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ASSEMBLY — 42ND SESSION

TECHNICAL COMMISSION

Agenda Item 23: Global Aviation Safety and Air Navigation Plans

**COORDINATION MECHANISM OF FINANCIAL SAFETY MONITORING AND AVIATION
SAFETY OVERSIGHT FOR AIR CARRIERS**

(Presented by China)

EXECUTIVE SUMMARY	
This paper presents the framework and significance of the coordination mechanism of financial safety monitoring and aviation safety oversight for Chinese air carriers.	
<i>Strategic Goals:</i>	This working paper does not relate to the Strategic Goal of <i>Every Flight is Safe and Secure</i> .
<i>Financial implications:</i>	No additional resources required.
<i>References:</i>	None

¹ English and Chinese versions provided by China.

1. INTRODUCTION

1.1 Safety is the lifeline of the civil aviation industry and the foundation of its high-quality development. The Civil Aviation Administration of China (CAAC) has adhered to the principle of “safety first”, and worked for innovative approaches and strong safety oversight to ensure absolute aviation safety.

1.2 CAAC has been improving the financial safety monitoring system for air carriers by conducting monthly, quarterly, and annual analyses of financial data. It dynamically tracks key financial indicators such as debt-to-asset ratios, monetary funds, and cash flow to identify potential financial risks, thereby supporting safety oversight with data-driven insights.

1.3 CAAC leverages its financial safety monitoring as an early warning tool to ensure air carriers better fulfill their primary responsibilities for operational safety, preventing financial risks from affecting aviation safety. It has also been working on the building of the coordination mechanism of financial safety monitoring and aviation safety oversight for air carriers.

2. DESCRIPTION

2.1 The coordination mechanism of financial safety monitoring and aviation safety oversight for air carriers operates through monthly and annual coordination.

2.2 Monthly coordination: once per month. Six financial indicators that are most closely tied to aviation operation safety are selected (debt-to-asset ratio, net cash flow from operation activities, cash and cash equivalents balance, cumulative arrears in aircraft leases, salary in arrears, and contributions to the Civil Aviation Development Fund in arrears). Based on the classification of airlines in the *Implementation Measures for Differentiated and Targeted Oversight of Air Carriers* (large passenger air carrier, medium passenger air carrier, small passenger air carrier and all-cargo air carrier), corresponding values were assigned to their monthly indicators.

2.3 If an air carrier meets only one of the six indicators, it will be deemed as at a higher financial risk level, and attention from safety oversight authorities is required. When an air carrier meets two or more indicators, it indicates high financial risks with a significant probability of further affecting their safety performance. Special attention from safety oversight authorities is needed.

2.4 Annual coordination: based on the annual financial safety assessment of air carriers. CAAC conducts the assessment once a year, evaluating air carriers' financial capacity to ensure safety through three dimensions: capability, adequacy and corporate integrity. With a maximum score of 10, air carriers of 6 or above are deemed qualified. If an air carrier scores between 6 (inclusive) and 6.5, its capacity for financial safety is deemed weak, requiring attention from safety oversight authorities and the CAAC regional administration where the air carrier is based. When an air carrier scores below 6, it reflects high financial risks with a high likelihood of further impacting its safety, special attention from the relevant authorities is needed.

2.5 Coordination measures. For air carriers under “attention” or “special attention”, CAAC departments will promote their stable and safe operations by measures such as increased oversight frequency, multi-disciplinary inspections, and ad hoc review.

3. CONCLUSION

3.1 It is important to improve the civil aviation safety management system. A coordination mechanism of financial safety monitoring and aviation safety oversight for air carriers should be established. By conducting in-depth analysis of key financial indicators of air carriers, potential safety risks arising from financial issues can be identified, and risk reporting will have relevant safety oversight authorities take timely action. This creates a closed-loop of “monitoring-analysis-warning-coordination”, contributing to a more systematic and sound safety management of the civil aviation industry.

3.2 It is essential to prevent financial risks from affecting aviation safety. Through the establishment of the coordination mechanism of financial safety monitoring and aviation safety oversight for air carriers, coordination notices are issued on a regular basis. Based on these notices, CAAC departments responsible for safety oversight apply differentiated oversight to air carriers concerned, urging them to take corrective measures to effectively ensure their safe operations.

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