



China

# 27 Lanzhou Zhongchuan Airport Expansion Project

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This project's objective was to expand airport facilities through constructing a new runway and terminal buildings for Lanzhou Zhongchuan Airport in Gansu Province in order to cope with increased demand for air transport, and thereby contribute to economic revitalization in the northwestern region. At the same time, the project aims to upgrade the airport to serve as an alternative airport, contributing to improved aviation safety in northwestern China.

**Loan Amount/Disbursed Amount:** 6,338 million yen/6,299 million yen  
**Loan Agreement:** December 1996  
**Terms and Conditions:** Interest rate 2.3%; Repayment period 30 years (grace period 10 years); General untied  
**Final Disbursement Date:** June 2002  
**Executing Agency:** Gansu Airport Group Co., Ltd.



**External Evaluator:** Yuko Kishino (IC Net Limited)  
**Field Survey:** October 2004

## Evaluation Result

In this project, construction of runway, passenger terminal building, cargo terminal building and installation of air navigation facilities were conducted almost as planned. The project period was longer than planned due to the time required for adjustments in the designing stage, and the project cost was also higher than planned due to price escalation triggered by a policy shift of the central government.

Cargo volume achieved its target 10,000 tons in 2000 and has been on the increase. The number of passengers in 2000 was 679,000, less than the initially planned 1.3 million, because growth in demand for air transportation slowed down after the project had begun. However, the target of 1.3 million is predicted to be achieved by 2007, and further increase is expected [see commentary](#). As the safety of aircraft on landing and takeoff is ensured at Lanzhou Zhongchuan Airport after construction of the runway and facilities, satisfying ICAO\* standards, Lanzhou Zhongchuan Airport has become an alternative airport for large aircrafts in the northwestern region, after Urumchi and Xi'an, ensuring aviation safety and contributing to economic growth of this region.

There is no problem with the technical capacity of Gansu

Airport Group Co., Ltd. As for the operation and maintenance system, in addition to repeated reorganization in the past, there is a move to have each airport owned by group subsidiary companies. As for financial status, it has been in the red every year and measures to increase profit are now under consideration, including improvement of services.

Efforts are required to improve management through diversification of airport operations such as increasing income from non-aviation business.

\* International Civil Aviation Organization

## Third-Party Evaluator's Opinion

Lanzhou Zhongchuan Airport is located at the gateway to the western region, an area abundant in natural resources and an important base for regional development. Although this project is highly relevant, sustainability of the airport itself depends on efficient operation and establishment of corporate governance by the airport company.

**Third-Party Evaluator:** Mr. Zhang Zhi Gang (private company)

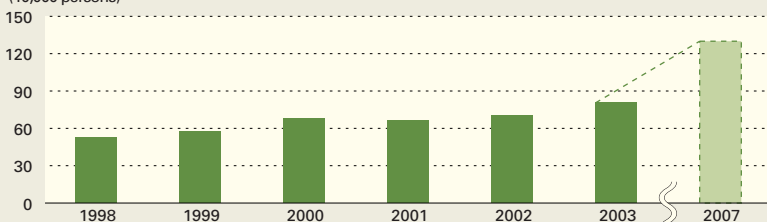
Obtained a master's degree in economics from Capital Economic & Trade University. Presently holds the post of General Manager of Mitsui Engineering & Shipbuilding Co., Ltd. Beijing Representative Office. Specializes in petrochemicals, plant, and shipbuilding.

### Commentary Changes in the number of passengers

In the aviation sector, it is said that the number of passengers is in proportion to the degree of economic growth. Worldwide, the average growth rate of passengers on regular flights from 2000 to 2004 was 6.3% (International Air Transport Association), the economic growth rate from 2001 to 2004 was 3.6% (International Monetary Fund), and the value of elasticity was 1.75. Applying this value to the economic growth rate of Gansu Province, which is 9%, the growth rate in passengers is calculated to be 15.75%, and therefore the number of passengers is predicted to reach 1.3 million in 2007 (the number of passengers at Takamatsu Airport is 1.53 million a year).

#### Changes in the number of passengers

(10,000 persons)



Source: Gansu Airport Group Co., Ltd.

### Publicity of ODA loan project



Near the security inspection counter of the airport, there is a sign stating: "This airport was constructed with the support of Japanese ODA loan".