



**Airlines should take advantage of a China central government plan to build Hainan into a top international tourist destination by 2020.**

# AIRLINES GET PRIVILEGED ACCESS TO CHINA'S TROPICAL PARADISE

By **Paul Hogan**, Publisher, *anna.aero*



Hainan Meilan International Airport, serving the capital of Hainan Island, handled

10.1 million passengers last year – a surge of over 15% on 2010. Currently over 90% of all traffic is domestic as affluent Chinese consumers flock to the only tropical destination in China – the island sits on the magical 18 degree North Latitude – the same as the likes of Hawaii, the Maldives and Phuket.

Nevertheless, the airport fully recognises the opportunity that lies beyond China in neighbouring countries as well as Europe, North America and among the other BRICs.

Talking to Asia-Pacific Airports, Gunnar Moller, commercial director

at Hainan Meilan International Airport Co., identified the priority air service developments:

- Seoul – Korea generates around 50,000 visitors to Hainan, growing by an annual 30%;
- Kuala Lumpur – almost identical in performance and demand to Seoul;
- Bangkok – strongly desired to serve 1.2 million overseas Hainanese living in Thailand for whom there are no direct services;
- Europe – a rapidly growing market of around 300,000 tourists now visit Hainan, representing annual growth in excess of 60%;
- America – currently around 35,000 visitors, also growing rapidly at 35%.



**Privileges include financial incentives for new routes, a relaxed visa regime for 26 countries, and the conferring of duty free status across the whole island – even Chinese domestic passengers can shop tax-free – as Gunnar Moller, commercial director at Hainan Meilan International Airport Co. demonstrates.**



Moller is spearheading the airport's desire to build international air services, which the airport is pursuing via a three-pronged approach: firstly by heavily promoting Hainan Meilan to foreign carriers, secondly by providing extensive new infrastructure to cater for substantial international growth which it is hoped will see throughput triple to 30 million by 2020, and thirdly "by putting the passenger first in everything it does in both its day-to-day operation and long-term planning."

When we spoke to Moller he was just preparing to join a major 60-strong delegation of key airport executives and other Hainan stakeholders heading to Japan in April to meet Japanese carriers and also the various tourist bureaux. "This is the way to prove traffic can be sustained – it's a consistent long-term effort and builds on other delegations earlier this year to Europe – to Italy and Scandinavia," he commented.

Moller asserts that from the Chinese side there are no regulatory barriers to enterprising airlines: "There's open skies; absolutely free access." Furthermore, there are other devices which, like the duty free regime, are totally exceptional to Hainan, which could make new air services far more likely to be viable. For instance, Hainan is the only province which can grant 5th Freedom Traffic Rights and its Stop-over Rights to foreign airlines.

This privilege allows foreign airlines to extend their routes from Hainan to a selection of other Chinese international airports with up to seven frequencies per week to cities such as Chongqing, Qingdao or Xian.

"These could be of particular interest to Middle East carriers that may want to introduce a mixed service – stopping initially on Hainan (for



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tourism) and then flying on to one of the major business centres," Moller said. "By adding sectors such as Chongqing – where 30 million people live – you can change the dynamics of an international route to Hainan."

Airlines that take the plunge can expect other advantages – scheduled intercontinental flights in operation for at least six months will be given an incentive of up to 202,000 RMB (US\$32,000) per landing based on a 200 seat aircraft – a subsidy of up to US\$5.7 million for the first year of a route

being served three times per week. If the airline can service continuously on the intercontinental route for a full 12 months, the subsidy standard is raised to 232,000 RMB (US\$36,800) per landing.

There are other scaled subsidies for flights from Hong Kong, Macau and Taiwan worth up to 10,000 RMB (US\$1,500) per landing and 20,000 RMB (US\$3,000) per landing for flights from other Asian countries. Flights receive a 50% incentive improvement when 200 seat aircraft are used.

Visa-free travel – another privilege

exceptional to Hainan – is another significant advantage for airlines looking for arguments to support new route viability.

Unsurprisingly, besides the political will to see the island's tourism develop, there is also considerable investment. Although only a young airport, which originally opened in 1999 to cope with desired growth, a considerable construction scheme is underway. A new 13,200sqm International Terminal will be ready by the end of 2012 – although further dramatic expansion will see terminal floorspace rise to an overall 290,000sqm in the 2020 planning phase, which also includes a second 3,600m runway, enabling it to handle 267,000 movements and 300,000 tonnes of cargo (double the existing tonnage).

"We have to have the infrastructure in place" said Moller. Despite the impressive pace of development, he insisted: "Only pristine facilities will be provided for Hainan's discriminating visitors." For these reasons, Moller says Hainan Meilan Airport's Skytrax Four Star ranking is closely cherished: "This is a significant milestone in our efforts to sustain and improve long-term competitiveness – worldwide only nine airports have achieved this prestigious ranking, with only three in Asia – every effort will be exerted to continue to enhance the passenger experience at our airport."

**Build and they will come: A new 13,200sqm International Terminal will be ready by the end of 2012 – subsidies worth up to \$5.7 million could be secured by an airline operating a three times weekly intercontinental service with a 200-seat aircraft.**

