



<This is a fictitious report which includes elements that would be included in any regional market assessment. Note that the “lead” office would provide expert opinions in more categories. The other regional markets in the same country would usually only advise a client regarding current and future demand, competition (if also relevant to that market) and next steps. Depending on the product or service, a specialist in Hong Kong might also supply additional information in more categories concerning relevant technical requirements or the regulatory environment, but might only offer counseling concerning demand, competition and next steps >

This QuickTake on China was prepared for

BARNABY JONES COMPANY, INC.

Presented: April 14, 2009

EXECUTIVE SUMMARY: Three posts have offered their expert opinions about the potential market for your product in China and Hong Kong. There are opportunities to explore with major and regional airlines. Based on the expert opinions provided by each office, you should consider starting in Beijing because it is the location of the largest carrier with international routes and because specialists have indicated that there may be issues with regulators to address before the product can be considered for purchase by any airline. Next, you may want to consider Hong Kong which is home to a number of carriers. In terms of other markets highlighted that have headquarters for regional and/or international carriers, you may elect to consider Guangzhou before Shenyang.

The preferred method of procurement for all airlines is direct. To meet influencers and decision makers, you can take advantage of services offered by Commercial Service posts and consider exhibiting in a U.S. Pavilion at a leading aerospace trade show being held in September 2009, certified by the U.S. Department of Commerce.

PARTICIPATING POSTS’ QUICK TAKE CHINA ASSESSMENTS (IN ALPHABETICAL ORDER)

Beijing	1
Guangzhou	2
Hong Kong	3
Shenyang	4

BEIJING

CURRENT DEMAND: Fair

Chinese airlines with either domestic or long haul international routes may be interested because of the number of people using electronic products on board. If other products such as DVD players and MP3 could also use the same USB 2 connection, there may be even more interest. However, due to the current economic crisis which has forced airlines to cancel orders, it is unclear whether the airlines might consider adding this type of system as a competitive marketing feature on any routes.

FUTURE DEMAND: Fair

Depending on the length of the economic crisis and how Chinese airlines endure, there may be greater potential for this system. China's airlines want to expand service internationally. They must add more user-friendly onboard services to appeal to customers.

COMPETITION: Needs Research

Although passengers can use electronic devices during certain periods of flight, they are also restricted by the rapid drain on battery life caused by power-hungry devices. Offhand, there is no other known competitor offering what the firm plans to introduce. More research may be required.

NEED FOR PARTNER: Fair

The technicians servicing the hardware and software generally have no English language skills. A degree of software localization will be required. Whether your firm has in-house capabilities, can contract with a vendor to convert the software or needs to partner with one to ensure after sales service needs to be explored further.

TECHNICAL REQUIREMENTS: Strong

Chinese Civil Aviation Administration must approve the unit for use on Chinese-owned aircraft. ACSIQ has testing requirements for electronic products imported into China for use in this field.

NEXT STEPS: Yes, there is potential. The company can consider a Gold Key or BFS to come and meet with software firms to discuss conversion. In addition, it would be useful to meet with the appropriate airline officials in the procurement departments. They would seek input from their respective engineering departments before considering any purchase. It may be helpful to work with a major carrier that has this system installed on its planes flying to China to demonstrate the ease of installation, safety issues and benefits to the passengers.

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GUANGZHOU

CURRENT DEMAND: Needs Research

No need to go through an agent. Need to meet airline executives first to discuss in more detail. The initial feedback from airline contacts is that it could be of interest because they recognize how many customers have interest in using electronic products during longer flights. Some concern about safety and how the generator would operate if independent from the aircraft's power supply. Product can be introduced directly to airlines for a decision on its merits.

FUTURE DEMAND: Fair

Depending on whether airlines determine that the system is safe to add on and operate on aircraft, there could be some interest. The three airlines operating out of Guangdong or Hainan are all operating international and longer domestic routes. They are competing aggressively for market share. Advantages such as this system could be marketed as a perk for First and Business Class flyers for example to see how receptive people are to it.

COMPETITION: Needs Research

None that I know of for on-board systems like this but the product is new.

NEXT STEPS: Guangdong province is home to major regional airlines including China Southern (with its headquarters in Guangzhou) as well as Shenzhen Airlines (Shenzhen). In addition, our post also covers Hainan. Hainan Airlines already flies to Seattle and is seeking other international routes. Meetings arranged through a Gold Key Service or BFS could help the firm to meet key influencers and decision makers at each airlines. Another consideration would be participation in a USA pavilion at events like Asian Aerospace (Sept. 2009) or the Zhuhai Air Show in 2010 to reach decision makers at all levels in any airline.

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HONG KONG

CURRENT DEMAND: Fair

Hong Kong is home to four air carriers. By virtue of location, all are international, to varying degrees. Cathay Pacific is the oldest with an extensive international network. Dragonair, which was formed in 1985, is the second oldest. Others include Oasis Hong Kong and Hong Kong Express Airways. Given the competitive outbound market, there could be interest in acquiring a product that offers more convenience to passengers. Cathay Pacific allows for a system that enables users to rent DVD players at airports and then use them in flight. The units are returned to a rental kiosk at the next airport on arrival. However, no provision is made for charging of batteries for the DVD players during the flight. Passengers must rent extra batteries that are easy to replace. This is expensive and battery life is not guaranteed for any minimum time. Preliminary discussion with contacts at the airlines indicate that such a system should first be reviewed by their engineering departments to determine safety and practicality.

FUTURE DEMAND: Fair

Airlines are experimenting with add on entertainment options to improve passenger comfort and productivity, especially on long international flights. The average regional flight by any Hong Kong carrier averages 4 hours. Longer flights range from 13 to 16 hours, without a refueling stop.

COMPETITION: Fair

In addition to the DVD rental system allowed by Cathay Pacific, BE Aerospace of Florida has developed advanced in-flight entertainment video systems that have been bought by carriers like Japan Air Lines. BE Aerospace announced plans to integrate a USB 2-compatible connection that, if successful, would allow hook up of DVD players. BE announced at Asian Aerospace 2009 that is working with Dragonair to see if it can expand upon this concept by allowing laptops to be hooked up. One airline executive also pointed out that his airline might be interested in Jones' system if a way could be found to charge customers for usage of the system (by having them rent the USB 2 compatible plug that would fit into an adapter located at every seat). Then, they could justify using auxiliary power to run the generator if that would create a more stable power supply for a long flight.

NEED FOR PARTNER: Fair

Please note comments under "Localizing" regarding Chinese language software that comes with the generator, computer and router.

TECHNICAL REQUIREMENTS: Strong

Simplified or traditional Chinese language software for technicians servicing the system and generator. If the product is also being introduced on any airlines in China, the company could probably find one partner or vendor to develop Chinese versions.

Aviation experts in Hong Kong have publicly expressed concerns over software firewalls needed to protect planes' avionics systems. A product that fits a unique niche and can satisfy safety and security concerns could be well positioned to leap ahead of the competition.

NEXT STEPS: Plan to conduct a Gold Key Matchmaking Service to meet directly with decision makers at the airlines for this type of product. If you are targeting China, you might consider a multi-stop Gold Key Service. In addition, you can book space in the USA Pavilion at Asian Aerospace Sept. 7-10 to meet decision makers from airlines throughout Asia. The U.S. Dept. of Commerce is recruiting exhibitors. For more information, please visit <http://www.buyusa.gov/hongkong/en/asianaerospace2009.html> to learn about our literature display or the standard booth options available through the organizer, Reed Exhibitions. Overall, you would benefit more from direct participation.

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SHENYANG**CURRENT DEMAND:** Weak

The only potential airline customer here is Northeast Airlines, based in Shenyang, People's Republic of China. It mainly operates passenger services using one Airbus A319 aircraft and two EMB-145 aircraft. The airline was established in 2006 and is wholly owned by Shenyang Aircraft. On November 8th 2007, the Civil Aviation Administration of China (CAAC) granted the airline approval to operate. Shenyang Aircraft Corporation is a Chinese civilian and military aircraft manufacturer located in Shenyang. Founded in 1953, it is one of the oldest and the most important aircraft manufacturers in the People's Republic of China. Many aircraft manufacturers in China such as Chengdu Aircraft Industry Group or Guizhou Aircraft Industry Co. were founded with help from Shenyang. It mainly focuses on designing and manufacturing fighter planes. Currently, it is a subsidiary of AVIC.

FUTURE DEMAND: Weak

For reasons cited above. The airline is very small with very few aircraft.

NEXT STEPS: The client might consider a multi-post GKS or BFS to meet directly with airline officials and possibly even Shenyang Aircraft executives responsible for overall management of the airline. The Vice President for Engineering at Northeast Airlines would be the main decision maker. The President of the airlines reports to Vice President of Operations at Shenyang Aircraft.

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NEXT STEPS

We will arrange a conference call shortly to discuss the assessment with you and the nearest international trade specialist in U.S. Export Assistance Center in Middletown, CT. Let's jointly consider next steps you may wish to pursue in the immediate future. Please feel free to also contact her directly:

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Industry Specialties: Aerospace and Defense