

**“Replacement and Upgrading of Meteorological Facilities for the
Hong Kong International Airport”
[FCR(2008-09)69]**

Supplementary Note

Purpose

This note provides added information about the cost recovery arrangements mentioned in paragraph 21 of the paper for the above Finance Committee (FC) Agenda Item. The elaboration has been requested by the FC Chairman.

Cost Recovery Arrangements

2. Paragraph 21 of Paper FCR (2008-09)69 states that “Under the existing “user pays” principle, the costs for HKO to provide aviation weather services will be fully recovered from AA for aircraft landing at HKIA and from airlines for overflying aircraft without landing at HKIA (as part of en-route navigation charges)”.
3. The FC Chairman has invited the Administration to explain the mechanism in greater detail, including the costs that are recovered and in particular, whether the capital costs for system development will be included; the prevailing formula; and how the money is collected from AA and the airlines.

Recovery of costs from AA

4. The recovery from AA of the costs for HKO to provide aviation weather services is based on an agreement signed between HKO and AA (“the Agreement”) in July 1998.
5. Under the Agreement, HKO is to recover all the costs involved, including staff costs (including on-costs and allowances); general operating expenses (including contract services); depreciation of fixed assets; and amortization of capitalised costs.
6. AA pays the Government the estimated charges in each financial year by equal monthly instalments. Adjustment is made when the final accounts of the

actual charges payable for that financial year are available.

7. The Airport Authority Ordinance (Cap 483) empowers AA to determine airport charges payable by airlines. In doing so, AA takes into account various relevant factors. The cost of aviation weather services is one of them.

Recovery of costs from airlines (as part of en-route navigation charges)

8. The Civil Aviation Department (CAD) charges airlines for overflying aircraft without landing at HKIA. This en-route navigation charge is determined by reference to the distance flown by each aircraft within the Hong Kong Flight Information Region. The current rate (equivalent to \$4.8 per nautical mile flown) is determined by CAD on a full cost recovery basis. The costs to be recovered are those for (i) CAD to provide air traffic control services; and (ii) HKO to provide aviation weather services. HKO determines its costs on the same basis as that set out in paragraph 5 above. It informs CAD of the estimated and actual costs in each financial year for CAD to review the en-route navigation charges.

Commerce and Economic Development Bureau
February 2009