

CHINA AVIATION PROFILE

Understanding how Chinese tourists travel to Australia

This briefing has been prepared by the Tourism Australia Industry & Strategic Insights 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

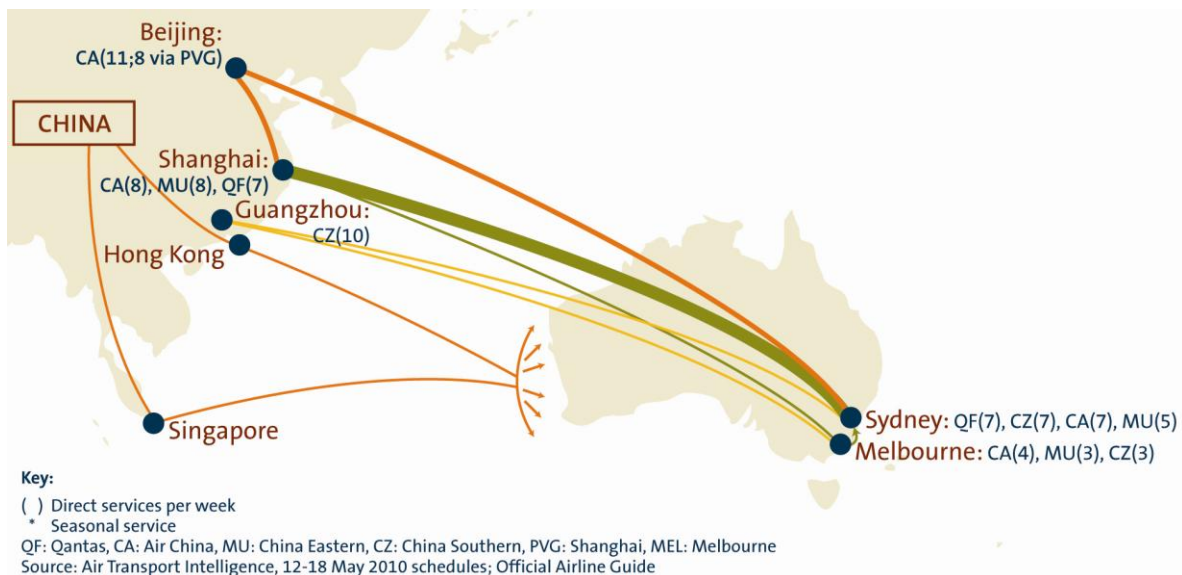
Arrivals Growth		Direct Seats		Load Factors		Major Carriers		Seasonal Peaks	Aus. Ports Serviced	Origin Traffic
2009	+3%	2009	0.44mil	2008	76%	Cathay	21%	January/February, July	2 / 8 others available indirect	High proportion (60%) of traffic is Chinese residents.
2010 (F)	+13%	% ch	-4%	2009	80%	Qantas	20%			
2011 (F)	+10%	Rank	11 th	Nat. Av.	75%					

(F) Forecast. Source: Tourism Forecasting Committee, 2009 Issue 2

While aviation capacity on the China-Australia route declined 4% in 2009, the outlook is more positive. Since September 2009 demand has improved, pushing up average load factors and renewing interest by a range of carriers. In February 2010 the bilateral agreement between China and Australia was expanded but it is likely this agreement will be reviewed again in 2011 (particularly to accommodate additional services/ large incentive groups). China is expected to become Australia's most valuable inbound market by 2013 so additional flights will continue to be encouraged (e.g. direct services, charters, third country carriers) particularly to new destinations. Consolidation/alliances will continue to shape this market, along with increased liberalisation (e.g. Approved Destination Status expanded to over 135 destination) and competition from other medium/long haul destinations.

Coming into Australia

Shanghai-Sydney is the busiest route closely followed by Shanghai-Melbourne and Guangzhou-Sydney. While an increasing number of charters service new destinations, a large share of Chinese visitors still travel via Asian hubs to access cities beyond Sydney/Melbourne.



Prepared: June 2010

Feedback or Suggestions?

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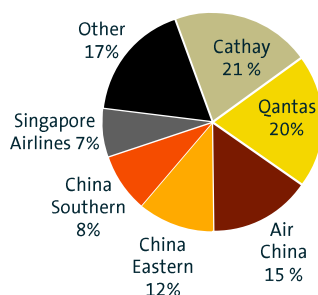
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Airlines on the Route

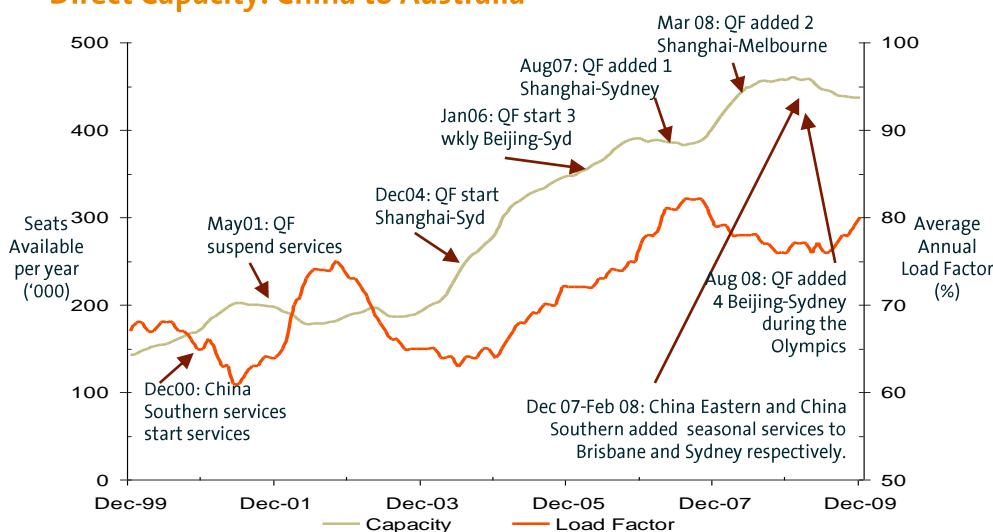
Cathay Pacific and Qantas are the dominant airlines on the route with around 40% of all Chinese tourists entering Australia on these airlines in 2009. However, last year Cathay Pacific gained significant market share overtaking Qantas. China Southern is expected to gain significant share in 2010 and 2011.

Share of Passengers - 2009



Airline	2005	2006	2007	2008	2009
Cathay Pacific	9%	11%	11%	15%	21%
Qantas	31%	31%	31%	28%	20%
Air China	12%	12%	12%	14%	15%
China Eastern Airlines	12%	11%	12%	10%	12%
China Southern Airlines	8%	7%	7%	7%	8%
Singapore Airlines	10%	12%	11%	8%	7%
Other	16%	14%	12%	13%	17%
Total	100%	100%	100%	100%	100%

Direct Capacity: China to Australia



In 2009 direct capacity on the China-Australia route decreased 4% year-on-year. This decrease was driven by Qantas (-32%) as the carrier withdrew its Beijing services.

This route is highly seasonal, with peak periods around Chinese New Year (January or February) and July. Trough periods in March to June, August and September, suggest 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. Under the current air services agreement, there is approval for 10,500 seats per week with Chinese carriers using 75 per cent of their available capacity allocation and Australian carriers using 16 per cent. This agreement was expanded in February 2010 by an additional 2,000 seats available immediately and an additional 4,000 seats from November 2010. The new agreement also allows more opportunities for Australian carriers to operate from China to Europe as well as Chinese carrier to fly beyond Australia. Carriers from both countries can also operate via intermediate points. The regional package (i.e. the ability to operate unlimited international services outside Sydney, Melbourne, Brisbane and Perth) remains available on this route.

Looking Ahead

TA forecasts direct aviation capacity from China to Australia will rebound strongly (+5-10%) in 2010 followed by further growth in 2011 (around 10-20%). Growth is largely driven by China Southern's plans to increase services to Australia (from 10 to 24 per week). In October/November 2010 the carrier will launch 3 wklly services from Guangzhou to Brisbane and increase its services to Sydney (daily to double daily) and Melbourne (from 3/wk to daily). Air China and China Southern also operated substantial seasonal services between December 2009 and March 2010, and China Eastern during Chinese New Year period. TA sponsored charters in 2010 have delivered approximately 3,000 passengers on this route and will continue to be sought. Qantas and China Eastern plan to begin code sharing from 1 June 2010. The agreement (if approved) will involve China Eastern's China-Singapore services connecting Qantas' Singapore-Australian services. Interest continues to grow among existing carriers on the route as well as possible new entrants (Xiamen Airlines, Hainan Airlines). Jetstar Asia has also announced plans to launch long-haul flights from late 2010 with China named as one of the six destinations under consideration. Viva Macau suspended all operations, including services to Sydney and Melbourne, on 28 March 2010.

Chinese carriers have reported better-than-expected profits in 2009 and first quarter 2010. This was driven by strong domestic demand as well as considerable government support. Despite regional and international traffic also improving in 2010, additional government injections are expected to assist growth plans including 218 aircraft deliveries in 2010 plus the future consolidation of the Big Three (Air China, China Southern and China Eastern). Furthermore there is continued interest (and complexities) surrounding alliances (e.g. China Eastern joining China Southern in SkyTeam), mergers/acquisitions (e.g. China Eastern/Shanghai, Air China/Shenzhen Airlines/Cathay Pacific), rapid development of high speed rail (further improving access to regional China), and foreign investment (e.g. Air France/KLM or Delta investing in China Eastern?). However the Chinese government will need to also continue investing in airport infrastructure (e.g. Second Beijing airport/regional airports) to realise the potential of this region.

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