

“Impression to China’s aviation”

China agreed with KLM and Air France to increase code sharing, landing rights are doubled and many modern aircraft from Boeing and Airbus are bought. In the last decades, communistic China is opening its market and presents itself as a modern country. A big market has been slowly opened up and many opportunities have been created. In this article an impression of China’s commercial aviation is given, a brief overview of the history, market and future is explicated.

By Niels ten Berge

China’s history of aviation starts in 1919 by action of the Ministry of Communications and with help from foreign countries. Foreign pilots were recruited to fly aircraft and to train Chinese pilots. At the beginning the number of flights were small and irregular. Many times before 1937 the civil aviation was restructured. The ingredients were new western-made planes, new network and foreign involvement. The China National Aviation Corporation (CNAC), a joint venture between Chinese and American government, was founded and serviced a network with a five-seater Stinson SM68. Besides the CNAC Chinese and German government decided to start another joint venture, Eurasia. In both joint ventures the influence of the western countries was large, especially in the field of training pilots and technicians and the delivery of airplanes. In this period Cathay Pacific was established as private company in Shanghai. World War II and specifically the invasion of Japan had changed the civil aviation considerably. In addition to the damages, the political climate changed. The Communists took power in the non-occupied area. A new airline was founded as joint venture between the Soviet and Chinese government, Haniata. The Chinese government bought the German share of Eurasia due to the position of the latter in the war. The new organization was transformed to

CATC-Central Air Transport Corporation.

In October 1949 the People’s Republic of China was declared and consequently China’s aviation changed significantly. Immediately the Chinese government founded the CAAC – Civil Aviation Administration of China under military control. The CAAC became a monopolist, bureaucratic and regulative organization, which it now still is. The Soviet and Chinese government intensified their contacts and started joint venture routes, a form of the modern code sharing. Furthermore, CAAC started its own airline, named CPAC-China People’s Aviation Company. CPAC was short-lived and CAAC decided to start services by their own name and identity. Planes used were Ilyushin Il-12, Yunshuji Y-5s and Lisunov Li-2s. In the years thereafter, a lot of Russian built aircraft were bought and used for their network. Until 1980 the international flights were incidental or



*Tail China Southern Airlines
Photo: Niels ten Berge*



*Tower Beijing International Airport
Photo: Niels ten Berge*

not regularly. The most international flights were to and from communistic countries, mainly flown with Ilyushin Il-18 and later the 100-seater Ilyushin Il-62.

From 1970 the Chinese economy became stronger due to the increasing population and the increased national and international trade. So aviation was needed for modernization, travel and expansion. CAAC started to buy Soviet and Western aircraft and especially Boeing and Antonov. In 1980 Deng Xiao Ping declared that the civil aviation in China should be more enterprise-based. The first step was the foundation of CASC-China Aviation Supply Corporation with responsibility to buy planes, parts and aircraft related equipment collectively.

The next step resulted in a larger impact on the Chinese civil aviation. CAAC transformed its total large aircraft fleet in eight airliners. The airliners all had an own identity and were under control of the CAAC. The quality, service and the efficiency were apparently improved. Since the government transfers in Hong Kong and Macau, the CAAC got control over the airliners based in Hong Kong and Macau.

Similarities in the trend of the deregulation process can be found in Europe and America. After deregulation of CAAC in China many airliners started their business. The survivability rate of the airliners was low and a shake out was perceptible.



*China Southwest Airlines and China Eastern Airlines
Photo: Niels ten Berge*

Because of the many airliners it was difficult to be profitable. In Europe and America mergers and acquisitions between airliners were needed to survive. Also in China many of the existing airliners were not profitable, but no bankruptcy had arisen from that. Also the Asia crisis and the infection SARS contributed to a worsening of the aviation market. Chinese economists suggested that creating blocks would be the best way to diminish and vanish the losses. The CAAC followed the remarks and advice of the economists and created blocks of integrated airliners. The airliners are still controlled and financially dependent through blocks controlled by the CAAC. At the moment six blocks of airliners can be determined, the Air China Group, China Eastern Airlines Group, China Southern Airlines Group, Hainan Airlines Group, China Airlines Group and Evergreen Group. Each block exists of several airliners that have their own identities and policies. Airliners in the Special Autonomous Regions (SAR), like EVA Air in Taiwan and Dragon Air in Hong Kong are even heavily linked with their sisters in Mainland China. At the same time Taiwanese airliners are shareholders in Chinese airliners. The relationship between the several airliners in Mainland China, Taiwan, Macau and Hong Kong is remarkable, considering the political situation. The Chinese government still points towards Taiwan as an apostate province and in the upcoming years

the politically unstable situation will probably not be improved. In 2002 new mergers between the largest companies were announced. This was a radical way of combining the airliners to three big ones. The three major airliners are China Southern (based in Guangdong, former Canton), China Eastern (based in Shanghai) and the flag carrier Air China (based in Beijing). Together the airliners have more than 80% of the international air traffic. All are quoted on international stock exchanges in New York and Hong Kong. The expected growth of the Chinese economy is about 8% in the upcoming

years. Even in worse world economical weather the interior market is immense. More than 1,2 billion people live and trade and thereby the geographical surface of the countries is enormous. The result is a demand in relative quick and cheap travel. At the moment the number of passengers is about 75 million and this number will also grow with 8%. Furthermore the number of airports is growing rapidly. The airports are modern and meet the western standards or even better. Chinese airliners joined international quality and airline organizations, such as ICAO and IATA. The increasing civil aviation market demands more aircraft. In the next years about 1500 aircraft, worth 140 billion Euro, will be bought from Boeing and Airbus. Most aircraft will be leased from international leasing companies, and furthermore foreign investments take a large part of the financing.

Sometimes China is seen as an awakening giant with advantages and disadvantages. The world market power in aviation can shift from the West to China. In the next decades many investments and improvements should be made. One thing is sure, China has the capabilities and opportunities to develop. In future the world will hear more from China and its aviation.



*Push back China Southern Airlines at Guangzhou/Baiyun Airport
Photo: Niels ten Berge*