Asia-Pacific
Economic Cooperation

2008/SOM3/EC/SEM/011
Agenda Item: 7

Airport Development in China

Submitted by: China

Seminar on Best Practices in Regulation and Promotion of Efficiency in Transport Infrastructure Facilities
Lima, Peru
15-16 August 2008

Airport Development in China

--Mr. Li Guoyong, NDRC of China

Good morning, Ladies and Gentlemen!

I am great honored to attend APEC Conference. It's my pleasure here to give a brief introduction on the airport development in China and to share some of our practical experience.

1. Status Quo of Civil Airport in China

After decades of construction and development, by the end of 2007, there are 152 civil airports in mainland China. According to the grade of aviation area, there are 29 4E grade airports, 37 4D grade airports, 61 4C grade airports and 25 3C grade airports. From the status quo and the developing characteristics of the civil airport system in China, some conclusions are made as follows:

First, on the whole, the airport layout is suitable with the level of economic and social development. In China, the construction and development of most airports are based on the demand of aviation transport market, and they have played an important role in promoting and guiding the economic and social development. According to the standard of 100 km road traffic distance or 1.5 hours driving time, the aviation service area has reached 54% of all the counties, 63% of the population and 85% of the GDP in China.

Second, in the civil airport system, the airports of different class or for different function are appearing, and it shows that airports are forming several regional groups gradually. On the whole, a basic pattern has come into being. The hub airports such as Beijing, Shanghai, Guangzhou airport, etc. play the role of center. And the airports of provincial capital or key cities such as Chengdu, Kunming, Chongqing, Xi'an, Wulumuqi, Shenzhen, Hangzhou, Wuhan, Shenyan, Dalian, etc. are the backbones, with the trunk or regional airports in other cities as components. From the view of resource integration and function division in intra-regional airport, the functional structure is becoming more rational. The three large regional airport groups have basically formed. They are the Beijing-Capital-Airport-centered north airport group, the Shanghai-Airport-centered east group, and the Guangzhou-Airport-centered central south group. At the same time, other two regional airport groups are forming. One is the southwest group centered on Chengdu Airport and Chongqing Airport, the other is the northwest group centered on Xi'an Airport and Wulumuqi Airport.

Third, the civil aviation keeps in rapid growth. During the past decade, the civil aviation transport in China keeps a steady growth in two-digit. In 2007, the whole industry carried 36.5 billion ton-kilometers in total turnover traffic, and the inland airports carried 388 million persons in passenger traffic throughput, 8.61 million tons in cargo and mail throughput. Among them, Beijing Capital Airport carried 53.61 million persons in passenger traffic throughput, ranking No.9 in the world; Shanghai Pudong Airport carried 2.56 million tons in cargo and mail throughput, ranking No.5 in the world. Ten airports have carried out passenger traffic throughput of more than 10 million per year. They are Beijing, Pudong, Guangzhou, Hongqiao, Shenzhou, Chengdu, Kunming, Hangzhou, Xi'an and Chongqing Airport.

Fourth, the civil aviation transport plays a more and more important role in the integrated transport system in China. In the total passenger traffic and the total turnover passenger traffic, the

proportions of civil aviation were respectively 0.12% and 2.64% in 1985, while in 2007 they increased respectively to 0.79% and 12.93%. The civil aviation transport is increasingly important in the integrated transport system.

Lastly, the management system of the airports in China is continuously improved. The management mode of civil airports in China has changed from the central management mode to the co-management by central and local government. Further more, as the major manager and administrator of the airport, the local government has the ownership of airport. Civil Aviation Administration of China now belongs to Ministry of Transport. It is responsible for making the standards, criterions, rules of the industry, monitoring the marketplace, and balancing the development of different regions, as well as regulating the airport industry. Now, the ownership of China's airport has various categories, such as the state-owned, the private and the Sino-foreign jointed, etc.

On the whole, China's airport has obtained considerable development. However, there still exist some problems and conflicts.

First, the airports are still insufficient, the airport service covers an area not wide enough and there remains unbalanced development in different regions. It is hard to meet the demand of the economic and social development in China in future.

Second, there still exists insufficient coordination inside the airport system, lack of rational division of functions, weakness in the role of guidance for trunk and regional aviation co-development, without a globally competitive international transportation hub. Thus, it is hard to efficiently allocate the aviation resource and to make the best of the integral strength of the civil aviation in China.

Third, the construction and development of certain airports lack efficient connection with the urban plan, the military aviation plan and the plan of other transport mode. Now, the airspace conflict between the civil and military aviations become increasingly sharp, which seriously restricts the development of the civil aviation in China.

Fourth, the capacity of most medium or larger airport has reached or approached their limits, and their comprehensive function is imperfect. It can not meet the demand of improving aviation safety and transport service.

Lastly, the airport development has got more and more limitations from various aspects, such as environment, airspace, and land resources and so on. It has to face the issue how to realize the maximum development with the minimum cost of resource and environment consumption.

2. Future development plan of the civil airport in China

From the trend of the civil aviation development in China, the passenger and freight traffic of civil aviation will keep in rapid growth during the next decades, over 10%. By preliminary estimation, the throughput of passenger traffic by civil aviation will reach 504 million persons in 2010, 1.4 billon persons in 2020, respectively 1.6 times and 4.2 times of 2006. Obviously, it is difficult to meet the estimated demands above with the current airport quantity, transport capability, secures condition, service level, etc. Therefore, it is necessary to make a further plan for the airport construction and development in China.

Principle of the plan:

The key point of the civil aviation airport layout plan is as follow: the plan should take the

responsibility of promoting and guiding the integration and the optimized allocation of the aviation resource. The role of airport plan can be described as follows:

First, guide the resource integration and the optimization of airport system. By promoting a rational function division of the airports, the service items and service objects of each airport should be determined according to its characteristics and the general objectives of regional airport group. For example, some airports could select air freight as the primary business, some airports could mainly serve the regional airlines, and some could mainly serve the low-cost airlines, and so on. The operation modes of the airports could be transformed step by step. With the optimizations of civil aviation resource, the resource will be utilized more efficiently.

Second, optimize the structure of the civil aviation system. Control the construction scale, standard and development speed of airports. Meanwhile, the adjustment and optimization of the plane team, the airline, the flight schedule and the airspace resource are the main task for coordination development of the civil aviation system. With the optimizations of civil aviation resource, the resource will get much more efficient.

Third, adequately explore the relative strength of civil aviation system. As an important component in the integrated transport system, the civil aviation has its particular irreplaceable advantages. Through strengthening the connection and the coordination development with other transport modes, the efficiency of the whole transport system will be improved.

Plan scheme:

On the basis of the principles, considering the status quo of the airport development, the characteristics of civil aviation transport, and the economic and social development strategy in China, a five-large-airport-group scheme is put forward. They are the north group, the east group, the south central group, the southwest group and the northwest group. We will try to have some international hub airports, regional centers and portal airports, improve the functions of trunk airports, build more regional airports, and form a strategic pattern of the airport group coordination development and the good connections between all the transport modes (including urban traffic). According to the layout plan, in 2020 there will be 244 civil aviation airports, 97 of which are new airports.

Expected Effects after Implementation：

After implementing the plan in 2020, there will be at least one airport in each of the following cities: all the provincial capital cities, major opening cities, important tour cities, small and medium cities of inconvenient traffic. A better airport network, optimal airport system and rational layout will be formed, and five large airport groups will also come in being. The integrated developing potential and the international competitive strength of the aviation transport in China will be improved remarkably. The connection between the airport and other transport modes will be better, the airport service area will be more extended and the airport service capability will be improved markedly. According to the standard of 100 km road traffic distance or 1.5 hours driving time, the aviation service area will cover 80% of all the counties, 82% of the population and 96% of the GDP in China till 2020.

The aviation service will play a more positive role in the development of a affluent and harmonious society in China.

3. Policies in the construction and the development of civil airports in China

1. A high-priority industrial policy in civil aviation development

Chinese government always thinks highly of developing the transportation industry. It is most important in the national economic and social development in China. Transportation industry is regarded as a high-priority development industry. As an important component of transport industry, aviation transport has gained strong support by the government.

2. **Policy of opening and encouragement**

The construction and the operational management of civil airport are the encouraged industry in China. The government insists on opening policies. The entrance of investment in airport is lowered. Private capital and foreign capital are encouraged to invest in airport construction and management. The airports are encouraged to transform into joint-stock system. Now, there are some listed companies such as Shenzhen Airport and Shanghai Pudong Airport and so on. Xi'an Airport is a jointed venture by West Airport Group and Frankfurt Airport Management Company.

3. Positive Policy of Financial Support

The construction in infrastructures has obtained strong financial support from the central and local governments. The investment from the central government is 20 billion RMB per year. For the construction of hub airports and trunk airports, the central and local government will provide some financial assistance. For the construction of regional airports, the investment is mainly from the central and local government. Especially the regional airports in the west remote area and the minority-living areas are almost totally invested by the central government. Meanwhile, central finance will compensate for the economic losses in operation in regional airports.

4. Preferential policies in land and tax

The land resource in China is in shortness now, and the land in large or medium cities is scarcer. While in the extension of trunk airports, the land demand can always be satisfied to the maximum. Further more, the construction of regional airports can get land resource with preferential tax and price. Meanwhile, the preferential tax policies in China are given for the airport construction and management, such as the reduced or free business tax, the three-year preferential tax for new airport, the reduced tariff for some imported equipments of airport.

Moreover, Chinese government advocates market competition and resource integration. Regulation of the airports has been made looser to encourage airports to be active subjects in marketplace, so than the resource would be better integrated and be efficiently utilized in the process of market competition.

Thank you!

Airport Development in China

LI Guoyong NDRC. CHINA

Seminar on Best Practices in Regulation and Promotion of Efficiency in Transport Infrastructure Facilities

15-16 August 2008 Lima, Peru

CURRET STATUS



IN BRIEF

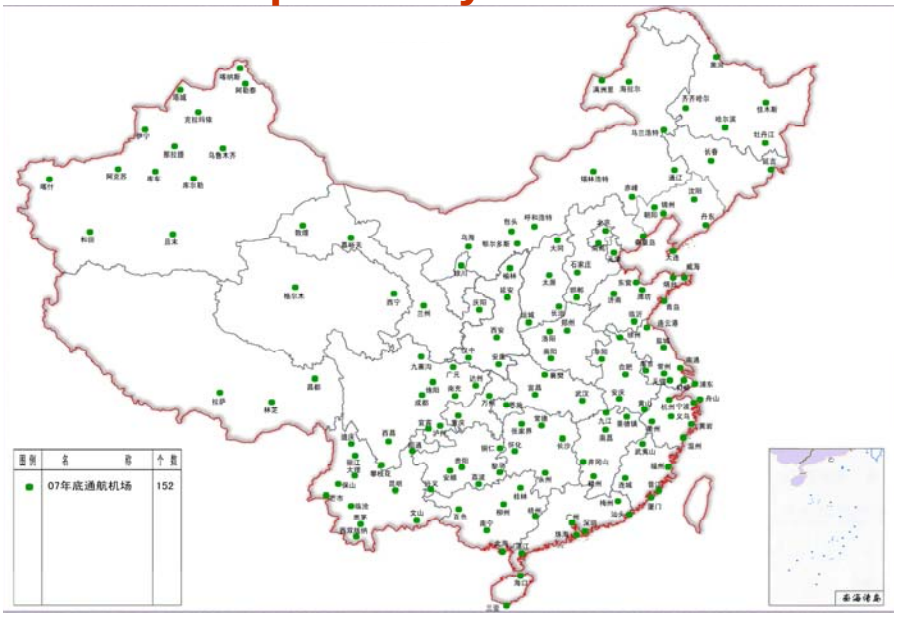
- by the end of 2007, there are 152 civil airports in mainland China.

  29 4E grade airports,
  37 4D grade airports,
  61 4C grade airports,
  25 3C grade airports.

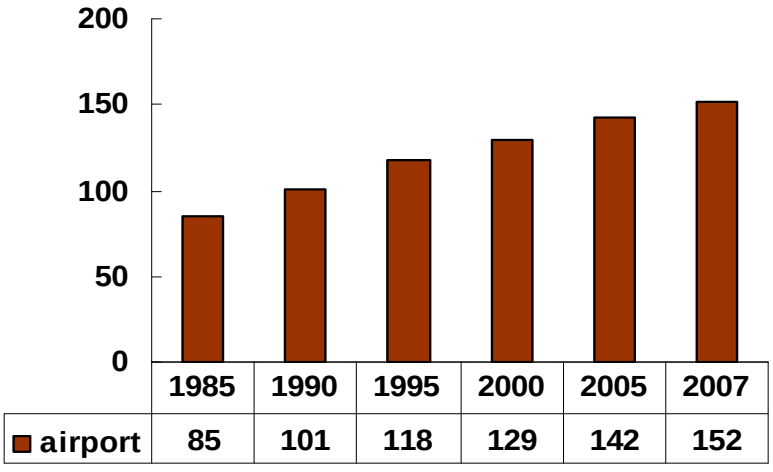
APPRAISEMENT

- on the whole, the airport layout cater to the level of economic and social development.
- several clusters of airports have been formed.
- the civil aviation transport keeps rapid growth.
- the civil aviation transport plays a more and more important role in the integrated transport system in China.
- the management system of the airports in China is continuously improved.

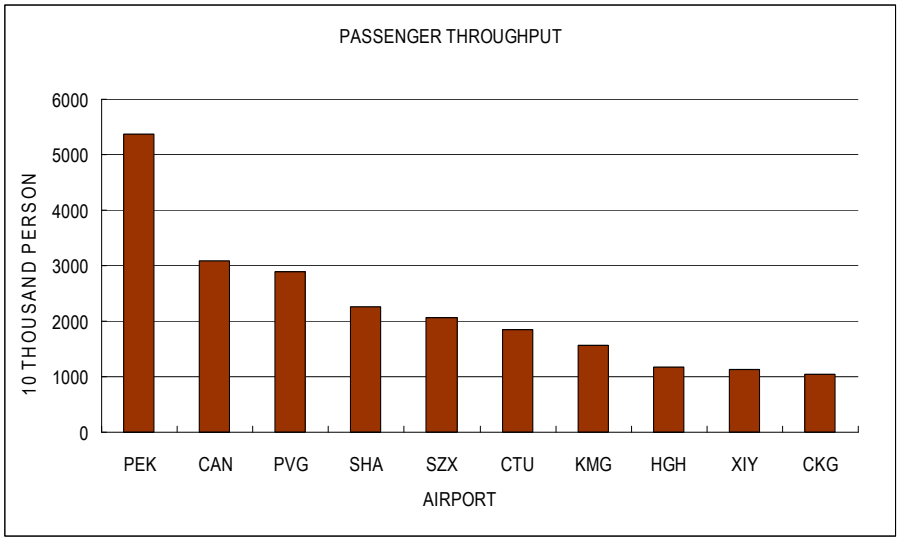
Airport Layout 2007



NUMBER OF AIRPORTS

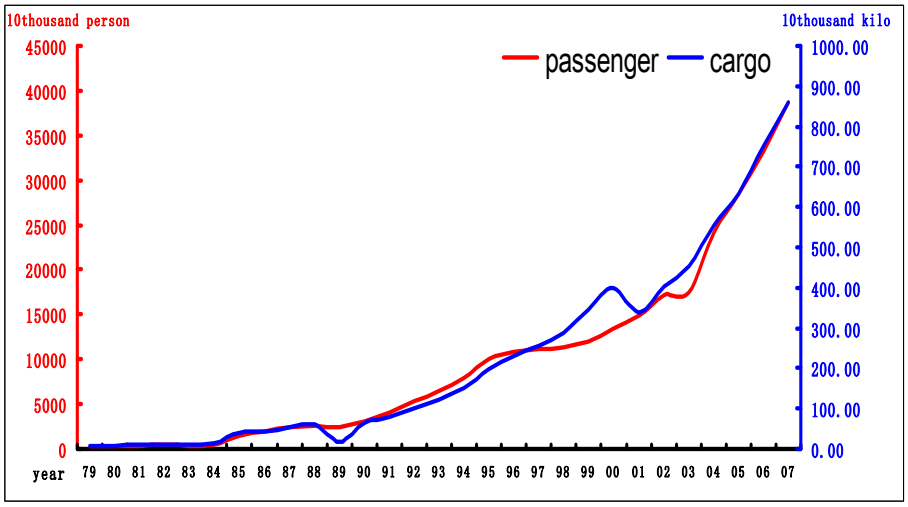


THE 10 LARGEST AIRPORTS

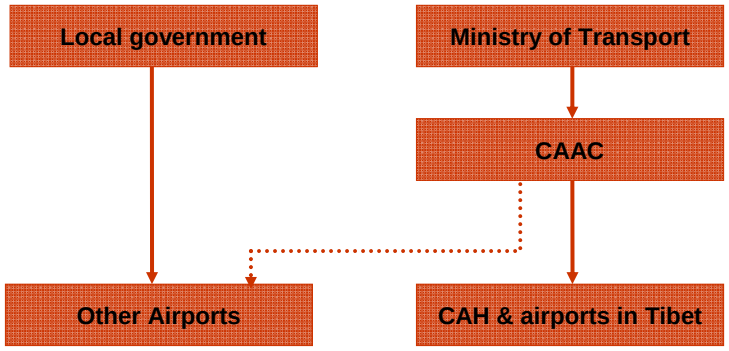


RAPID GROWTH

IN 2007, the airports carried 388 million persons in passenger traffic throughput, 8.61 million tons in cargo and mail throughput.



REGULATION FRAMWORK



MANAGEMENT MODE

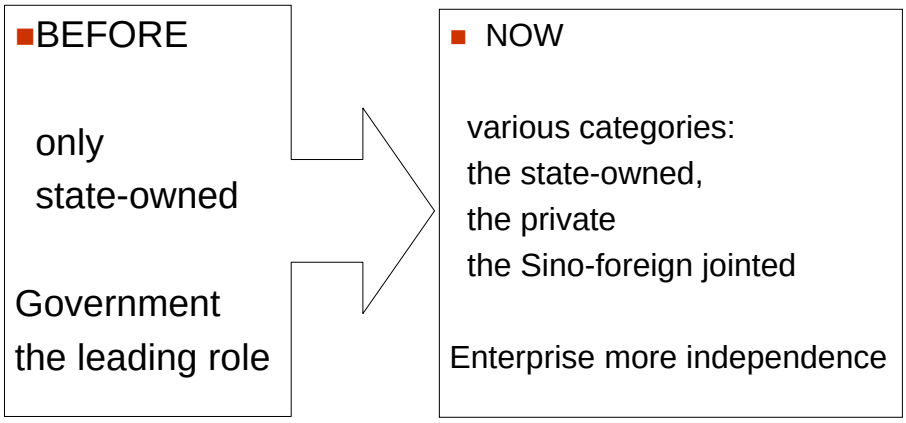
- BEFORE

Central Government

- NOW

Local Government

OWNERSHIP



PROBLEMS & CHALLENGES

- the number of airports is still not big enough, unbalance regional development.
- Insufficient coordination within airport system, weak in the role of guidance for trunk and regional aviation co-development
- lack of efficient connection with the urban plan and the plans of other transport modes.
- capacity of most medium or larger airport has reached or approach to their limits
- limitations from environment, airspace, land resources.

PLANNING

AIR TRANSPORT GROWTH

- In the next decade, air transport will keep in rapid growth over 10%.

- By 2010
  the throughput of passenger 504 millions
  by 2020
  the throughput of passenger 1.4 billion

PRINCIPLES OF THE PLAN

- the plan is to promote and guide the integration and the optimized allocation of the aviation resource ,optimization of airport system.
- optimize the structure of the civil aviation system.
- adequately explore the comparative advantage of civil aviation system.

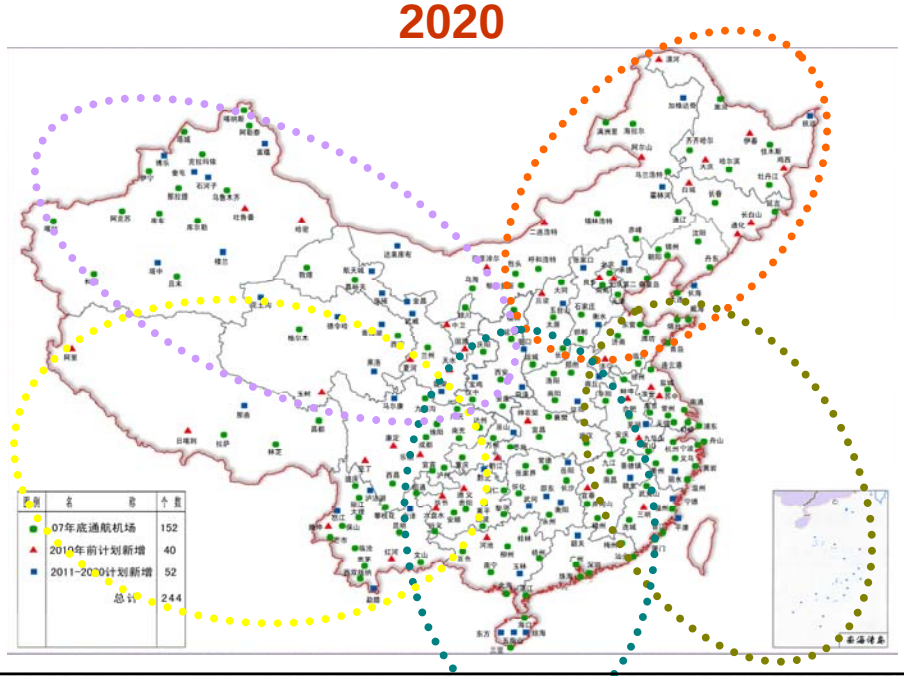
PLAN SCHEME

Five large airport clusters

- The north airport cluster
- The east airport cluster
- The south airport cluster
- The southwest airport cluster
- The northwest airport cluster

by 2020 there will be 244 civil airports, 92 of which will be newly built.

2020



EXPECTED EFFECTS

- by 2020

  all the provincial capital cities,
  major opening up cities,
  important tour areas,
  small and medium sized cities of
  inconvenient accessibility
  will have at least one airport.

EXPECTED EFFECTS

A better airport network,
optimized airport system ,
rational layout will be formed.

EXPECTED EFFECTS

According to the standard of 100 km road traffic by distance or 1.5 hours' driving by time, the aviation service will cover 80% of the counties, 82% of the population and 96% of the GDP in China by 2020.

POLICY

A HIGH-PRIORITY POLICY

- Transportation industry is regarded as a high-priority development industry.
- As an important component of transport industry, aviation transport has receied strong support from the government.

Policy of opening up and encouragement

- the encouraged industry in China.
- opening policies

  The entrance threshold of investment is lowered.

  Private capital and foreign capital are encouraged to invest in airport construction and opreation.

Positive Policy of Financial Support

- central and local governments increase financial input into the construction of infrastructures
- the central government invest in the regional airports in the west remote area and the minority-living areas,
- central budget will provide subsidy for the deficit in operation in regional airports.

Preferential policies in land and tax

- land resource is in shortage.

  but the land demand by the construction of airport can always be satisfied.
- the preferential tax and price policies are given for the airport construction and management.

competition and resource integration

Regulation of the airports has been loosened to encourage airports to be competitors in air tranport market,

the resource would be better integrated and be efficiently utilized in the process of market competition.

Welcome to Beijing
2008 Olympic Games!

WELCOME TO CHINA!

THANK YOU