

China Forecast 2010



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Agenda

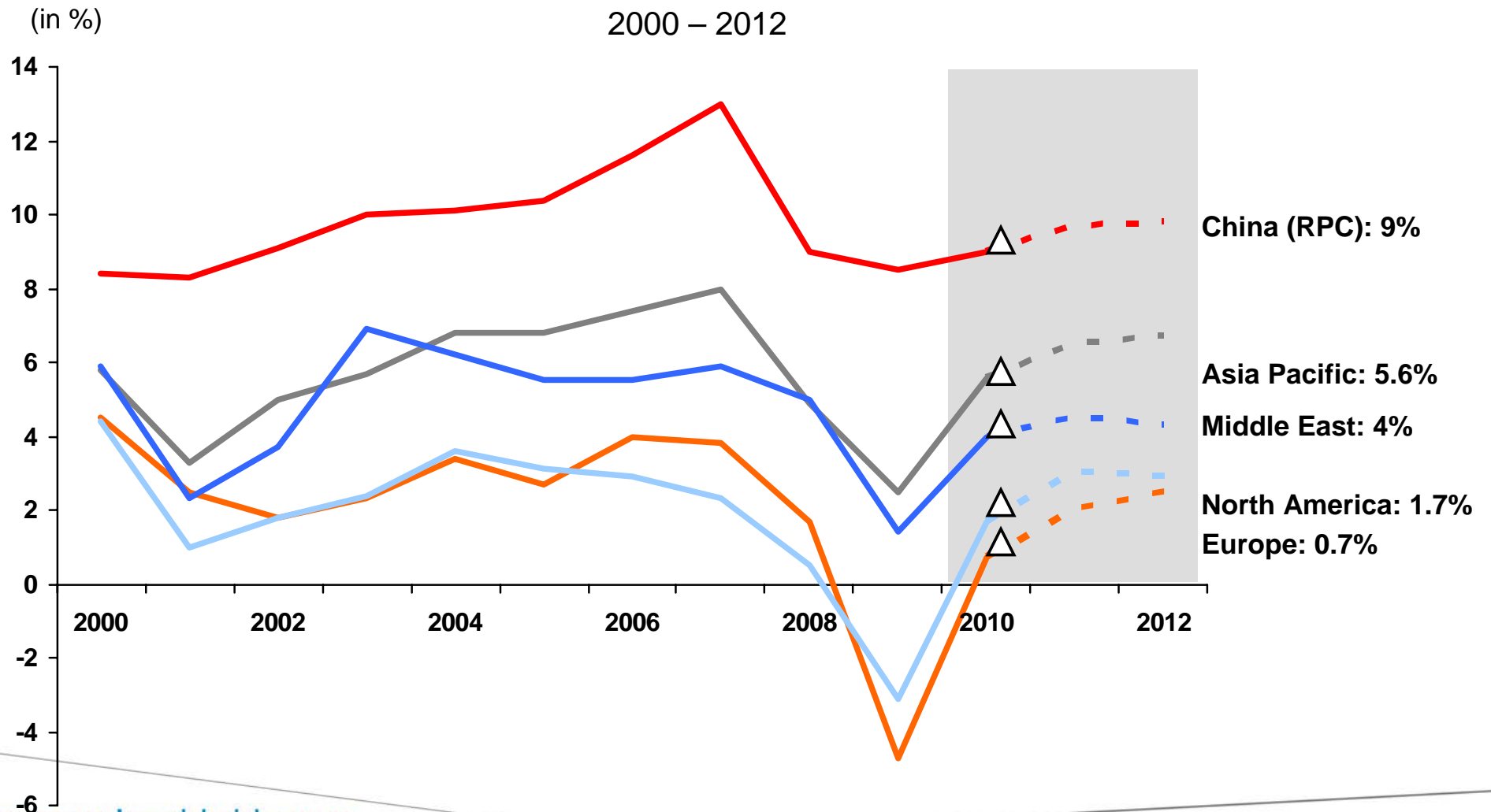
- China Air Travel Demand & Capacity Supply Analysis
- Competition between High Speed Rail and Civil Aviation

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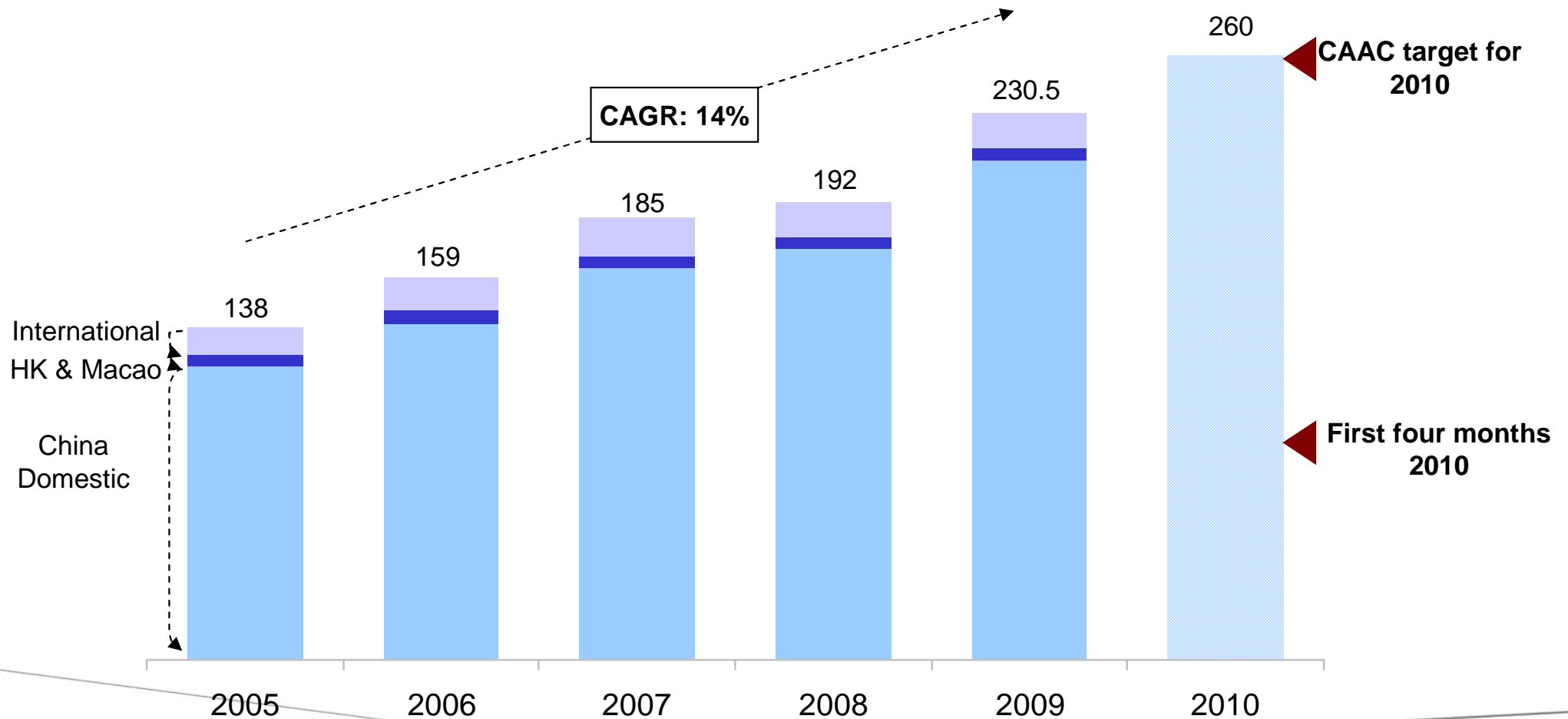
China Leads the Global Economic Recovery

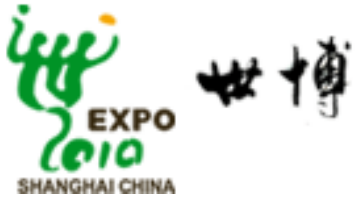
Real GDP Growth by Key Regions
2000 – 2012



Demand for Air Travel Continues to Enjoy High Growth

2005 –2009 China Passenger Air Traffic
(In millions)





Will Have a Positive Effect on Air Travel

US\$ 4.2 B
Budget

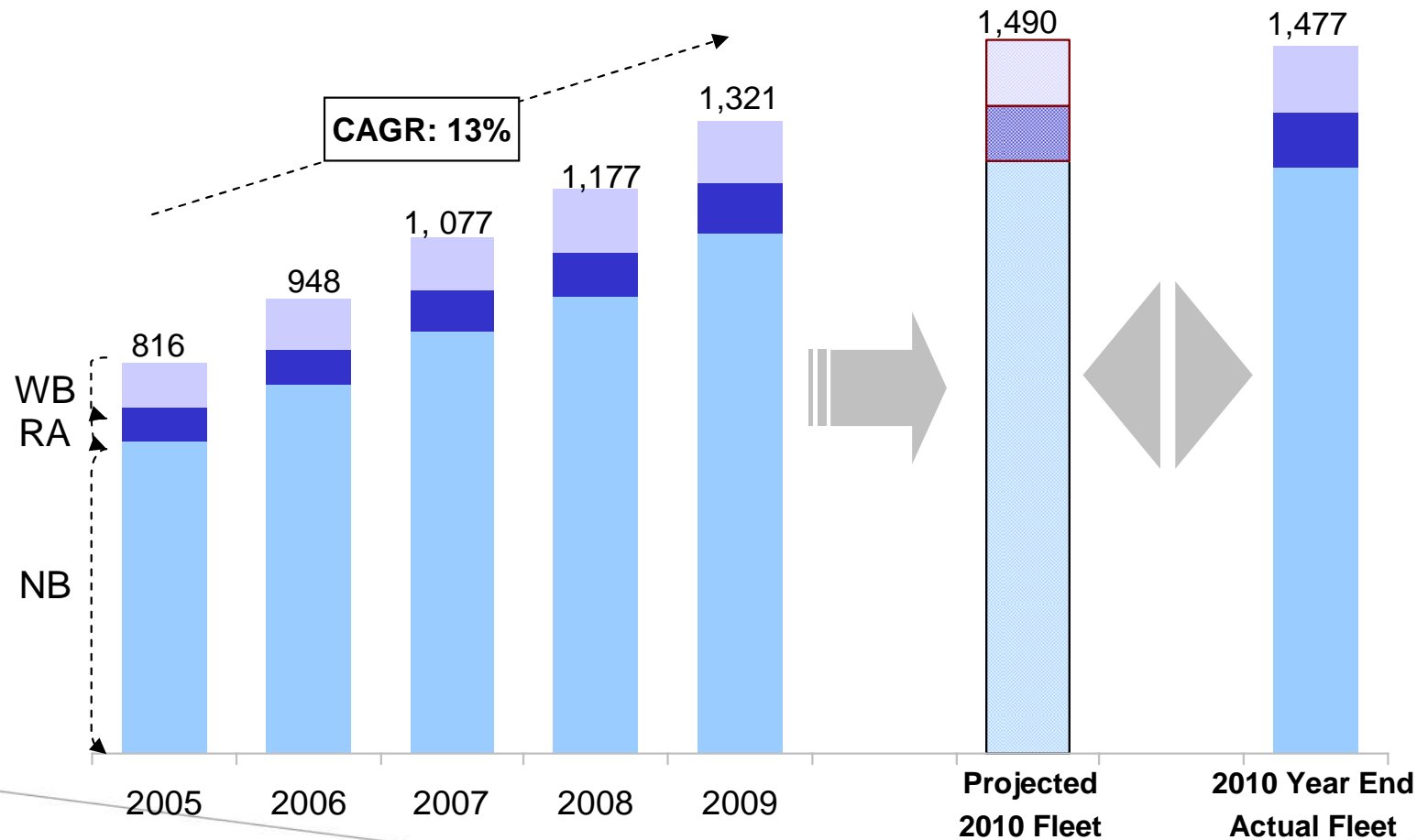
70 M
Visitors

180
event days

- Boost domestic & international air traffic in and out of China
- Improve passenger load factor and ease pressure on fare & yields
- Support airline performance, esp. Shanghai-based airlines
- Create demand for other related industries: tourism, hospitality etc.

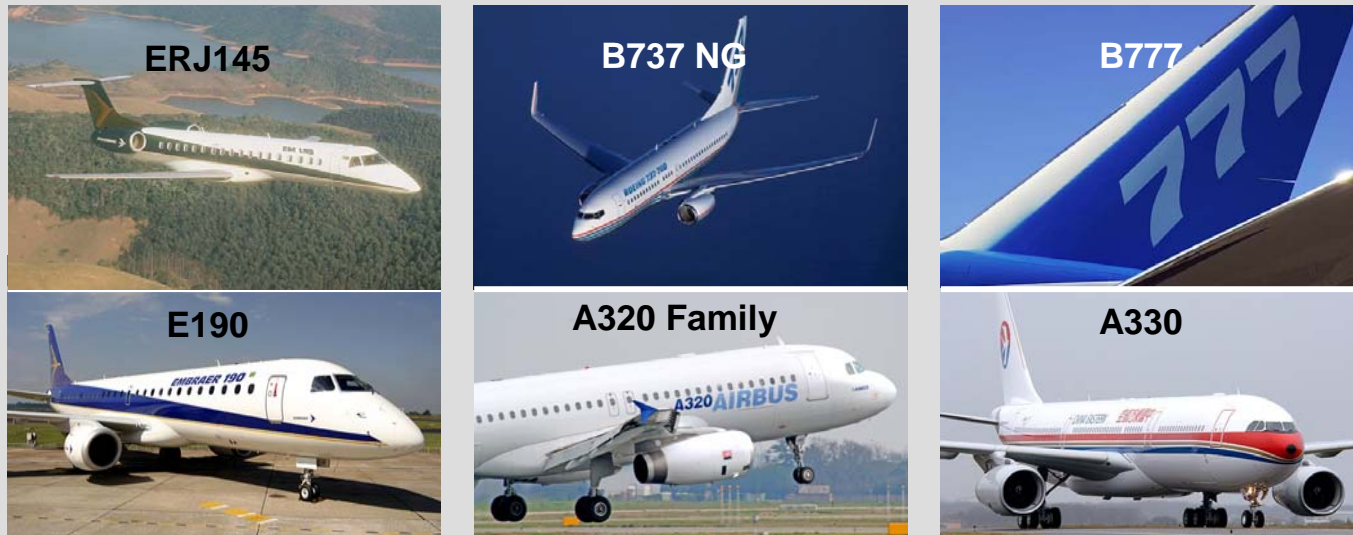
Capacity Expansion in 2010 is in Line with Projection

2005 –2009 China Passenger Fleet; 2010 Fleet Projection



China to Takes Deliveries of 178 Commercial Aircraft

Types and Aircraft Category



Aircraft Type	Regional Jet	Narrowbody	Widebody (PAX)	Widebody (Freight)	SUM
Units	12	150	9	7	178
Unit Share	7%	84%	5%	4%	
Value Est.	\$ 0.28 bn.	\$ 6.01 bn.	\$ 0.76 bn.	\$ 1.04 bn.	\$ 8.1 bn.
Value Share	4%	74%	9%	13%	

Demand for Travel & Capacity Supply – Conclusion

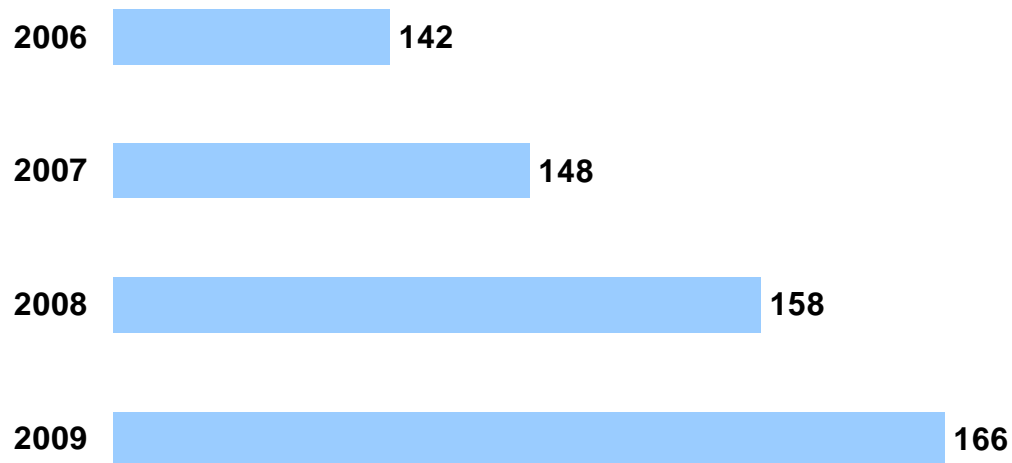
- Demand for air travel in China will continue to enjoy high growth, thanks to China's fast economic development and recovery of the global economy
- Domestic air traffic leads the growth, followed by international traffic
- The 2010 Shanghai Expo will boost air traffic and solidify performance of Chinese airlines, particularly Shanghai-based ones
- Capacity and fleet expansion in China matches with demand growth

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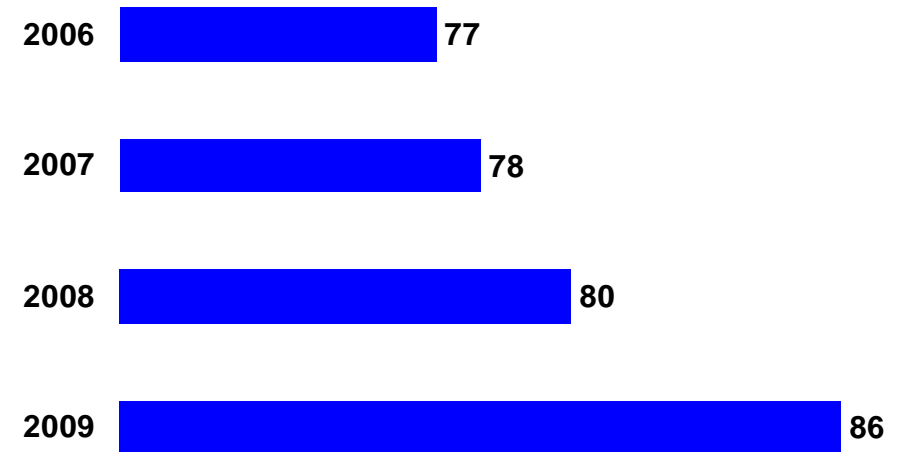
An Overview of Railway and Airport Infrastructure Development

2006 –2009 China Civil Airports



- 244 airports by 2020
- New constructions at mid and small-size cities across China, especially in Western and Northern China

2006 –2009 Length of Railway in Operation
(in thousands, km)



- 100,000 km railway in operation by 2020
- HSR in operation: 6,552 km (Jun 2010) /16,000 km (2020)
- Four N-S and four E-W passenger corridor lines connecting capital cities and major cities in Eastern and Central Southern China

The Competition: High Speed Railway vs. Air Service

<p style="text-align: center;">Beijing ↕ Shanghai</p>		
Distance	1,075 km	1,318 km
Speed	0.78 M (955 km/hour)	350 km/hour
Trip Time	2:05	5:00
Service Frequency	Every 30 minutes	Every 5 minutes during peak
Fare	RMB 590-1130*	RMB 600-700
Equipment	B777/747/767/737 A340/330/321	High speed trains
Service Provider	CA / CZ / MU / HU	Beijing-Shanghai HSR Co. Ltd.

The Impact of High Speed Railway on Civil Aviation

Travel Demand

- Divert traffic on profitable trunk routes
- ➔ Opportunity for service improvement

Route Network

- Short haul routes within HSR service coverage are most affected
- ➔ Opportunity for regional aviation and international market development

Capacity Allocation

- Load factor drops as demand declines
- ➔ Opportunity for capacity adjustment through re-scheduling & aircraft right-sizing

Air Fare

- Put downward pressure on fare and yield
- ➔ Opportunity for LCC development

High Speed Rail vs. Civil Aviation – Conclusion

- Technologically advanced railway and commercial aviation systems are two indispensable pillars for economic development
- Competition is inevitable, and should be seen as a catalyst for strategy change/refinement and service improvement
- The travelling public will be the ultimate beneficiary
- For airlines, key success factors are network connectivity & efficiency, service frequency and quality and new market development

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