

Third Party Evaluator's Opinion on Lanzhou Zhongchuan Airport Expansion Project

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Relevance

Both the Tenth 5-Year Plan (2001-2005) and Eleventh 5-year Plan (2006-2010) of China's central government calls for the construction of local airports in the northwestern region as well as continued expansion and construction of the core airports and trunk line airports. In particular, the Eleventh 5-year Plan also ingeminate that central government will increase the support of economic policies, fixed assets investment and industrial development to west areas (including Gansu Province) as a continuation of the West Development Policy.

On the other hand, how to solve the huge energy needs by their internal and external supply effectively is gradually essential to China's central and local governments in the near future. From this perspective, Gansu Province, which located in Northeastern China near Xinjiang Uygur Autonomous Region and Central Asia, will play a more and more important role in terms of politics and economics. Since the surrounding areas including the Atrium Basin are abundant in oil reserves, transportation of materials in the province was expected to increase when the development of oil fields started on a large scale.

What is more, increasing the share of air transport and securing aviation safety are listed among priority issues in the Gansu Province Development Plan according to the ex-post evaluation report.

Logically convincing, Lanzhou, the capital city of Gansu, can be expected to function as a more important base for the transportation of resources and people, and the demand for air transport was predicted to increase, boosted by the development of energy and tourism resources in the following several years. Meanwhile the new expansion project based on "Zhongchuan Airport Expansion Project" will be promoted and the related financial support from the provincial or central government will increase surprisingly.

Efficiency

The planned output of the expansion project was mostly achieved according to the ex-post evaluation report. However, the floor area of the cargo terminal building was expanded from the initially planned 2,000 m² to 3,328 m² (increased by 66%). The reasons from the ex-post report are that the warehouses for the airline companies and the space for the customs were expanded in view of the expected increase in the demand for cargo transport and also from the viewpoint of functions and services based on the result of basic designing after the appraisal.

But some other fundamental factors can also works possibly, such as the local government's intrinsic preference of super-big project beyond the actual capability and real demand, which perhaps signal a good "governmental performance" to the superior governments in the existing system. This can explain in some extent why not only Lanzhou Zhongchuan Airport but 3 other airports owned by the executing agency are also in the red.

Considering that there is a limit to the efforts for solving this institutional problem by a state-owned company in a short term, the appropriate ownership reform of converting these airports into corporations and continued business efforts for making a profit are needed.

In sum, evaluator agrees that the project has been designed accordingly to the development plans and priority areas of central government and provincial government, and has brought benefit to many people all over the province and the country. However, the project benefit's sustainability remains a challenging issue in the future, especially in the direction of good corporate governance structure and effective operational management.