

China's policies on opening up the third, fourth and fifth traffic rights in Hainan Province

1. Background

Hainan Province, situated at the south tip of China, is the largest Special Economic Zone and the second largest island of China. Surrounded by the sea, it is relatively independent in terms of geographical location.

Hainan Province is rich in tourism resources, boasts of appealing tropical beaches and rare fauna and flora, and has a coastline as long as over 1 580 km. Tourism and exhibition business are the two pillar industries in Hainan. In 2002, a total of 12 million people visited Hainan, bringing a total tourism revenue of 9 538 million Chinese *yuan*, an amount representing 15.3% of the province's GNP. However, out of the 12 million tourists, only 3%, i.e. 0.38 million are from overseas. A significant reason for the small number of overseas tourists visiting Hainan is the limited number of direct international routes and flights. As of the end of 2002, in Hainan Province, there were only 1 international route to Seoul, and 2 regional routes to Hong Kong and Macau, with only 31 flights per week on these international and regional routes. Due to the limited number of direct international flights, overseas tourists found it inconvenient to come to Hainan Island for their vacation and would forgo the idea of paying a visit.

As Hainan Province is an island economy, raw material and market for its economic development depend on resources outside the island, and tropical agriculture and high-tech industry in particular need the support of expeditious and efficient flow of goods. However, the scope of air transport in Hainan Province is insufficient to satisfy the demands of economic development of the island. In 2002, while the total cargo turnover of Hainan Province was 24 105 million tonne-kilometres, the cargo turnover performed by air transport was 122 million tonne-kilometres, representing only 0.5% of the total traffic volume.

Therefore, the Chinese government decided to open up the third, fourth and fifth traffic rights in Hainan Province, so as to promote and support the development of international air transport in Hainan Province, and hence facilitating the development of local tourism and the overall economy in Hainan.

2. Liberalization of regulatory framework

As of July 2003, the General Administration of Civil Aviation of China (CAAC) opened up the third, fourth and fifth traffic rights in Hainan Province to all domestic and overseas airlines. While reviewing and approving applications from foreign airlines to inaugurate flights to Hainan, CAAC will, on a unilateral basis, impose no restrictions on routes, frequencies and traffic rights, and will not request foreign governments to grant reciprocal rights to Chinese airlines.

3. Outcome and development

Since the introduction of this policy, a number of domestic and overseas airlines have carried out market survey in Hainan. Some domestic airlines will establish international routes from Hainan to Thailand, Singapore and Malaysia as of spring in 2004, and are actively planning establishment of other international routes. Some overseas airlines have also shown interest in establishing international routes to Hainan in the near future.