boeing projects air travel growth will outpace the increase in China's gross domestic product," said Liu.

In Asia, Boeing says that 7,200 new airplanes will be needed



In 1993, China's President, Jiang Zemin toured Boeing's Everett factory.

until 2024 with a tag price of USD \$770-billion as the Asia-Pacific region remains the largest market outside North America for new commercial planes. The company predicts that the Asia-Pacific region's total aircraft fleet will triple to 8,600 by 2024, based on the growth rate in air travel and air cargo markets.

### Making its presence felt

Besides aircraft manufacturing, Boeing has invested significantly in the aviation market in China in the last 30 years. These include industrial cooperation, commercial aviation cooperation, joint venture agreements, and training and support.

Two years after the opening of relations between China and the US in 1978, Boeing China was established in Beijing in 1980 with only one field-service representative. Today, Boeing has 170 employees in China and more than 3,100 in Boeing-related companies.

In June of 2005, Boeing announced USD \$600-million worth of contracts with Chinese companies in the production of airplane components, including contracts for the new Boeing 787 Dreamliner. According to Boeing, 3,900 of its 10,600 planes in the world were made with parts and assemblies built in China. For its Next Generation 737 aircraft, for example, Boeing sources its components from Xi'an, Shanghai, Shenyang, Chengdu and Tianjin.

Boeing also said that China has an "important role" in the manufacture of the B-787 Dreamliner. Chinese companies will supply the different parts and components. For the first time, China factories have been selected as exclusive providers. Boeing also has stakes in Taikoo Aircraft Engineering Co. in Xiamen; and BHA Aero Composites Co. in Tianjin.

### Safety and training

As China's aviation growth continues at an unprecedented rate, safety and efficiency are at the forefront of issues being addressed by authorities.

"Safety has been identified as the first priority of the aviation development by the Civil Aviation Administration of China," said Liu.

Boeing says that it has been helping the CAAC and Chinese airlines on the issues of aviation safety. The Required Navigation

Performance (RNP) system was introduced to help the Chinese aviation industry develop its navigation network with enhanced safety and increased airline operational efficiency.

Since 1993, Boeing has trained about 32,000 Chinese pilots, flight operators and other aviation professionals with emphasis on safety and quality. Boeing's Alteon Kuming Flight Training Center provides training to pilots and cabin crew. Boeing also has a total of 42 flight simulators in China.

Liu says that Boeing and the Washington Consulting Group(WCG) conducted China's civil air traffic transition plan for 2006 to 2010. The Boeing-WCG joint team worked closely with the CAAC air traffic management bureau to review the five-year plan and assess the air traffic control systems in China.

### Into the future

Boeing is keeping pace with the aviation growth in China, charting its future by trying to keep its market share.

Liu says that the company intends to "meet the needs of our airline customers and fulfill the large quantity of airplane orders placed by China."

In November last year, the China Aviation Import and Export Group Corp. signed an agreement to buy 70 Boeing 737-700 and 737-800 aircraft for USD \$4-billion. During President Hu's state visit to the US in April, China signed another agreement to buy 80 Boeing 737s. The CAAC estimates that by 2010, China will have a total of 1,580 aircraft.

In addition, Boeing China says that it will continue to work with China's aviation authorities to improve regulation and infrastructure. At the same time, it will enhance the capacities of its partners and suppliers in China under the "continued spirit of 'Working Together.'"

Boeing is set to establish a holding company in China to further boost its operations. It says that it "has a long term commitment in China. Boeing is committed to helping ensure safe, advanced commercial aviation in China."



Chinese President Hu Jintao and his wife, Madame Liu Yongqing wave at the crowd upon arriving in Washington in April.



## Ameco finishes upgrade of 9 Boeing 747-400 aircraft

Ameco Beijing has finished the cabin-upgrading project on nine Boeing 747-400 aircraft of Air China, eight months ahead of schedule. Ameco started the project in January 2005.

The aircraft have been deployed by Air China to its routes in Europe and America.

Ameco Beijing also finished the cabin-outfitting maintenance on Air China's two Boeing 747-400s on May 19 and June 9. Both aircraft have been in operation for over 20 years. This time, the maintenance task involved not only the upgraded

first and business, but all classes. It included repainting all the toilet bowls and slide covers; brushing galley closets and first-class bars; replacing dado panels, seats cover and carpets; cleaning the toilets, luggage trunks and inside panels; checking the screws on all fixed equipment such as meal tables; and checking the sign plates on life vests.

"Ameco Beijing has established an excellent cabin services team. It will help Air China to improve our services to the passengers," said Air China president Ma Xulun.

## Air China agrees to buy 24 Airbus A320's

Air China Ltd. announced on June 16th that it will purchase 24 Airbus A320 aircraft in a deal worth USD \$1.74-billion.

The aircraft will be delivered between 2007 and 2008 as part of Air China's plans to increase its fleet from the current 175 aircraft by the end of 2005.

The deal is part of the 150 Airbus aircraft that the Chinese government agreed to buy from Airbus at a total cost of almost USD \$10-billion.

"Although the Airbus aircraft (were) purchased with other aircraft under a

The deal worth USD \$1.74billion will increase Air China's fleet from the current 175.

package acquisition plan, the decision to purchase the Airbus aircraft was made independently by the company," said a representative of Air China.



## Air China's A330-200 makes maiden flight to Lhasa

Air China's Airbus A330-200 aircraft carrying 258 passengers made its maiden flight to Lhasa Gongga Airport in Tibet Autonomous Region on June 11th.

Two more A330-200 aircraft, equipped with high-performance engines, will be added to Air China's southwest branch on July 6th.

The A330-200 will be the main operating aircraft model for the Lhasa airport.

## Pan Asia Airlines to operate at Ningbo

Lishe Airport and Zim Integrated Shipping Services Ltd. of Israel signed agreements for the operation of Pan Asia Airlines at Ningbo Airport in Zhejiang province.

Pan Asia, with a registered capital of RMB 80-million (USD \$10-million), is a new private airline formed with the help of a foreign investor.

It is owned by Xiamen C & D Inc. (49 percent), Ningbo Nanyang Catering Equipment Manufacture Co. Ltd. (26 percent) and Zim Integrated Shipping Services Ltd. (25 percent).

The new airline will have a fleet of four aircraft, including two B737 jetliners and two B737-300F freighters.



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# CAAC Corner

## CAAC mulls easing policies for low-cost airlines

The Civil Aviation Administration of China (CAAC) is planning to ease policies, including ticket prices, to accelerate development of low-cost Chinese airlines.

In the 4th Annual China Air Finance Conference held on May 22, Shi Boli, deputy director of the CAAC Policy Department, announced that the CAAC is planning to gradually relax ticket prices and expand regional and tourism air routes.

The CAAC is considering controlling only the top passenger transport price for all flights. It is also trying to work out a flexible charging system for some airports to benefit airlines wanting to offer low-cost airfare.

Shi said that the CAAC would encourage low-cost airlines to fly to second-level domestic cities and the western central area to boost regional flights. To attract more airlines to open flights, the CAAC is considering giving fee privileges.

## China, Macao, HK forge deal on aircraft maintenance

The aviation authorities of China, Macao and Hong Kong signed an agreement on June 2nd for the mutual acceptance of approving aircraft maintenance units.

The document of cooperation arrangement was approved and signed by the Civil Aviation Administration of China (CAAC), the Macao Civil Aviation Authority (AACM) and the Hong Kong Civil Aviation Department (CAD).

The agreement is an expansion of a 2002 deal which covered only aircraft component maintenance. The new arrangement covers maintenance of an entire aircraft.

Under the agreement, maintenance units in Hong Kong, once recognized under the arrangement, will be allowed to maintain aircraft registered in mainland China and Macao without seeking additional approval from the CAAC and AACM.

Likewise, maintenance units in mainland China and Macao may maintain aircraft registered in Hong Kong without additional approval from the CAD.

Airlines are expected to benefit from the arrangement as they can have more choices on their maintenance contractors. This will reduce the duplication of approval and supervision activities, and will maximize the use of resources of both the regulators and the airline industry.

The CAD has entered into similar arrangements with Singapore and Canada, and is in active discussions with the regulators in other countries to establish similar arrangements.

There are currently 36 aircraft maintenance units in the three regions: 29 in mainland China, six in Hong Kong and one in Macao.

## CAAC opens aviation security institute

Underscoring the importance of security management, the Civil Aviation Administration of China (CAAC) launched the Civil Aviation Security Institute of China on May 24th.

The establishment of the institute is part of CAAC's vision to improve industry security management and promote security management system construction.



CAAC Minister Yang Yuanyuan (left) at the opening of the Civil Aviation Security Institute of China.

The institute will adopt strategies from western developed countries' civil aviation training units, and reorganize personnel in current departments and teaching, research and training units of the Civil Aviation Management Cadre University of China.

Departments established under the institute are the flight standard, airport security management, air traffic security management, aircraft airworthiness, aviation security, accident investigation and security information, security theory, and international cooperation.

The institute will also provide civil aviation industry security training work, mainly undertaking on-the-job training work of government security management and supervision personnel.

It will also provide on-the-job training for civil aviation enterprises' security management personnel and air traffic management personnel. The institute will gradually become a qualification and training center for civil aviation security management personnel, as well as a center for civil aviation security rules and foreign and domestic security management research and academic exchanges.

The institute will be headed by CAAC Minister Yang Yuanyuan as honorary president, and CAAC Vice minister Wang Changshun as president.

## Rolls-Royce, CAAC extend training deal to 2016

The Civil Aviation Administration of China (CAAC) and Rolls-Royce signed an agreement on June 7th to extend the aviation executive education program for another ten years, extending to 2016.

The Senior Executive Development Program has trained more than 500 Chinese managers since it was implemented in 1996.

Officials who attended the signing ceremony in Beijing were Minister Yang Yuanyuan and Vice Minister Yang Guoqing of the CAAC; Simon Robertson, chairman of Rolls-Royce; John Rose, chief executive of Rolls-Royce; and members of the Rolls-Royce board of directors in Beijing.

The ceremony followed the first Rolls-Royce board meeting to be held in China.

The new agreement, signed by Guoqing and Rose, will enhance the collaboration to develop outstanding managers for the Chinese aviation industry.

"The CAAC and Rolls-Royce launched this strategic training project ten years ago, and since then we have worked together to produce a large number of outstanding managers for our industry. This has made a great contribution to the rapid development of China's civil aviation," Yang said.

"The 'Top 300' is not only widely regarded as one of the best and most prestigious training programs in China, it is also recognized, by the governments of both our countries, as an outstanding example of international collaboration in the field of industrial education and training. Today we can look back on 19 completed courses which have trained more than 500 executives, many of whom are already occupying key posts in the CAAC and China's airlines," said Robertson.



CAAC Vice Minister Yang Guoqing (left) and John Rose, chief executive of Rolls-Royce plc, shake hands after signing the new education agreement as Minister Yang Yuanyuan (back left) and Simon Robertson, chairman of Rolls-Royce plc, look on.

The program, which has been highly successful in developing the next generation of senior managers in China, has benefited from the close working relationship between the Civil Aviation Management Institute of China (CAMIC) and Rolls-Royce.

It begins with a four-month phase of education at CAMIC, and is then followed by a four-week program with Rolls-Royce in the United Kingdom.





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