



中国民用航空局
Civil Aviation Administration of China

The Policy and Measures of China to Promote Coordinated Development of Low Cost Airlines and Traditional Aviation

Transport Department of CAAC
Liu Feng
October 23, 2014



Content

-  **On Encouraging the Establishment of Low-Cost Airlines**
-  **On Management of the domestic and international traffic rights**
-  **Price policy on aviation passenger transport**
-  **About the supporting to the flight schedules**
-  **On modifying the service specification**



1、 *On Encouraging the Establishment of Low-Cost Airlines*

- I. We not only encourage private capital and other social capital investment to set up a low-cost airlines, but also guide and encourage large key airlines, medium-sized airlines to set up wholly owned or joint venture low-cost airlines, broaden the market resources, form useful addition on the parent company business. Such as JUNEYAO Airlines set up subsidiary-9 Air recently.
- II. We encourage the transformation of established full service airlines to low-cost airlines.
- III. We encourage the full service airlines to set up a low-cost aviation department



2、 On Management of the domestic and international traffic rights

一) Further opening up the domestic market

After more than 10 years of deregulation, about 91% of the domestic flights operation licenses have been carried out the registration of management, less than 10% of it have been carried out the approval of management. On domestic flights in the future, China will still implement the deregulation, select some domestic routes to carry out the flights record management and finally cancel the flights operation license for the domestic routes, open the domestic aviation market to the domestic airlines.



2、 On Management of the domestic and international traffic rights

二) To encourage airlines to develop the international market

I. The Civil Aviation Administration has relaxed the restrictions to the routes access of operating to southeast Asia and surrounding countries for China airlines including low-cost airlines. Main scope of application including China to the ten ASEAN countries, Japan (except the city of Tokyo, Osaka, Nagoya), JeJu in South Korea and Symbian, Guam in the United States, etc.

II. The Civil Aviation Administration will actively review and process the application from the the low-cost airlines to apply for the extra flight, charter flights to the neighboring countries. The related policy will moderately tilt towards it.

III. According to the needs of airline business, we will negotiate with the foreign side for more traffic rights, thus to create conditions for low-cost airlines to fly out.



3、 On Price Policy of Air passenger Transport

一) Two modes of transport pricing: government pricing and market regulation

Since October 9, 2013, we have further expanded the scope of market regulation. For part of domestic routes which are forming the competition with the ground transportation, and are being operated jointly by two or more airlines, the passenger transportation fares are changed from the government pricing to market regulation. Based on market supply and demand, airlines can determine the fare levels independently. At present, the routes implementing market regulation have accounted to around 10% of all the routes.

At the same time, for the domestic routes which its passenger transport fare is carrying the mode of government guidance, the limit of prices decreasing amplitude is to be cancelled totally. Airlines can base with the benchmark price, and independently determine the fare levels within the range of floating upward in no more than 25% and floating downward in an unlimited range. The routes implementing the government guidance price have accounted for 90% of all routes.



3、 On Price Policy of Air passenger Transport

二) Expand the price scope regulated by market

In the future, we will continue to expand the price scope of market regulation, deepen the reform of the aviation passenger transport price, release the establishment of charging and approval standards for some of the non-obligatory service items. With the reference to foreign practices, we will gradually open the examination and approval of charging to the innovation items, such as special baggage transportation, quick boarding, seats choosing etc. We will also support the expanding of differentiated services, so as to create better price environment for the development of low-cost air transport .



4、 About the supporting to the flight schedules

- I. To improve the distribution policy of the flight schedules and make the new airlines including low-cost airlines have access to schedule resources equally.
- II. To coordinate Flight schedules with the airport and newly increased time schedule must be assigned to the newly set-up airline according to a certain proportion.
- III. Strengthen the supervision to the usage of flight schedule, clean up the virtual account for time schedule, and assign it to the newly set-up airline according to a certain proportion so as to improve the utilization efficiency of the moment.



5、 On modifying the service specification

I. In February 1996, the implementation of the 《China civil aviation Domestic transport rules for passenger and baggage》 (CAAC, Order No.49) gave the specifications on change and refund of the ticket, boarding, luggage transport and passenger services. Now the specific regulations to free baggage allowance of each passenger, the size and weight of the carry-on baggage are not adapt to the trend of the development of the low-cost air transportation. In 2005, in order to adapt to the needs of the development of low-cost airlines, on the basis of the application of the Spring Airlines, passing through the hearing procedure, we agreed to the application of the Spring Airlines on service differences of passengers carrying-on luggage. The Spring Airlines regulated the non-checked baggage weight limit for 7 kg, size for 20cm*30cm*40cm, and the free baggage allowance of each passenger for 15 kg. In June of this year, again on the basis of the application of the 9 Air, we agreed to the application of the 9 Air on service differences of passengers carrying-on luggage. Currently, the low cost airlines such as West Air is also going to apply for the service differences.



5、 On modifying the service specification

II. We are revising the 《China civil aviation Domestic transport regulations for passenger and baggage》 , and planning to remove the restrictions on luggage size, weight and free baggage allowance, to refine and improve the related content on the conditions of use of the ticket. On the basis of the guarantee for the consumer rights and interests, we will give the rights of ticket pricing and using conditions to the airlines.



中国民用航空局
Civil Aviation Administration of China

Thanks!