

CHINA AVIATION PROFILE

Understanding how Chinese tourists travel to Australia

This briefing has been prepared by the Tourism Australia Aviation & Economics Team, but was significantly assisted by the research of the Centre for Asia Pacific Aviation and data from Air Transport Intelligence, Bureau of Infrastructure, Transport and Regional Economics and Department of Immigration and Citizenship.

At a Glance

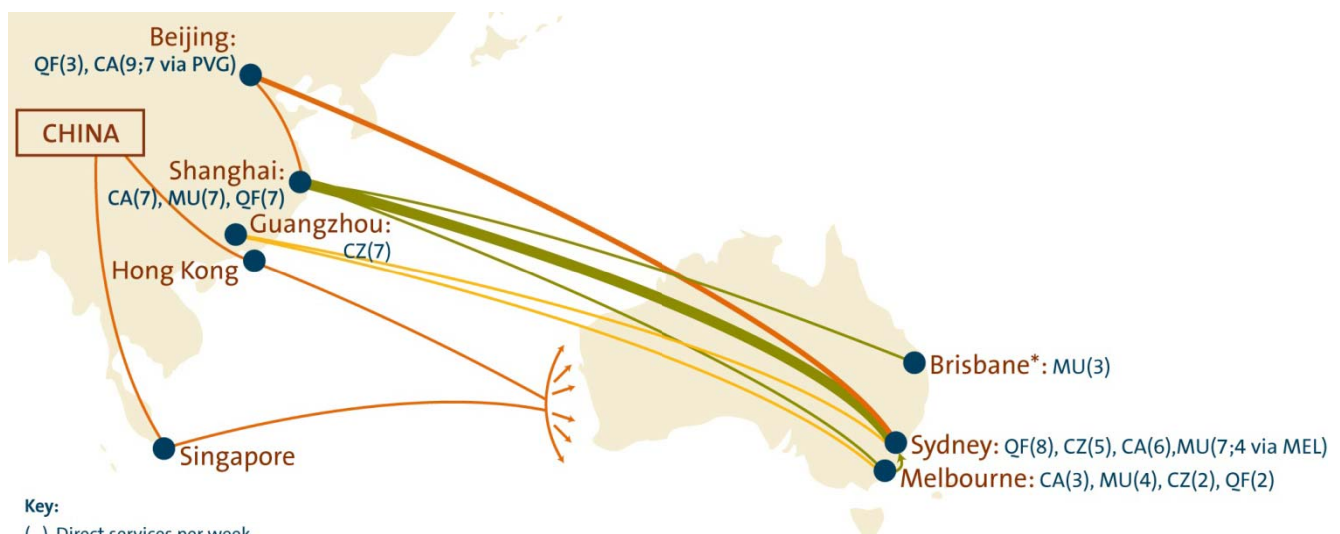
Arrivals Growth		Direct Seats		Load Factors		Major Carriers		Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2007	+16%	2007	0.4mil	2006	77%	Qantas 30%		January, February, July, October	2/8 others available indirect	+95% little to no through traffic
2008(F)	+13%	% ch	+4%	2007	79%					
2009(F)	+14%	Rank	10	Nat. Av.	78%					

(F) Forecast. Source: Tourism Forecasting Committee, 2007 Issue 2

China is Australia's fastest growing major inbound market. Over the last 10 years, non stop seat capacity from China has grown over eight fold, with load factors also improving reflecting strong demand from this market. Currently there are only direct services to Sydney and Melbourne but many tourists travel via Hong Kong and Singapore to access other Australian ports. While capacity constraints under the bilateral agreement are not currently restricting services, strong demand growth means capacity limits for Chinese carriers will become a growing constraint in the next two years. The key aviation related challenge on this route is thus to encourage more direct air links between China and Australia, particularly to new destinations.

Coming into Australia

Shanghai-Sydney is the busiest route but there has been strong growth on Beijing-Sydney services in the last year. A large share of Chinese visitors travel through Hong Kong and Singapore, often to access Australian cities beyond Sydney and Melbourne.



Key:

() Direct services per week

* Seasonal service

QF: Qantas, CA: Air China, MU: China Eastern, CZ: China Southern, PVG: Shanghai, MEL: Melbourne

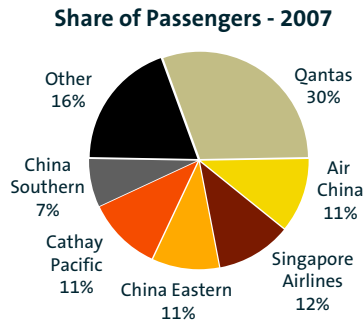
Source: Air Transport Intelligence, 12-18 May schedules

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Understanding the China to Australia Aviation Environment

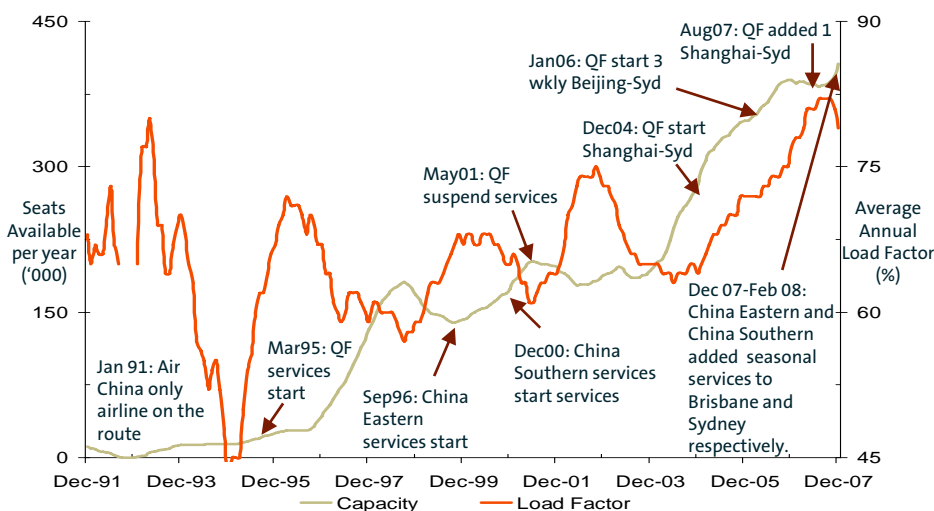
Airlines on the Route

Qantas is the dominant airline on the route with almost a third of all Chinese tourists entering Australia on this airline in 2007. A similar portion entered Australia on all Chinese carriers (Air China, China Eastern, China Southern) and indirect services (Cathay, Singapore Airlines and others). In recent years, Cathay has gained market share.



Airline	2003	2004	2005	2006	2007
Qantas	30%	32%	31%	31%	30%
Cathay Pacific	7%	6%	9%	11%	11%
Air China	17%	13%	12%	12%	11%
Singapore Airlines	10%	10%	10%	12%	11%
China Eastern Airlines	10%	11%	12%	11%	10%
China Southern Airlines	5%	5%	8%	7%	7%
Other	22%	22%	19%	16%	19%
Total	100%	100%	100%	100%	100%

Direct Capacity: China to Australia



In 2007 direct capacity on the China-Australia route increased 4% year-on-year after double digit growth in previous years. This growth was driven by Qantas and to a lesser extent China Eastern and China Southern.

Load factors continue to increase with capacity from historical low levels to high 70s, reflecting strong demand.

This route is highly seasonal, with peak periods around Chinese New Year (January or February), July, and October. Trough periods in March to June, August and September, suggests there are opportunities to stimulate tourism from China as there will be substantial spare seat capacity during these times.

Bilateral Capacity Restrictions: There are currently no binding capacity constraints on direct flights from China to Australia but it is expected demand growth will put increasing pressure on Chinese carriers permitted capacity in the next two years. Under the current air services agreement, there is approval for 8,500 seats per week with Chinese carriers using 71% of their available capacity allocation and Australian carriers only using 34%. There is a need for this agreement to be updated to allow Chinese carriers the opportunity to expand Australian services.

Looking Ahead

- The outlook for the China-Australia aviation market looks very positive with strong growth forecast in 2008 and 2009. Growth in 2008 is primarily expected from Qantas (two weekly Shanghai-Melbourne services from March 2008 and four additional weekly Beijing-Sydney services during the Beijing Olympics) and China Eastern (seasonal services in January/February 2008 and one weekly Shanghai-Melbourne service from April 2008). China Southern on the contrary has cancelled some of their Australian services from June to September 2008 due to weak demand following the 12 May Sichuan Earthquake. V Australia may also consider launching services to Asian destinations (including China) after its initial US launch and when aircraft become available from the third quarter 2009. Similarly Chinese carriers could further increase capacity to Australia as they are becoming increasingly profitable and have a range of aircraft on order (160). Their initial focus for new services, however, is expected to be on US and European services.

- Air travel from China to Australia is also likely to benefit from the growing number of low cost routes from China to Australia (e.g. AirAsia X from Hangzhou to Gold Coast (via Kuala Lumpur)). Similarly, Cathay and Dragonair continue to provide more options for Chinese tourists travelling to Australia.

- Demand by Chinese tourists is expected to remain strong given strong economic growth and local currency appreciation (against USD) boosting travel confidence. Demand in the third quarter of 2008 has been soft but growth is expected to continue in the fourth quarter of 2008. Gradual change in government policies are also easing controls on outbound travel with passports being made easier to obtain, and more relaxed restrictions, such as on the use of credit cards and the streamlining of Visa processing. However, an increasing number of Approved Destination Status (ADS) destinations means Australia will face more competition in the coming years. A more medium term challenge for Australia is to attract tourists and services outside the key Chinese regions (Beijing, Shanghai and Guangzhou) and manage the associated different levels of market maturity.

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Feedback or Suggestions?

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