

**For information
on 22 October 2007**

Legislative Council Panel on Economic Development

**Policy Initiatives of the Transport Branch of the
Transport and Housing Bureau**

Introduction

This paper elaborates on the new and on-going initiatives relating to the air and maritime transport portfolio in the 2007-08 Policy Agenda.

2007-08 Policy Agenda

New Initiatives

2. We will implement the following new initiatives –

Chapter 1 – Ten Major Infrastructure Projects to Boost Our Economy

(a) Study the engineering and environmental feasibility of building a new runway at the Hong Kong International Airport (HKIA).

- It is important that the HKIA has sufficient runway capacity to handle the forecast growth in traffic. The Airport Authority (AA), in cooperation with the Civil Aviation Department (CAD), has commenced a study on possible measures to increase our runway capacity. The study is expected to be completed by end 2007/early 2008. This will be followed by engineering and environmental feasibility studies on the option of constructing a third runway at the HKIA.

(b) Improve air traffic management through the establishment of a new air route to cater for flights between Hong Kong and the eastern part of the Mainland, and a study on options to improve the existing infrastructure of the HKIA, air traffic control and flight procedures with a view to increasing our runway capacity.

- To facilitate the long-term development of the civil aviation industry, the CAD will continue to liaise with the General Administration of Civil Aviation of China (CAAC) and the Macao Civil Aviation Authority (CAAM) with a view to improving the use of airspace and the co-ordination of air traffic management in the Pearl River Delta (PRD) region. Through the efforts of a tripartite working group formed by the CAAC, CAD and CAAM, a new air route was established in December 2006 between Guangzhou and Hong Kong Flight Information Regions to cater for flights overflying Hong Kong and landing in Guangzhou. We are pursuing with the CAAC the establishment of another new air route to cater for flights between Hong Kong and the eastern part of the Mainland.
- In the meantime, the study mentioned in (a) above focuses on options to improve the existing infrastructure of the HKIA, air traffic control and flight procedures, with a view to increasing our runway capacity.

(c) Foster closer co-operation between the HKIA and Shenzhen Airport and study the feasibility of direct rail link between them.

- The Shenzhen Airport has a wide domestic network covering some 76 Mainland cities, compared with the HKIA's 40, whilst the HKIA has an extensive international network connecting to 110 overseas destinations. Moreover, the two airports are close to each other, only about 40 km apart. For the two airports to fully complement each other and achieve a win-win situation, it is necessary to study the feasibility and economic benefits of establishing a rail connection between the two. The Shenzhen Municipal Government strongly supports the proposals on further co-operation between the two airports. To follow up, the two governments will form a joint task force. The AA will provide research support to the task force. We hope that specific work plans can be drawn up early next year.

(d) Launch a training programme for the freight forwarding sector.

- To maintain Hong Kong as the premier logistics hub in Asia, there is a need for a well-trained and efficient workforce to meet the demand of the increasingly sophisticated freight forwarding services. We have invited the relevant trade associations to put forward a tailor-made training programme suitable for enhancing the skills and capabilities of the current workforce and potential newcomers joining the freight forwarding industry.

(e) Facilitate ship finance in Hong Kong.

- Hong Kong is the home to a thriving maritime community, providing comprehensive and quality services including ship brokering, ship management, ship finance, ship insurance, legal services, shipping arbitration and ship surveying. Hong Kong shipowners own and manage 8% of the world's merchant fleet in terms of tonnage.
- In order to further enhance the attractiveness of Hong Kong's maritime services, we are examining the use of export credit insurance to facilitate ship finance for Hong Kong shipowners running charter hire business.
- A working group will be formed under the Hong Kong Maritime Industry Council to take forward the matter. We have invited the Hong Kong Export Credit Insurance Corporation to be the Convenor of the working group, with representatives of shipowners, ship brokers and bankers as members.
- It is expected that the proposal will facilitate the ship financing business in Hong Kong, and in turn stimulate the demand for other maritime services like shipping registration, ship brokering, ship insurance and legal services. The will help to strengthen the position of Hong Kong as an international maritime centre.

On-going Initiatives

3. Apart from the new initiatives, we will continue to implement the on-going initiatives, including –

Chapter 1 – Ten Major Infrastructure Projects to Boost Our Economy

(a) Reviewing the demand for air services from time to time and continuing to formulate development strategy to support the continued growth and development of the civil aviation industry.

- We reviewed and expanded our air services arrangements with seven aviation partners in 2006-07 to provide more growth and development opportunities for the civil aviation industry.
- We will continue to review the demand for air services from time to time and, where warranted, initiate air services negotiations with our aviation partners with a view to increasing air traffic capacity to meet market demand.

(b) Continuing to assist the AA to expand inter-modal connections to strengthen the links between the HKIA and the PRD Region.

- Since the launch of the transit passenger ferry service between the HKIA and the PRD in September 2003, it has served over 5 million passengers. There are currently six routes serving Macau, Shekou, Shenzhen Fuyong, Donguang, Zhongshan and Zhuhai (Jiuzhou)
- To further enhance the connectivity between the HKIA and the PRD, a “co-termination” arrangement was launched at the HKIA’s SkyPier in December 2006, whereby northbound cross-boundary ferries departing the Hong Kong - Macau Ferry Terminal or the China Ferry Terminal can pick up air-to-sea transit passengers at the SkyPier during journeys to destinations in the PRD.

(c) ***Replacing the CAD's air traffic control system and developing a new CAD Headquarters on the Airport Island to support the long-term growth of the aviation industry.***

- Air traffic in Hong Kong has continued to experience robust growth. Since the opening of the HKIA, aircraft movements have been growing at an annual rate of 7% on average, surpassing the original forecast of 3.5% when planning the airport. The number of flights overflying the Hong Kong Flight Information Region has also been growing at an annual rate of 9% on average.
- To ensure that the handling capacity of the air traffic control (ATC) system in Hong Kong can match the increase in air traffic, the CAD plans to replace the ATC system by end 2012. The CAD also plans to develop a new headquarters on the Airport Island to enhance operational efficiency and support the long-term growth of the aviation sector. We obtained funding approval from the Legislative Council for the replacement ATC system in May 2007, and will seek funding approval for the development of the new CAD headquarters in end 2007.

(d) ***Continuing to implement the measures recommended by the Hong Kong Port-Master Plan 2020 Study to enhance the competitiveness of the Hong Kong Port.***

- We would continue to work with the industry closely to implement the recommendations of the Hong Kong Port-Master Plan 2020 Study to enhance port competitiveness. These include reducing inland transport costs to Hong Kong Port (HKP), enhancing connectivity with cargo sources and port productivity.
- We are exploring ways to reduce the cost differential between Hong Kong and the neighbouring ports, particularly on cross-boundary trucking cost (see (g) below for details) and terminal handling charge (THC), with a view to enhancing the competitiveness of HKP. We will continue to facilitate dialogue among relevant parties with the aim to enhancing the transparency of the THC and its determining mechanism.

- To attract more river trade vessels to Hong Kong, thereby increasing the cargo volume, we streamlined the entry procedures for river trade vessels by introducing a multiple entry permit system and lowered the permit cost in January 2007 on completion of the necessary legislative procedures.
 - To enhance port productivity, we would continue to work in conjunction with relevant departments to make available suitable adjacent port back-up land to meet port operational needs. A site of 4 ha off Container Terminal 7 was tendered out in September this year, and other sites will, once available, be tendered out for the use of the industry.
- (e) ***Finalising the Port Cargo Forecast Study and based on the findings, reviewing the port expansion strategy and the optimal option for the development of Container Terminal 10.***
- The Study on Hong Kong Port Cargo Forecasts (PCF) aims to project the throughput of HKP up to 2020. The throughput projection will be one of the elements to be considered by the Government in mapping out the strategy for Hong Kong's port development in future.
 - The other important element to be considered is the cargo handling capacities of our neighbouring ports, as HKP shares the same cargo source with them. Information from the Mainland authorities and port operators indicates that the supply of port facilities in South China will be doubled between 2005 and 2010, and the build-up of capacity will continue apace in subsequent years though relatively slower.
 - Against this background and on the basis of the results from the PCF study, the Government will review the strategy for HKP and work out the optimal option for the development of Container Terminal 10.

(f) Finalising the Ecology Study on Northwest Lantau and based on findings, reviewing the optimal option for the development of Container Terminal 10.

- The Ecology Study on Northwest Lantau completed in September 2007 concludes at this stage that it is uncertain whether the potential mitigation measures identified would be able to offset the habitat loss of the Chinese White Dolphins and sufficient to reduce the residual impacts to acceptable levels under the Environmental Impact Assessment Ordinance. Further investigations into the key mitigation measures, such as optimization of the size/scale of reclamation, fishing ban at the Northwest Lantau waters, location of other possible sites in the western waters of Hong Kong, are needed in the context of a more detailed feasibility study and engineering design.
- In the light of the findings of the Ecology Study and the PCF study, the Government will review the port expansion strategy and work out the optimal location and timing for the development of Container Terminal 10.

(g) In the context of cross-boundary logistics co-operation, further enhancing collaboration on the basis of the achievements so far, and continuing to discuss with the Guangdong authorities measures to reduce cross-boundary trucking cost, with a view to enhancing freight flow and logistics efficiency between the two sides.

- Good achievement has been made in our discussion with the Guangdong authorities on raising efficiency and reducing cost of cross-boundary trucking. These include relaxation of regulatory and licensing requirements on cross-boundary container trucks, and improvements in the service level and efficiency of inland customs control points. Building upon the achievements made so far, we will continue our dialogue with the Guangdong authorities to explore measures for further enhancement of freight flow and logistics efficiency between the two sides.

(h) Finalising the detailed feasibility study on the Lantau Logistics Park project to fulfil the statutory requirements for the subsequent zoning and reclamation of the site for the Park.

- The detailed feasibility study on the Lantau Logistics Park is at its final stage. Its result will serve the purpose of addressing the statutory requirements for subsequent reclamation and zoning of the site.
- According to past experience and the statutory requirements under the Town Planning Ordinance and the Foreshore and Sea-bed (Reclamations) Ordinance to prepare the draft outline zoning plan and to set out the reclamation works related to the project, the whole process from gazettal to completion of the statutory procedures is expected to take 14 months. At the same time, we need to submit the environmental impact assessment report and apply for an environmental permit in accordance with the Environmental Impact Assessment Ordinance.

(i) Monitoring the implementation of the Digital Trade and Transportation Network (DTTN) services in accordance with the Operating Agreement signed with the DTTN Limited.

- The Government has been monitoring the implementation of the DTTN services in accordance with the service parameters, service levels, pricing model and guiding principles as set out in the Operating Agreement between the Government and the DTTN Limited. We have, through the Logistics Development Council, introduced measures to promote the use of this platform and the development of e-logistics.

Members' Views

4. We welcome Members' views on the various initiatives.

Transport Branch

Transport and Housing Bureau

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