

**For information
on 24 October 2008**

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 2008-09 Policy Agenda. On civil aviation, we have been strengthening Hong Kong's status as an international and regional aviation hub, focusing on liberalizing our air services regime, increasing the runway capacity, improving airport infrastructural facilities and improving the connectivity between the airport and the Pearl River Delta (PRD) Region. On marine transport, our policy objectives are to enhance the competitiveness of the Hong Kong Port and to strengthen Hong Kong's position as an international shipping and maritime centre.

2008-09 Policy Agenda

New Initiative

2. We will implement the following new initiative –

Chapter 1 – Developing the Infrastructure for Economic Growth

- (a) ***Review the regulatory regime of the Air Transport Licensing Authority (ATLA) for our local airlines.***
 - The ATLA, established under the Air Transport (Licensing of Air Services) Regulations (Cap 448A), is responsible for granting licences to local airlines to operate scheduled air services between Hong Kong and any point in the world. We intend to review the ATLA's regulatory regime with a view to enhancing regulatory oversight (particularly in terms of financial monitoring) and promoting competition and innovation in the airline industry. The intention is to consult the relevant stakeholders in early 2009. Subject to such consultation, legislative amendments to Cap 448A will be tabled in the

Legislative Council in the current legislative session.

On-going Initiatives

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

Chapter 1 – Developing the Infrastructure for Economic Growth

(a) Studying in conjunction with the Airport Authority (AA) 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. In July 2008, the AA commissioned an Airport Master Plan 2030 Study to review the airport facilities with a view to maintaining the status and competitive edge of Hong Kong as an international and regional aviation centre. The Study is scheduled for completion in June 2009. A key issue in the Study is the possibility of building a third runway, the engineering and environmental feasibility of which is being looked into in studies commissioned by the AA in September 2008. These studies are scheduled for completion in two years' time.

(b) Improving 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 the implementation of the recommendations of a study to increase our runway capacity by improving the existing infrastructure of the HKIA, air traffic control and flight procedures.

- To facilitate the long-term development of the civil aviation industry, the Civil Aviation Department (CAD) will continue to liaise with the Civil Aviation Administration 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 PRD Region. Specifically, we will continue to pursue with the CAAC the establishment of another new air route to cater for flights between Hong Kong and the eastern part of the Mainland.

- With the support of the AA and the aviation industry, we are confident that capacity of the existing runways can be gradually increased to 68 aircraft movements per hour by 2015. In this regard, the CAD is pursuing the study recommendations.
- (c) ***Continuing to foster closer co-operation between the HKIA and Shenzhen Airport and pressing ahead with the study on the feasibility of establishing a direct rail link between them with a view to completing the study in 2008.***
- 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. For the two airports to fully complement each other and achieve a win-win situation, the Government and the Shenzhen Municipal Government established a Task Force in December 2007 with a view to fostering closer cooperation between the two airports, including the proposal of establishing a rail connection between the two. The feasibility study of the direct rail link is underway on schedule to be completed in 2008.
- (d) ***Promoting ship finance in Hong Kong.***
- To further enhance the attractiveness of Hong Kong's maritime services, a working group to promote ship finance for Hong Kong shipowners running charter hire business, was formed under the Hong Kong Maritime Industry Council. Members include representatives of shipowners, ship brokers and bankers, and the Hong Kong Export Credit Insurance Corporation.
 - Given the impact of economic cycle faced by shipping industry and the high charter rate at present, the Working Group reckoned that the cover limit, the need for and feasibility of additional funding for ship financing, would need to be further considered.
- (e) ***Reviewing the demand for air services from time to time and continuing to formulate appropriate development strategies to support the continued growth and development of the civil aviation industry.***
- We reviewed and expanded our air services arrangements with 16 aviation partners in 2007-08 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 initiate air services negotiations with our aviation partners with a view to increasing air traffic capacity to meet market demand.
- (f) ***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 Region in September 2003, the services now serve over 2 million passengers a year. 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 Region, a new SkyPier is under construction for completion by 2009. The AA will seek to increase the number of destinations for the ferry services and frequencies of existing services to the PRD Region.
- (g) ***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.***
- With funding approval from the Legislative Council in May 2007 and January 2008, the CAD is making preparations for the replacement of its existing air traffic control system and the development of a new headquarters on the Airport Island to enhance operational efficiency and support the long-term growth of the aviation sector. In this regard, the tendering exercises are underway.
- (h) ***Implementing measures to enhance the competitiveness of the Hong Kong Port.***
- We are working closely with the industry to implement measures to enhance port competitiveness, particularly connectivity with cargo sources and port productivity.
 - We would continue to explore ways to reduce the cost differential between Hong Kong and the neighbouring ports, and continue to facilitate dialogue among relevant parties with the aim to enhancing the transparency of the terminal handling charges and its determining mechanism.

- To attract more river trade vessels to Hong Kong, thereby increasing the cargo volume, we are also exploring measures to facilitate river trade vessels calling Hong Kong.
 - 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. 6.3 ha of land off Kwai Tsing Container Terminals was tendered out in the first half of 2008, and other sites of about 17.8 ha will be tendered out for the use of the industry by end of 2008.
- (i) *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.*
- On the basis of the good progress made in the relaxation of regulatory and licensing requirements on cross-boundary container trucks as well as improvements in the service level and efficiency of inland control points, we shall continue to engage the Guangdong authorities to explore measures for further enhancement of freight flow and logistics efficiency between the two sides.
- (j) *Finalising the detailed feasibility study on the Lantau Logistics Park project to fulfil the statutory requirements for the zoning and reclamation of the site for the Park.*
- We have updated the detailed feasibility study on the Lantau Logistics Park to take into account the findings of the “Mid-term Review of the Pearl River Delta Regional Air Management Plan” released in January 2008. The requisite statutory procedures in connection with the environmental impact and zoning of the site will be taken forward accordingly.

Members' Views

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

Transport Branch
Transport and Housing Bureau
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