

For Discussion
on 29 October 2001

Legislative Council Panel on Economic Services

Extension in the Scope of Activities of the Airport Authority

Introduction

This paper seeks Members' views on a proposal by the Airport Authority (AA) for the Chief Executive to make an order under the AA Ordinance (Cap. 483) to extend the scope of activities in which AA may engage.

Background

2. The AA Ordinance establishes the AA and specifies its purposes, functions and activities in section 5. Under section 5(1), the purposes of AA are to provide, operate, develop and maintain the Hong Kong International Airport (HKIA) for civil aviation and in accordance with the objective of maintaining Hong Kong's status as a centre of international and regional aviation. It may provide facilities, amenities or services that are requisite or expedient in relation to the HKIA. Section 5(2) of the Ordinance extends AA's functions to cover any airport-related activity in trade, commerce or industry carried on at or from the land leased to AA under the Airport Land Grant (i.e. about 1,248 hectares of land at or in the vicinity of Chek Lap Kok).

3. In addition to the above-mentioned airport-related activities which are all subject to a geographical limitation viz at or in the vicinity of the HKIA, Section 5(3) of the AA Ordinance further provides for the Chief Executive to specify in an order any other airport-related activity which AA may engage in.

— A copy of section 5 of the Ordinance is at Annex for reference.

AA's Proposal

4. In order to strengthen Hong Kong's position as a leading international and regional air transportation hub, AA has formulated measures to retain and enhance the competitiveness of HKIA. Apart from the development of facilities to handle forecast increase in passenger and cargo traffic (e.g. an expansion of the Passenger Terminal Building and the provision

of additional cargo handling facilities), other measures include exploring cooperation with other airports and improving multi-modal connections with the Pearl River Delta to facilitate passenger/cargo transport and logistics operations. In this connection, AA has recently completed a study to provide a strategic overview of its long-term developments and is presenting its Airport Master Plan 2020 in a separate paper for Members' information.

5. Some of the activities called for by AA's strategy have to be carried on outside the geographical limitation of the HKIA and its vicinity. As a result, they will fall outside the scope of AA's permitted activities under section 5(1) and (2) of the AA Ordinance. These activities include to-

- (a) establish any alliance, or any co-operative, joint venture or partnership arrangements, with other airports;
- (b) acquire, own and dispose of any shares, stocks, debentures, loan stocks, bonds, or notes of, or issued by, or any rights or interests in, other airports;
- (c) establish, own and operate, whether by itself or in conjunction with other persons, cargo and passenger ferry or coach services between the Airport and other places in Hong Kong or elsewhere;
- (d) acquire, own, and dispose of airport-related assets in Hong Kong or elsewhere;
- (e) make investment in airport-related activities in Hong Kong or elsewhere; and
- (f) provide airport-related consultancy, advisory or management services for other airports.

Proposed Order

6. In order to be able to fully implement its strategy for long-term development, AA has proposed that an order be made by the Chief Executive under section 5(3) of the AA Ordinance. The order will permit AA to engage in or carry on the activities referred to in the preceding paragraph.

7. It should be noted that under the AA Ordinance, all activities carried on by AA are subject to the following overall principles-

- (a) maintenance of Hong Kong's status as a centre of international and regional aviation; and
- (b) in compliance with other provisions of the AA Ordinance. Examples of such provisions include section 6 which provides that AA shall conduct its business according to prudent commercial principles and section 8 which provides that nothing in the Ordinance shall be construed as enabling AA to operate either meteorological or air traffic control services or make any air services agreement or arrangement with the government of any country or territory.

8. We plan to invite the Chief Executive to make an order under section 5(3) of the AA Ordinance before the end of 2001 and that the order would come into operation early next year. The order shall be published in the Gazette and tabled before the Legislative Council for negative vetting.

Views Sought

9. Members' views are invited on the proposal to make an order under the AA Ordinance to extend AA's scope of permitted activities.

Economic Services Bureau
October 2001

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| Chapter: | 483 | Title: | AIRPORT AUTHORITY ORDINANCE | Gazette Number: | 36 of 1999 |
| Section: | 5 | Heading: | Purposes of Authority | Version Date: | 01/07/1997 |

Remarks:

Adaptation amendments retroactively made - see 36 of 1999 s. 3

(1)(a) The Authority shall, in accordance with this Ordinance and also in accordance with the objective of maintaining Hong Kong's status as a centre of international and regional aviation, provide, operate (in accordance with any law in that regard which is for the time being in force), develop and maintain, at and in the vicinity of Chek Lap Kok, an airport for civil aviation.

(b) The Authority may provide, at, as regards or in relation to the Airport (or any part thereof), such facilities, amenities or services as are, in its opinion, requisite or expedient.

(2) In addition to performing the functions assigned by subsection (1), the Authority may engage in or carry on any airport-related activity in trade, commerce or industry at or from any 1 or more places in the Leased Area.

(3)(a) In addition to the activities which it may engage in or carry on under subsection (2), the Authority may also engage in or carry on such airport-related activities as the Chief Executive may, after consultation with the Authority, permit or assign to it by order published in the Gazette. (Amended 36 of 1999 s. 3)

(b) An order under this subsection may-

(i) provide that all or any 1 or more of the activities specified in the order may be engaged in or carried on by the Authority either at or from any place whatever or at or from any place specified in the order;

(ii) contain conditions restricting or otherwise regulating, or otherwise relating to, an activity to which the order relates.

(Enacted 1995)