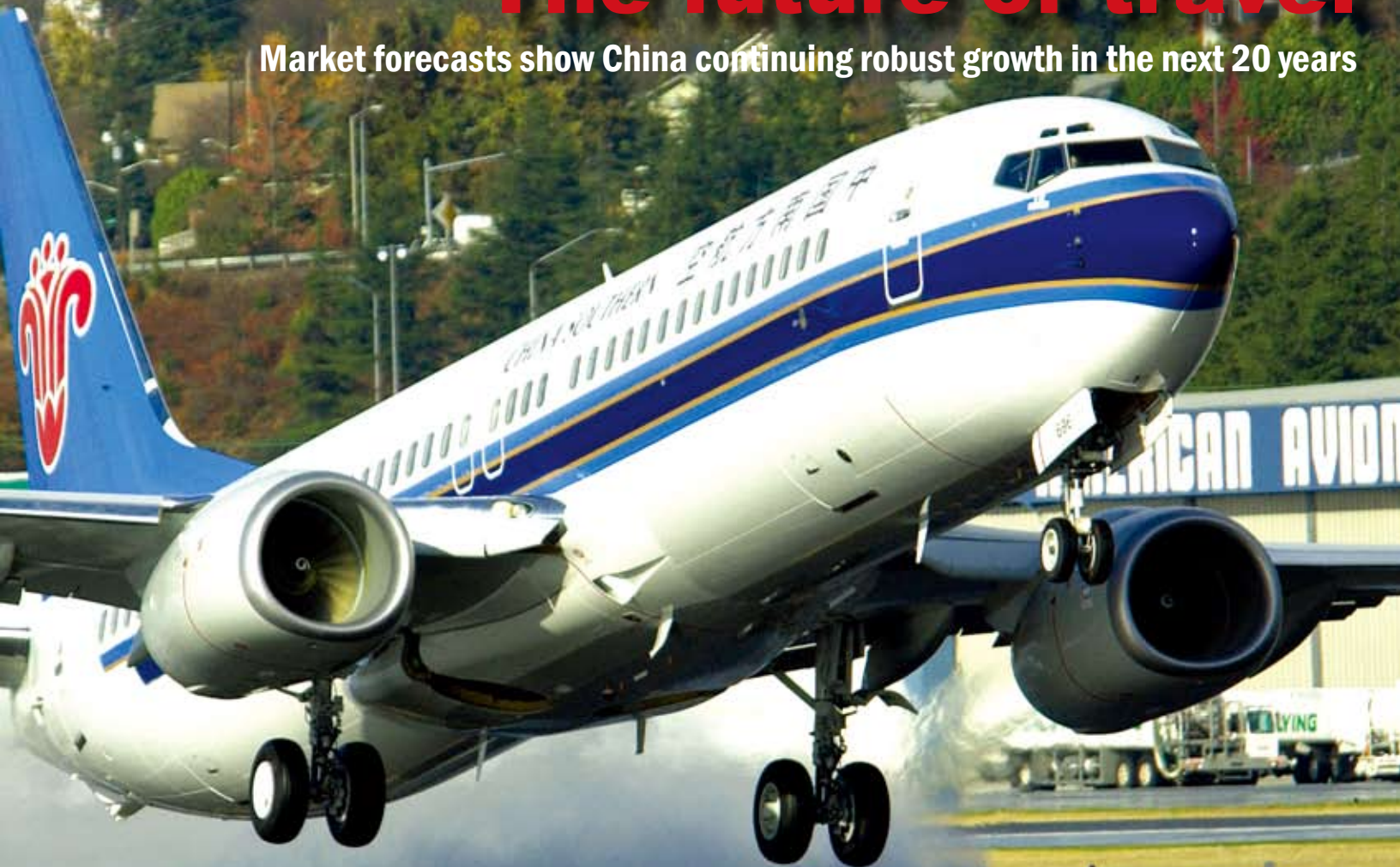


CHINA CIVIL AVIATION REPORT

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The future of travel

Market forecasts show China continuing robust growth in the next 20 years



Beijing Airport's profit up by 38% in H1
China completes order of 150 planes
Biggest hangar in Asia to rise in Beijing
Embraer, China sign \$2.7-B aircraft deal
Coverage of the US-China Aviation Summit

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From the Publisher's Desk

I attended the US-China Aviation Summit in Washington, DC last September and from what transpired, I knew that the continuing cooperation between the two countries on aviation is stronger than ever.

The Chinese delegation was led by CAAC Vice Minister Yang Guoqing and the US delegation was headed by US Senator Ted Stevens, chairman of the Committee on Commerce, Science and Transportation; USTDA Director Thelma Askey; and FAA Administrator Marion Blakey.

The summit gave the chance for China to present what it has accomplished in terms of aviation security and safety, and improving air traffic management. Its plans for the next few years were also presented.

For its part, the US declared its commitment to help China in the use of new technologies to further improve the aviation sector.

The summit underscored the role of China and the US in the world aviation market. China's aviation industry is growing at unprecedented rate and the US is still the top aviation market.

Recent market forecasts have declared China as the leading growth area in passenger and cargo in the next 20 years and China needs all the improvements it can get to meet the demand.

The cooperation between the US and China will help in realizing China's goals in aviation.

九月份我在华盛顿特区参加了中美航空峰会，在此，我了解到两国之间的持续性航空合作将比以往更多。

中方代表团由中国民航总局杨国庆副局长带队，美方代表团则由美国贸发署署长Thelma Askey女士及美国联邦航空局局长Marion Blakey女士联合带队。

该峰会向中国介绍了航空安全与安保的最新发展，以及提升的空中交通管理。介绍还包括了今后几年的计划。

在此，美国表达了愿意协助中国推进未来航空领域的发展时应用最新科技。

该峰会凸显了中国与美国在世界航空市场上的地位。中国航空工业正以空前的速度向前发展，而美国仍位居航空市场的首位。

最近的市场预测公布中国近二十年内的客运与货运增长持续领先，中国需要不断改进以满足该需求。

中美之间的合作将帮助中国航空目标的实现。



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Aviation Headlines

Beijing Airport posts 38% increase in profit in H1

Beijing Capital International Airport Co. Ltd., which operates the Beijing Capital International Airport, reports its net profit for the first half of the year reached RMB 555.17 million (about US \$70.05 million), an increase of 38.58 percent, compared to the RMB 400.61 million (about US \$50.55 million) profit in the same period last year, based on its unaudited financial results.

The increase in net profit was attributed to operating revenues which increased to RMB 1.43 billion (US \$180.96 million) from RMB 1.35 billion (US \$171.51 million) last year and a 14.56-percent



decrease in operating costs from RMB 738.94 million (US \$93.24 million) last year to RMB 631.37 million (US \$79.66 million) this year.

Air traffic volume at the Capital Airport posted double-digit growth over the same period last year.

For the first half of the year, the airport registered total passenger volume of 22.55 million, higher by 20.4 percent, compared to last year's volume of 18.72 million. Freight throughput also increased to 429,234 tons in the first half of 2006, an increase of 19.5 percent. Aircraft movements rose to 179,422 from 163,089 last year.

BCIA reports, as of June this year, 64 airlines are operating at the Beijing Airport consisting of 49 foreign airlines,

12 domestic airlines and three airlines from Hong Kong and Macau.

Net aeronautical revenues from aircraft landing fees, passenger charges and airport fees for the first six months rose to RMB 1.05 billion (US \$132.69 million), up from RMB 916.39 million (US \$115.63 million) last year. Net non-aeronautical revenues from ground handling, advertising, air catering and rentals reached RMB 326.85 million (US \$41.24 million).

"Generally speaking, it is expected that the growth of air traffic volumes at Beijing Airport will continue for the second half of 2006, which will further increase the company's aeronautical and non-aeronautical revenues," BCIA says in its financial report. BCIA is headed by Wang Zhanbin, chairman and executive director.

China completes order of 150 new planes

China has completed its order of 150 Boeing Next-Generation 737s, scheduled for delivery between this year and 2010.

Boeing Co. announced on September 14 that it confirmed the order of Hainan Airlines for 15 737-NGs to complete the total order by the China Aviation Supplies Import and Export Group Corp., the service provider for the Chinese aviation industry.

Last November, CASC Group announced that it would buy 150 airplanes. The first 50 orders for 737-NG were made last December, and another 20 last January.

Seven Chinese airlines—Air China, China Eastern Airlines, China Southern Airlines, Shandong Airlines, Shanghai Airlines, Shenzhen Airlines and Xiamen Airlines—placed 65 orders for the plane earlier this year.

The 150 orders are valued at US \$10

billion, based on list prices.

Based on the 737-NG models, Air China ordered 25 737-800; China Eastern Airlines, 14 737-700 and six 737-800; China Southern Airlines, 12 737-700 and 18 737-800; Hainan Airlines, 25 737-800; Shandong Airlines, 12 737-800; Shanghai Airlines, three 737-700 and 10 737-800; Shenzhen Airlines, 10 737-800; and Xiamen Airlines, 15 737-800.

Boeing says that the 737 is "ideally suited for the Chinese market and represents a large portion of the country's fleet."

Of the 529 Boeing airplanes in China's fleet, 394 are 737 family aircraft, comprising 41 percent of China's total fleet.

"It is gratifying to partner with Chinese airlines in their quest to achieve profitability and to provide their passengers with reliable, comfortable service," said Rob Laird, vice president of China Sales-Boeing Commercial Airplanes.

Boeing further says that the 737 is the world's best-selling commercial jet airplane, with more than 6,500 ordered by 236 customers



Guilin airport's runway expanded

The Guilin Liangjiang International Airport can now accommodate the takeoff and landing of the Airbus A380 after its runway was expanded, which cost RMB 37 million.

The runway was expanded in time for the China-ASEAN Expo to be held in October, and as an alternative landing for various large jetliners.

The expansion project increased the runway's length from 2,800 m. to 3,200 m. The airport will be the primary alternative of Guangzhou Baiyun Airport to ensure the safe landing and takeoff of special jets of world leaders who will attend the commemorative

summit for the 15th anniversary of the establishment of relations between China and the Association of Southeast Asian Nations, the 3rd China-ASEAN Expo, the 3rd China-ASEAN Business and Investment Summit, and the 8th Nanning International Folk Song Arts Festival.

The expansion project also shaved off six hilltops in the north of the airport runway to decrease their height to ensure security of landing large jetliners. The highest hilltop is now 8 m. lower.

Guilin airport posted passenger traffic of 2.92 million in the first half of the year, up by 17 percent compared to the same period last year.

Biggest maintenance hangar in Asia to rise in Beijing

The Aircraft Maintenance and Engineering Corporation (Ameco Beijing) will build Asia's biggest line maintenance hangar in Beijing, to be completed and used before the 2008 Olympic Games.

Ameco held the groundbreaking ceremony of the hangar on September 22. The hangar, costing RMB 700 million (about US \$88.39 million), will be finished in March of 2008, five months ahead of the Olympics, slated from August 8 to 24, 2008.

The hangar will have a span of 176m+176m, a clear span of 350.8m, a depth of 110m and a lower chord height of 30m, making it the biggest aircraft line maintenance hangar in Asia and among the largest worldwide.

Ameco's hangar will have a total floor area of 70,437 sq.m., and will be located north of Beijing Capital International Airport Terminal 3. The hangar can simultaneously hold six wide-body and

four narrow-body aircraft, and is able to accommodate all kinds of Boeing and Airbus, up to the size of an A380.

Ma Xu Lun, president of Air China, said at the ceremony that "the total

traffic volume of Chinese civil aviation industry ranks second globally, which provides a great opportunity for Ameco to enhance its maintenance business."

Ameco maintains over 100 aircraft of Air China.

"As a shareholder standing behind the development of Ameco, Lufthansa is willing to participate in the future of Ameco," said Wolfgang Mayrhuber, CEO of Lufthansa.

"The construction (of the hangar) will place Ameco Beijing in a very advantageous position in the MRO competition with Beijing as hub," said Chai Weixi and Dr. Hans Schmitz, general managers of Ameco Beijing.

Ameco Beijing is owned by Air China and Lufthansa.



Ameco's hangar can accommodate large aircraft like the Airbus double-decker aircraft, the A380

China, Belgium sign air transport agreement

China and Belgium signed a memorandum of understanding in Beijing in August to expand the air transport agreement between the two countries.

The two countries opened flights between them in 1992, but stopped after a few years. In July, Hainan Airlines and Brussels Airlines opened the Beijing-Brussels route with four flights weekly. Belgium TNT Airlines is planning to open cargo flight to Shanghai by the end of the year.

Beijing Airport's Olympics operation discussed

China's Air Traffic Management Bureau, under the Civil Aviation Administration of China and Boeing Co. conducted a symposium from August 21 to 25 to discuss air traffic management for the three Beijing Airport runways that will be used during the 2008 Olympic Games.

The meeting was presided over by Yang Honghai, vice director of ATMB's Airspace Department, and attended by Wang Liya, vice director of ATMB-CAAC; Duan Shili, vice director of the North China Regional Administration of CAAC; Jia Xingfu, vice director of North China Regional ATMB; and 17 experts from China's civil aviation and Boeing Co.

The experts discussed the flight operations of the Atlanta airport in Georgia which also has three runways similar to those of the Capital Airport. The evaluation included Beijing airport's airspace plan, flight procedures, air traffic management direction and the plan to build a new terminal building.

Three operation modes were compared and selected as key study plans. Millions of people are expected to go to Beijing during the Olympics and civil aviation authorities are drawing up plans to assure on-time flights and avoid delays.

China, Embraer seal \$2.7-B deal for 100 planes

China's HNA Group signed an order on August 30 with Embraer for the purchase of 50 ERJ 145s and 50 Embraer 190s, valued at US \$2.7 billion.

The delivery of the 50-seat ERJ 145s will start in September of next year. The ERJ 145 will be produced by Harbin Embraer Aircraft Industry, a joint venture company based in Harbin, Heilongjian province, of Embraer and China Aviation Industry Corporation II (AVIC II).

The Embraer 190s will be delivered starting in December of 2007, and will be manufactured in San Jose dos Campos, Brazil. The 106-seat Embraer 190 will be configured for single class service.



Embraer 190 jet

"We are delighted to make public this deal which confirms the correctness of our vision and Embraer's long-term strategy to become an important player in the Chinese market," said Mauricio Bothelho, Embraer chairman, president and CEO. He added that the Embraer 190s will be part of HNA's plan to expand to medium-density markets.

Zhang Hongbian, AVIC II president, said that the deal will expand the regional air transportation market in China.

"In addition, the deal that was sealed today will push forward the booming of both the regional jet manufacturing business and the regional air transportation market in China," said Zhang.

The introduction of the ERJ 145 and the Embraer 190 is expected to improve China's domestic route network by deploying a mixed fleet on thin routes or to open new markets, and is seen as boosting the economy of small and medium cities in West and Northeast China.

"HNA Group is operating the biggest fleet of regional jets in China," said Chen Feng, chairman of the HNA Group.

Southeast Yunnan's first civil airport now open

The Wenshan Puzhehei Airport in Yanshan County in Yunnan province was opened on August 30, filling a void in civil aviation in the province's southeast area.

The airport is 23 km from the provincial capital of Wenshan Prefecture. With a 4C grade flight area, the airport's runway is 2,400 m. long and 45 m. wide, and is able to accommodate the takeoffs and landings of Boeing 737 aircraft.

The terminal building was designed to meet the expected passenger traffic of 150,000 and cargo volume of 1,100 tons by 2010.

The airport's construction began in April 2004 with a total investment of over RMB 300 million.

Wenshan Zhuang and Miao Autonomous Prefecture is in the southeastern part of Yunnan and borders Guangxin province in the east and Vietnam in the south. Wenshan is known as a pioneer in producing traditional Chinese medicine Sanqi.

Wenshan Puzhehei airport is operated by China Southern Airlines. Initial plans call for four roundtrip flights per week covering the Nanning-Wenshan-Kunming route.



Greeters welcome a flight at the Wenshan Puzhehei Airport

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Commercial Aviation *News*

China Southern completes fifth freedom flight

On September 6, China Southern Airlines charter flight CZ458 returned to Guangzhou Baiyun Airport from Dubai. The airline used its fifth freedom right to fly the Pudong-Bombay-Dubai route—the first time for a domestic airline.

The fifth freedom right allows an airline to enplane traffic at one foreign point and deplane it in another foreign point as part of continuous operation also serving the airline's homeland.

Russia, China to develop aircraft

Russia and China have agreed to jointly develop large transport aircraft and trainer based on a cooperation plan endorsed by the two countries.

Andrei Reus, deputy minister of industry and energy of the Russian Federation, confirmed the cooperation plan during his visit to Beijing in September. The plan, which will be implemented from 2007-2010, involves cooperation of projects such as civil aircraft, helicopter, aviation materials and flight security.

“We talked with Chen Yuan, Governor of China Development Bank. The participation of finance department shows the profitability of cooperation project,” Reus said.

The previous agreement to sell transport aircraft to China will also be implemented although it was not known if the aircraft would be for civil aviation or the military.

Reus led the Russian delegation in attending the first session of the Subcommittee on Cooperation in the Field of Civil Aviation and Civil Aircraft Manufacturing where he is the co-chairman. The subcommittee was established by Russian President Vladimir Putin and Chinese President Hu Jintao when Putin visited China this year.

Korean Air, Sinotrans Air form cargo company

Seoul-based Korean Air signed a contract on September 19 with Sinotrans Air Transportation Development Co. Ltd to form a joint venture cargo company in China. Sinotrans Air is a subsidiary of Sinotrans Ltd, China's biggest logistics company.

The new cargo company will allow Korean Air to expand its operations in China. The new company will have a total capital of US \$65 million. Sinotrans Air has a 51-percent stake in the new cargo company with Korean Air holding 25 percent, Hana Capital with 13 percent and Shinhan Capital with 11 percent.

The contract will be for 30 years, and the joint venture will operate in Chinese domestic, international airfreight transportation and related businesses.

Korean Air will send people its people to act as the chief executive officer and chief financial officer of the joint venture.

The cargo company will start operating in China by the second half of 2007 initially using three freighters with the aim of becoming China's top cargo carrier.

Korean Air said China's logistics market is the fastest developing market in the world, growing at a rate of nearly 30 percent each year.

“In addition to the fact that this contract brings China's largest logistics company and the world's top commercial cargo carrier together, the combination of the two companies' extensive networks will generate tremendous synergy effects. Using this joint venture as momentum, Korean Air will aggressively push forward to bolster our top position in the world cargo industry by actively invading the Chinese logistics market which will soon become the world's greatest,” said Yang-Ho Cho, Korean Air chairman and CEO.





The future of travel

Market forecasts show China continuing robust growth in the next 20

By JONATHAN M. HICAP

Despite the volatile prices of jet fuel in the world market, intense competition and the continuing threat of terrorism, world passenger traffic will grow at an average rate of 4.9 percent in the next 20 years, with China garnering the highest annual growth rate of 8.8 percent.

Boeing's 2006 Current Market Outlook also projects that from now to 2025, cargo traffic growth will average 6.1 percent per year, hinging on the worldwide average economic growth of 3.1 percent per year.

In air travel growth by region, China will be followed by Latin America with 6.9 percent; Middle East-Asia Pacific, 6 percent; Transpacific, 5.8 percent; Europe-Asia Pacific, 5.5 percent; Asia-Pacific, 5.4 percent; Europe-Latin America, 5.1 percent; Africa-Europe, 5 percent; North America-Latin America, 4.9 percent; North Atlantic, 4.5 percent; North America, 3.6 percent; and Europe, 3.4 percent.

"Overall, long-term growth will be strong," according to the Boeing forecast.

The maturing intra-North America market share of world traffic will decrease from 24 to 18 percent, while the intra-Asia Pacific including China will increase from 17 to 23 percent, the forecast indicates.

In its 20-year forecast, Airbus predicts that, from 2004 to 2023,

world passenger traffic will increase by 5.3 percent per year.

Airbus says demand for travel in China has increased dramatically due to economic growth and the increase in disposable income.

"Chinese disposable income has grown tenfold in two decades and reached the first domestic travel threshold in 1990. The Chinese government's emphasis on raising personal income and consumption, and its focus on foreign trade as a major vehicle for economic growth, have served to increase demand for air transport dramatically," the Airbus forecast says.

In its forecast, Airbus predicts that China and India will become the main markets for growth in air travel based on the forecast of IATA.

"Their combined purchasing power could be five times greater than that of the United States of America today," it says.

According to Airbus, US citizens average 2.2 air travels per year, while the Chinese make 0.02 trips per year.

"There is therefore huge potential for air travel growth by these and other emerging and developing countries, as wealth grows and air travel becomes affordable by more and more people."

The growth of international tourism is rising. This will increase the demand for air travel. Airbus says the World Tourism Organization predicts that about 100 million Chinese will travel abroad by 2020, making China the fourth largest country for outbound tourists.

The International Air Transport Association (IATA) said last year that China “will still be the major engine for air traffic growth in the (Asia-Pacific) region.”

“China, which is consolidating its role as the engine of growth in the region, should be at the center of air traffic developments, with travel growing quickly along its expanding trade routes,” says IATA, the association of 265 airlines.

From 2005 to 2009, according to IATA, China will have a 9.6 percent average annual growth rate in international traffic, the second highest after Poland. China tops all countries in international cargo growth rate with 14.4 percent.

In the first half of 2006, China carried 73.99 million passengers, higher by 17.5 percent. Cargo and mail volume reached 1.56 million tons, up by 11.5 percent. China is touted to become the second largest aviation market after the United States by 2020.

More new planes needed, but which model?

Boeing: 27,200 new planes needed

Boeing predicts that 27,200 new aircraft are needed in the next 20 years, valued at US \$2.6 trillion. With the passenger and cargo growth, total fleet will grow from 17,300 to 36,000. Of the total new aircraft needed, 65 percent will be for the traffic increase, while the remaining 35 percent will replace retired and converted planes.

It says single-aisle airplanes will make up the bulk of new deliveries in the next 20 years at 16,500. Regional jets are those with 90 seats or fewer; single-aisle, 100-240 seats, dual class; twin-aisle, 200-240 seats, tri-class; and 747 and larger, over 400 seats, tri-class.

Boeing says airlines will augment their fleet using mid-size twin-aisle planes to serve short-density routes, including in Asia. The 400-seat aircraft will comprise only about 3 percent of the total new planes needed.

The forecast says 88 percent of the 27,200 needed planes



will be delivered to Asia-Pacific, North America and Europe. On monetary value, Asia-Pacific will be the largest market at 36 percent.

Boeing also sees cargo fleet doubling in the next 20 years from 1,700 to 3,560 planes, with 3,000 new freighters needed at a value of US \$169 billion. About 75 percent of the new cargo planes needed will come from modified passenger and combi planes. About 62 percent of all new freighters needed will be in the wide-body categories.

Airbus: 21,759 planes in service by 2023

Airbus says passenger aircraft will double to 21,759 by 2023 from 10,838 in 2003. It further says the number of frequencies will more than double and average seats per aircraft will increase from 181 to 215.

“Two-thirds of new deliveries will be single-aisle types in nominal-size categories from 100 to 210 seats,” the aircraft maker says.

It predicts that by 2023, airlines will be using 1,262 very large passenger aircraft and 996 large freighter.

“62 percent of the world fleet of very large passenger aircraft will be operated by the airlines of the Asia-Pacific region alone,” Airbus says.

About 17,328 new passenger aircraft and cargo planes will be worth about US \$1.9 trillion. Single-aisle aircraft will comprise the bulk of business generated from the deliveries.

“The greatest demand for passenger aircraft will come from the airlines in the United States, the People’s Republic of China and the United Kingdom.”

In the Top 10 end-user countries as of 2004, the highest number of aircraft delivered went to the US with 5,210, worth US \$412.7 billion, followed by China with 1,790 (US \$241.7 billion) and the UK with 1,150 (US \$119.20 billion).

Airbus and Boeing see China as the emerging growth market in air traffic. With charging economic growth and the development of its own aviation infrastructure, China will emerge as the fastest growing market in the world.

U.S.-CHINA AVIATION SUMMIT

2006 中美航空峰会

AVIATION SYSTEM TO MEET TOMORROW'S CHALLENGE
建设今日的航空系统以迎接明日的挑战



Vice Minister Yang Guoqing of the CAAC talks about China's progress in aviation at the opening of the US-China Aviation Summit.

Yang stresses

Vice Minister Yang Guoqing of the Civil Aviation Administration of China (CAAC) underscored the continuing cooperation between China and the United States in civil aviation in the last five years in training, as well as security and safety issues.

Yang led Chinese delegates in the US-China Aviation Summit held in Washington, DC from September 18-19 sponsored by the US Trade and Development Agency. The last US-China summit was held in Beijing in April 2004.

In his plenary speech, Yang said since 2000, the US Trade and Development Agency has awarded funding grants to projects such as the civil aviation strategy study for China's civil aviation in southeast, northwest and east China; a training project for flight standard supervisor; and a new flight system implementation plan and study.

He said the CAAC and USTDA established in 2004 the China-US Aviation Cooperation Program (ACP) to commit to help China civil aviation improve its level of security management. Both also established the Aviation Group of China-US Joint Commission on Commerce and Trade (JCCT), which establishes an annual plan.

Other summit delegates from China included representatives from the CAAC's Air Traffic Management Bureau, CAAC's Center of Aviation Technology of CAAC, airlines, airports, National Development and Reform Commission, National Airspace Management Commission, and China Aviation Industry Corp. 1 and 2.

Yang said in recent years, the CAAC, the US Federal Aviation Administration and the US aviation industry developed extensive cooperation on aspects such as aviation security management, regulations, and training.

Stable exchange systems have been established, such as the meetings by the China-US Flight Standard Operation and Maintenance Security Direction Commission, China-US airworthiness exchange, and China-US Joint Air Traffic Cooperation Steering Group (JATSG).

China is facing an enormous aviation infrastructure challenge as it strives to balance air service quality, airport efficiency, flight security, and airspace management.

Specific plans for upgrading the sector are outlined in China's current five-year plan (2006-2010), which stresses the importance of advanced technologies for a reliable air traffic control system. Other priorities in CAAC's planning for the sector include expanding airport facilities, installing airport security and monitoring systems, establishing an information technology network to synchronize airport operations, and enforcing airworthiness certification and regulatory systems.



Yang Guoqing meeting with Director Thelma Askey of the US Trade and Development Agency and Administrator Marion Blakey of the US Federal Aviation Administration during the summit.



US Congressman James Oberstar, ranking member of the US House Transportation and Infrastructure Committee, gives his speech at the official dinner.



Li Qiguo, assistant to the director general of the CAAC Air Traffic Management Bureau, giving his speech.

China-US aviation cooperation



Deputy Director General Wang Liya of the CAAC Air Traffic Management Bureau giving his presentation as panel speaker

Both the US and China will reinforce cooperation on seven aspects—flight standard, air traffic management, aircraft airworthiness, airport security management, training, security data, and plan and finance to improve supervision level of the CAAC on aviation security activities.

Yang said to face future challenges, China's civil aviation would adopt a more active attitude, gradually and orderly expand the opening of China's aviation market, and learn advanced management expertise from countries including the US.

US Senator Ted Stevens, chairman of the Committee on Commerce, Science and Transportation; USTDA Director Thelma Askey; and FAA Administrator Marion Blakey also spoke at the opening plenary, praising the cooperation between China and the US in civil aviation.

"USTDA is focusing significant attention on China's aviation sector because we recognize that each of our systems is growing," said Askey. "We are interested in exploring ways to help our aviation systems grow together in mutually beneficial ways. Working in cooperation with each other, we can achieve results that will shape the future and strengthen our respective systems."

During the summit, Yang met with officials from the US Department of Commerce, USTDA and FAA to discuss issues between the US and China.

As part of the summit, USTDA announced the award of a \$560,000 training grant to China Eastern Airlines in support of General Electric (GE) Aviation's bid to supply 34 new generation aircraft engines to the airline.

The training, which will be partially funded by the USTDA grant, will take place next year at the GE learning center in Cincinnati, Ohio and the GE executive training facility in Ossining, New York. The program will include specialized management and leadership training, as well as advanced technical training modules designed to assist the airline in improving its aircraft and engine operational management and efficiencies. In addition to the USTDA grant, GE will contribute additional resources toward the training costs.

Since 2001, USTDA has funded over 80 activities supporting important development objectives in China. The agency's China program targets development projects that represent opportunities for U.S. commercial involvement in the areas of transportation, energy, the environment, and other priorities.



Deputy Administrator Robert Sturgell (second from left) of the FAA presents photo album to Yang GuoQing as Wang Liya (right), deputy director general of ATMB and Francis Chao (left), publisher of the China Civil Aviation Report look on.



Wang Qingyun and Wei Dong of the National Development and Reform Commission with Dave Rodenhaver (right) of the China Civil Aviation Report.

David Wang, president of Boeing China, hosted the lunch during the summit



747 freighter delivered to China Cargo

China Cargo Airlines acquired its first Boeing 747-400ER (extended range) freighter on September 13, one of two that it ordered in July last year. China Cargo, under China Eastern Airlines, will use the aircraft to expand operations.



Boeing Co. says that the cargo plane will be part of its customer operation support program, which is being used in China for the first time. The COS program “relieves the burden of acquisition and management of high utilization and other repair parts inventory.”

“The delivery of this airplane into our fleet is all part of our ongoing effort to accommodate strong international volume growth and to allow China Cargo to continue to increase capacity on our most important international routes,” said Wang

Guo Cheng, president of China Cargo.

The airline's fleet is composed of six Boeing MD-11Fs and one leased 747 freighter. China Eastern Airlines owns 70 percent of China Cargo and China Ocean Shipping 30 percent.

In addition to its own freighter services from China to North America, Europe and intra-Asia, China Cargo also takes advantage of the extensive international and domestic network of China Eastern's passenger flights by operating the cargo space business.

TAECO works on freighter

Taikoo (Xiamen) Aircraft Engineering Co., Ltd. (TAECO) in Xiamen, China, has been commissioned by Boeing Co. for the hands-on modification work of Korean Air's 747-700 converted freighter.

Boeing and Korean Air completed the conversion during which the aircraft

maker managed the design, production and redelivery. This is the fourth 747-400 Boeing Converted Freighter that has been redelivered through Boeing to cargo operators.

Workers at Korean Air's Aerospace Division in Pusan Korea began modifying a 747-400 passenger airplane on August 4.

Zhuhai Airport has new management

The Airport Authority Hong Kong took over the operations of the Zhuhai Airport in Guangdong province, China, on October 1 based on a joint venture agreement signed in August.

The airport authority and the Zhuhai Municipal People's Government formed the Zhuhai-Hong Kong Airport Management Co. Ltd, which will pay a franchise fee for the exclusive management and operation of the Zhuhai Airport for 20 years.

The new company has a registered

capital of RMB 360 million (about US \$45.47 million). The Airport Authority Hong Kong has a 55-percent stake in the joint venture.

The chairman and general manager of the joint venture will be appointed by the AAHK and the vice director of the State-owned Assets Supervision and Administration Commission of Zhuhai City will serve as vice chairman. Most of the employees of the former airport company will be absorbed by the joint venture.

Deer Airlines allowed to operate

On August 25, Deer Jet was awarded its public air carrier operation license by the Civil Aviation Administration of China after two years of review.

The airline, now known as Deer Airlines, is shifting from general aviation to public air transport. It will be the first airline in China to operate business tourism charter flights.

The airline will still keep its operation base at Beijing Capital International Airport.

Snecma, Xinyi to produce turbine blades

The French company Snecma has teamed up with Xinyi Machinery Factory in Guizhou to manufacture turbine blades for CFM56 engines.

The first phase of the joint venture involves the construction of a blade production line that will cost USD \$15 million.



Snecma, a subsidiary of Safran Group, and Xinyi, a company of the China Aviation Industry Corp., signed the agreement on August 25.

Safran started selling engines to China's army in the 1930s, and began supplying CFM56 engines to China's commercial airlines in the 1970s.

Chang-an Airlines acquires plane

A new Boeing 737-800 aircraft was delivered to Chang'an Airlines of the HNA Group in Xi'an on September 18.



Chang-an Airlines operates on feeder and trunk lines in China. Among its fleet, nine 32-seat Dorniers are used in feeder lines on routes to mid- and west regions of China; four A319s for plateau areas like Xi'an and Tibet; and nine Boeing 737s for domestic trunk lines.

The new Boeing 737-800 has 164 seats and will be used to fly to the western part of China.

Hainan Airlines, another airline of the HNA Group, will start its second Beijing-Macau flight on October 29, using a Boeing 737-800 for the daily flight.

Rolls-Royce Trent chosen by Air China for fleet

Flag carrier Air China selected Rolls-Royce Trent 1000 engines to power its new fleet of 15 Boeing 787 Dreamliner aircraft. The aircraft, valued at US \$800 million, will be delivered starting in June 2008.

"The decision to select the Rolls-Royce Trent 1000 was taken after a careful evaluation and successful negotiation. It meets the operational requirements of our Boeing 787 fleet, and the choice will be beneficial to Air China's development," said Li Jiexiang, chairman of Air China.

In a statement, Simon Robertson, chairman of Rolls-Royce, said Air China has also selected a different version of the Trent engine for its Airbus A330 aircraft.

Rolls-Royce engines are used in 10 Chinese airlines, including those in Hong Kong and Macao.



British Prime Minister Tony Blair and Chinese Premier Wen Jiabao witness as Simon Robertson (right) and Li Jiexiang sign the agreement for Trent 1000 engines for the airline's 15 Boeing 787 Dreamliners.

News Briefs

On September 4, Minister Yang Yuanyuan of the Civil Aviation Administration of China met with Greece Transport and Communications Minister Michalis Liapis to discuss direct flights between China and Greece and the memorandum of understanding to promote air transport between the two countries.

Yang also met with Dato'IR Kok Soo Chon, director general of Malaysia's Department of Civil Aviation (DCA). They discussed cooperation between China and Malaysia on civil aviation. Last May, Malaysia's transport minister visited China.

Aircraft maker Tupolev of Russia delivered the first Tu-204-120CE plane to China after passing Russian aviation tests. The aircraft is equipped with Rolls Royce engines.

Another aircraft will be delivered to China this year and three next year. Tupolev has an agreement with China to manufacture additional 10 aircraft.

Cathay Pacific will resume daily flights from Hong Kong to Shanghai Pudong International Airport starting in December after a 16-year absence. The airline was granted traffic rights to Shanghai by Hong Kong civil aviation authorities.

Cathay Pacific currently has 12 cargo flights to Shanghai from Hong Kong. It said Shanghai is an important mainland market for Cathay Pacific, accounting for 35 per cent of the passenger market and 68 per cent of the cargo market between the Mainland and Hong Kong.

Air China posted 14.3 percent growth in passenger traffic in August compared to the same month last year. The airline carried 3.12 million passengers in August and cargo traffic reached 71,147.8 tons, up by 11 percent. Air China's passenger load factor for August was at 81 percent.

Minister Yang Yuanyuan of the Civil Aviation Administration of China met with Jean-Cyril Spinetta, president of Air France, on September 15 as the French airline head visited China for the 40th anniversary of its Paris-Shanghai service.

The Hohhot Control Region of the Civil Aviation Administration of China implemented radar control starting September 12. This completes the entire north China operation in using radar control. The North China Air Traffic Management Bureau of the CAAC implemented terminal region radar control at Beijing Capital Airport in 1997.



CAAC Updates

Additional fuel tax imposed on domestic flights

China tightens rules on aviation oil suppliers

Starting in October of 2007, aviation oil suppliers in China are barred in the civil aviation market unless they pass the standards of the Civil Aviation Administration of China.

Companies without the Civil Aviation Oil Supplier Airworthiness Certificate will not be allowed to manage their oil supply business. The oil grade not on the list of airworthiness certificates cannot be sold in the civil aviation market, and testing units without the Civil Aviation Oil Testing Unit Certificate cannot provide aviation oil testing service.

The new rule aims to keep unqualified aviation oil out of the aviation market, and to urge oil suppliers to establish aviation oil quality assurance and testing systems according to Chinese regulations.

It also ensures that aviation oil is always in accord with approved oil standards when received, stored, tested and fueled to aircraft.

China increased the jet fuel surcharge for passengers on all domestic flights starting September 1 due to the continuing increase of oil in the world market.

The fuel surcharge was approved by the State Council, the National Development and Reform Commission and the Civil Aviation Administration of China.

The surcharge for each passenger flying less than 800 km is now RMB 60, up from RMB 30. Those whose flights cover 800 km and more will pay RMB 100, up from RMB 60.

Exempted from the fuel surcharge are infants whose ticket price is 10 percent of the regular price. A child whose ticket price is 50 percent of the adult price (including children unaccompanied by adults), members of the Army and policemen disabled in the line of duty will pay half the fuel surcharge.



CR Airways, which began operations in 2001, made its maiden flight between Hong Kong and Tianjin, China, on September 25 using a new Boeing 737-800. Last August, the Hong Kong-based airline commenced flying to Changsha, capital of Hunan province. The airline currently has over 10 destinations in Mainland China and Southeast Asia. It says that, by the end of 2006, its fleet size will increase to four and, by the end of 2007, up to 10 aircraft will be in service.



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