

# China's plane demand surges but bumpy ride ahead

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Already Asia's biggest aircraft buyer, China is developing its own passenger planes and building scores of airports but its aviation expansion faces turbulence from slowing growth and inadequate infrastructure.

As the country's carriers spend billions on jets to serve a growing middle class taking to the skies in ever-increasing numbers, passengers face constant delays and longer flight times owing to military limits on airspace and poor management.

Three of the mainland's airports are among the world's 20 busiest, with Beijing in global second place on 78 million passengers a year, behind only Atlanta in the United States.

At the same time, Beijing was worst in the world for delays last year with only 18 percent of flights on time, followed immediately by Shanghai, according to the website [www.flightstats.com](http://www.flightstats.com).

Angry Chinese passengers have on occasion stormed onto runways, fought with staff and smashed equipment, with dozens refusing to leave a delayed Hong Kong Airlines flight bound for Shanghai last week, reports said.

China is scrambling to address the rapid growth in demand by ramping up investments in aviation infrastructure.

The country's airlines carried 350 million passengers last year, up nearly 11 percent from 2012, official figures show, and the country's civil aviation authority said it will have more than 230 airports by 2015, up from 193 last year.

China Eastern agreed to buy 80 of US aircraft maker Boeing's 737 jets, valued at more than \$8 billion, earlier this month after Europe's Airbus won a similar-sized order from China Southern. Regional outfit Shandong Airlines and yet-to-be-launched budget operator 9 Air took 50 Boeing 737s each.

"We see Chinese urbanisation at record levels. Chinese GDP (gross domestic product), it's still at very good levels. Domestic consumption is growing," said Jose Eduardo Costas, senior vice president for market intelligence at Brazil aircraft maker Embraer.

"All these are very positive drivers," he said.

But he added that "infrastructure and air space authorisation in China may (still) continue to be a bottleneck".

## **Slowing growth**

Expansion in China's economy, the world's second largest, is slowing. Chinese Premier Li Keqiang in March announced a GDP growth target of "around 7.5 percent" for this year, below 2013's actual figure of 7.7 percent.

"GDP growth has often been a very close correlation to growth in air travel," said Mark Clarkson, business development director for Asia-Pacific for aviation intelligence, schedules and data provider OAG.

"Although there is fairly steady growth (in airline seat capacity),

undoubtedly, that growth has slowed in recent months."

At the same time, much-publicised government austerity measures and a corruption crackdown have hit airlines as officials slashed travel, and authorities ordered state-owned companies—which include the nation's three biggest carriers—to start paying the government higher dividends.

On shorter journeys, airlines face so much competition from China's huge and growing high-speed rail network that some routes have been terminated.

In the longer term, longstanding issues over lack of infrastructure and air space constraints remain.

Unlike in the United States, where the military must get permission to use airspace, the opposite is true in China, industry officials say. Despite China's vast skies, civilian air corridors are said to be limited—exact details are secret—resulting in longer flight times, less efficient routes and unaccountable delays.

## **Homegrown jets**

Boeing forecasts Chinese carriers will need nearly 6,000 new planes valued at \$780 billion over the next 20 years, accounting for around 16 percent of world demand and nearly half of Asia's.

China already takes 20 percent of the worldwide production of Airbus.

But the country also wants to challenge the global dominance of Boeing and Airbus by ensuring part of its vast aircraft market goes to a homegrown large passenger plane and smaller regional jet, but both projects are years late.

"The development of China's homegrown big passenger plane is the dream of several generations," said Xu Xiaofei of the Commercial Aircraft Corp. of China (COMAC), which is building them both.

The 168-seat C919 is scheduled to make its first flight in 2015, a year behind schedule, with deliveries planned for 2018—two years late. COMAC claims 400 orders, most from domestic customers.

The delays are even worse for the ARJ21 regional jet. One made a successful test flight this month, state media said, and the customers are expected to start receiving them early next year.

But the original delivery deadline was way back in 2009.

The pressures are mounting. President Xi said last month that there was no room for failure in developing homegrown aircraft.

"In the past, someone said the best choice for us is to rent from others and then to buy, and that the last option is to make our own," he said. "But we have reversed this notion."

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