



PILARSKI SAYS...

National policies shape traffic

Adam Pilarski, senior vice-president at Avitas, says understanding the government's role in population movements is vital for those wanting to invest in China's aviation industry.

All countries face the reality that their population is not evenly spread across their territory. In cases of large countries this sometimes becomes a concern and spurs action in an attempt to disperse their people. The rationale is to alleviate over-crowding in some areas, to develop outlying places, to harness resources and to increase the national wealth. Dispersion is also motivated by military and ethnic reasons.

A number of large countries, including the US, Russia and China, have very unevenly spread populations. Overall, those three countries have had long-standing policies towards encouraging people to move to more open areas. In the US, the East, which includes land East of the Mississippi river, represents 23.5% of the territory and about 56% of the population.

In Russia the share of the territory where most people live is also about 23% and that place is West of the Ural Mountains. The population shares are quite different than in the US. In Russia about 72% of the people live in the West on 23% of the total land.

In China, a country I want to concentrate on for aviation implications, the division is between the coastal areas and the inland. Arranging all the provinces by population density gets us a clear dividing line, with a contiguous land area in the East from Guangdong in the South to Liaoning in the North and Hunan in the West. Again, the highly populated area consists of 21% of territory and about 68% of the people.

Inspecting Chinese airline traffic flows over the past 40 years shows important developments. Looking at capacity shares of total domestic traffic in three categories shows this picture.

The intra-inland zone share has been fairly stagnant at below 10% for about four decades. Traffic within the coastal region and between the coastal and inland regions, though, shows very interesting dynamics, especially when segmenting these trends into three periods.

From 1976 to 1985 the intra-coastal share fell from about 83% to about 53%

(since Chinese traffic had been growing at more than 20% annually at that time, a falling share did not mean actual decline in traffic). At the same time, traffic between the coastal and inland regions grew from about 10% of total traffic to almost 40%, while the share of coastal population declined substantially. These developments were in line with the government's desire to move people West and encourage traffic between East and West.

The second period was from about 1986 to about 2003 when the previous traffic share movement paused with almost identical shares throughout the whole period. This period was the era when the reforms introduced by Deng Xiaoping establishing tax-free development zones in coastal cities such as Shenzhen and Xiamen changed realities. At that time the share of gross domestic product produced in coastal areas increased substantially, accompanied by a move of people from the West pursuing jobs in the coastal areas. This arrested the previous traffic developments.

After 2003 reality changed again and the previous developments restarted, with the share of coastal to inland flows finally surpassing those of intra-coastal in about 2010 (the intra-coastal traffic level was more than 80% of China's total traffic less than four decades ago).

Pollution, crime and social problems make the desire of a more balanced population density in the country the new priority. Hence, traffic will start flying more between coastal and inland areas than other parts of the country.

The implication of these developments will be tremendous to the aviation community. China is the world's second-largest generator of traffic and it still experiences high growth rates. The developments described here will determine traffic patterns, demand for airports, selection of different aircraft types and many other variables critical for doing business in the fast-growing market seen as a salvation for many corporations.

Understanding these trends will provide a significant advantage in this important market. ▲