

**For discussion
on 27 June 2011**

Legislative Council Panel on Economic Development

**Proposed Revisions of Fees and Charges under
Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap 312A)
and Hong Kong Air Navigation (Fees) Regulations (Cap 448D)**

PURPOSE

This paper seeks to provide Members with more information on the Government's proposed revisions of the fees and charges under the Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap 312A) and the Hong Kong Air Navigation (Fees) Regulations (Cap 448D), as requested by Members at the meeting held on 28 March 2011.

**COMPARISON WITH NEIGHBOURING CIVIL AVIATION
AUTHORITIES**

2. As requested by Members, a comparison of the proposed fees and charges of the Civil Aviation Department (CAD) and those of other neighbouring civil aviation authorities is at **Annex A**. However, the fees and charges relating to civil aviation vary from place to place, depending on the specific regulatory requirements and cost structure. It is difficult to conduct a comparison on a like for like basis.

IMPACT OF CAD'S PROPOSED FEES AND CHARGES

3. On Members' concern as to whether CAD's proposed fees and charges would undermine Hong Kong's competitiveness as an aviation hub in the region, we wish to assure Members that the proposals would not have a significant impact on the aviation industry, nor would they undermine Hong Kong's competitiveness as an aviation hub in the region.

4. Under the existing law, holders of Air Operator's Certificate (AOC) are required to pay the cost of investigations incurred by CAD subject to a maximum amount calculated in accordance with the formula set out in the law, and the maximum amount for one AOC holder is different from that for another AOC holder.

5. Of the nine AOC holders, four pay the full costs of investigations which are below their respective maximum amounts¹ and are thus not affected by the proposed fee adjustments. The other five AOC holders pay their respective maximum amounts².

6. CAD's fee proposals simply seek to revise the components of the formula for calculating the maximum amount such that the five AOC holders pay their full costs of investigations, rather than their respective maximum amounts.

7. Upon implementation of the fee proposals in three phases, the five AOC holders are expected to pay an additional amount, ranging from \$0.1 million to \$1 million in the first year, from \$0.3 million to \$1 million in the second year, and from \$0.6 million to \$1 million in the third year and afterwards.

8. CAD's fees should not be an undue financial burden on the operation of the airlines, nor should they alone be a reason for an increase in the fare levels of the airlines, which hinge upon various factors such as fuel costs, staff costs, aircraft depreciation and operating leases of aircraft, competition with other industry players, the prevailing economic climate and seasonal factors, etc.

9. In the case of a smaller aircraft operator in Hong Kong with less than 10 aircraft in its fleet, we estimate that CAD's fees would only represent less than 1% of the aircraft operator's total operating expenses. The percentages would be smaller in the case of some larger aircraft operators in Hong Kong.

¹ The four AOC holders together accounted for some 132,700 movements or 43.3% of the total number of aircraft movements at the Hong Kong International Airport in 2010.

² Two among the five AOC holders are helicopter operators which do not normally operate at the Hong Kong International Airport. The three which do together accounted for some 9,270 movements or 3% of the total number of aircraft movements at the Hong Kong International Airport in 2010.

10. Our airport charges³ are also competitive vis-à-vis those of other places. According to the Airport Charges Index 2010 compiled by Leigh Fisher Management Consultants⁴, the Hong Kong International Airport (HKIA) ranked 48th among 50 major international airports (the 50th being the most competitive) (see the full list at **Annex B**).

**Transport and Housing Bureau
Civil Aviation Department
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³ Airport charges are for aerodrome operations and services provided by the Airport Authority Hong Kong (including landing and parking charges), which are separate from and independent of CAD's regulatory charges.

⁴ Leigh Fisher is an internationally recognized consultancy firm based in the United States (with offices in Canada and the United Kingdom) that provides transport planning and management consulting services. It has employed over 300 full-time staff members and served clients in some 30 countries over the past 60 years. In the United States, it has provided consulting services to the operators of over 80% of the large- and medium-hub airports.

**Comparison between the Proposed Fees and Charges of
the Civil Aviation Department and those of Neighbouring Civil Aviation Authorities**

(Note: All amounts expressed in Hong Kong dollars)

I. Holders of Air Operator's Certificate (AOC)

Description

The major fees that an AOC holder has to pay include the fee for the grant and renewal of the AOC, the fee for the registration of its aircraft (usually in the form of the issue of a certificate of registration (COR) for each aircraft) and the fee for the grant and renewal of the certificate of airworthiness (COA) of its aircraft.

Basis of fees

Items	Hong Kong	Singapore	The Mainland	South Korea	Australia
(a) AOC	Cost of investigations subject to a maximum fee determined by the airline's operational data. The AOC is renewed on an annual basis.	About \$0.9 million per year, irrespective of the size of the operator. The AOC is renewed on an annual basis.	No relevant information.	About \$5,500 is charged for the initial grant. The AOC does not have an expiry date and does not need to be renewed.	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500. The validity period of an AOC varies depending on the circumstances.
(b) COR	\$660 per aircraft. The COR is issued on a one-off basis and does not have an expiry date.	About \$340 plus \$40 per 1,000 kg in excess of 3,000 kg per aircraft. The COR is issued on a one-off basis and does not have an expiry date.	About \$1,200 per aircraft. The COR is issued on a one-off basis and does not have an expiry date.	About \$60 per aircraft. The COR is issued on a one-off basis and does not have an expiry date.	About \$1,000 per aircraft. The COR is issued on a one-off basis and does not have an expiry date.

Items	Hong Kong	Singapore	The Mainland	South Korea	Australia
(c) COA	\$340 for each 500 kg of aircraft. The COA is renewed on an annual basis.	About \$1,200 per 1,000 kg. The COA is renewed on an annual basis.	At an hourly rate of about \$240. The COA is renewed on an annual basis.	About \$1,400 plus \$20 for each 1,000 kg of aircraft. The COA is renewed on an annual basis.	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500. The COA is renewed on an annual basis.

Comparison

For comparison, we have tried to apply the above fees to the cases of (i) a large airline with 120 wide-body aircraft in its fleet; and (ii) a small airline with 5 narrow-body aircraft in its fleet. For the COR fees which are generally charged on a one-off basis, we have assumed that an aircraft has a useful life of 20 years and thus deriving the estimated annual fees arising therefrom.

The estimated total fees that an AOC holder has to pay in the respective jurisdictions per annum are shown below:

	Hong Kong	Singapore	The Mainland	South Korea	Australia
(i) a large airline	About \$34 million	About \$52 million ¹	About \$940,000	About \$1.1 million	About \$43 million
(ii) a small airline	About \$1.6 million	About \$1.4 million ¹	About \$56,000	About \$15,000	About \$1.9 million

II. Maintenance Organizations

Description

The major fee for a maintenance organization is the fee for the approval of the maintenance organization to conduct aircraft maintenance work.

¹ The Civil Aviation Authority of Singapore (CAAS) will recover additional cost where overseas visits are required. Therefore, the actual fees could be higher.

Basis of fees

Item	Hong Kong	Singapore	The Mainland	South Korea	Australia
Approval of maintenance organization	Cost of investigations subject to a minimum fee of \$16,100 and a maximum fee of \$402,500.	About \$6,800 for each branch of the organization in a different geographical location.	At an hourly rate of about \$240 for the investigations conducted.	No relevant information.	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500.

Comparison

For comparison, we have tried to apply the above fees to the cases of (i) a large maintenance organization which has extensive operations and a wide range of type approvals for different types of aircraft and equipment; and (ii) a small maintenance organization which is more specialized and has a limited range of type approvals for aircraft and equipment.

The estimated total fees that a maintenance organization has to pay in the respective jurisdictions per annum are shown below:

	Hong Kong	Singapore	The Mainland	South Korea	Australia
(i) a large maintenance organization	About \$400,000 ²	About \$14,000 ^{2,3}	About \$41,000 ²	No relevant information	About \$370,000 ²
(ii) a small maintenance organization	About \$16,000 ²	About \$7,000 ^{2,3}	About \$600 ²	No relevant information	About \$5,000 ²

² The approval of a maintenance organization is valid for two years in Hong Kong and one year in Singapore. For comparison purpose, the fees are stated on an annual basis. For the Mainland and Australia, there is no relevant information on the validity period. This however does not affect the calculation of the annual fees which is based on the estimated number of working hours spent in a year.

³ According to CAAS, they are currently under-recovering the cost of investigations conducted on the maintenance organizations and a review shall be conducted with a view to recovering the full cost. In addition, CAAS will recover additional cost where overseas visits are required. Therefore, the actual fees could be higher.

III. Maintenance Training Organizations

Description

The major fees for a maintenance training organization include the fees for the approval of individual training courses on aircraft maintenance and the approval of the maintenance training organization to provide aircraft maintenance training, conduct examinations and furnish reports.

Basis of fees

Item	Hong Kong	Singapore	The Mainland	South Korea	Australia
(a) approval of maintenance training course	Cost of investigations subject to a maximum fee of \$192,800.	No relevant information.	No relevant information.	No relevant information.	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500.

Item	Hong Kong	Singapore	The Mainland	South Korea	Australia
(b) approval of maintenance training organization	Cost of investigations subject to a maximum fee of \$192,800.	About \$6,800 per annum for each branch of the organization in a different geographical location.	No relevant information.	No relevant information.	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500.

Comparison

For comparison, we have tried to apply the above fees to the cases of (i) a large maintenance training organization which has a wide range of maintenance training approvals; and (ii) a small maintenance training organization which is more specialized and has a limited range of maintenance training approvals.

The estimated total fees that a maintenance training organization has to pay in the respective jurisdictions per annum are shown below:

	Hong Kong	Singapore	The Mainland	South Korea	Australia
(i) a large maintenance training organization	About \$100,000 ⁴	About \$14,000 ^{4,5}	No relevant information	No relevant information	About \$130,000 ⁴
(ii) a small maintenance training organization	About \$7,500 ⁴	About \$7,000 ^{4,5}	No relevant information	No relevant information	About \$10,000 ⁴

⁴ In Hong Kong, the approval of a maintenance training course is valid for three years while the approval of a maintenance training organization is valid for two years. In Singapore, the approval of a maintenance training organization is valid for one year. For comparison purpose, the fees are stated on an annual basis. For Australia, there is no relevant information on the validity period. This however does not affect the calculation of the annual fees which is based on the estimated number of working hours spent in a year.

⁵ According to CAAS, they are currently under-recovering the cost of investigations conducted on the maintenance training organizations and a review shall be conducted with a view to recovering the full cost. In addition, CAAS will recover additional cost where overseas visits are required. Therefore, the actual fees could be higher.

IV. Flight Training Organizations

Description

The major fees for a flight training organization include the fee for the approval of the flight simulator used for the training of flight crew, the fees for approval of individual flight training courses and the fee for the approval of the flight training organization to provide training for flight crew, conduct examinations and furnish reports.

Basis of fees

Item	Hong Kong	Singapore	The Mainland	South Korea	Australia
(a) approval of flight simulator	Cost of investigations subject to a maximum fee of \$209,700.	About \$6,800 per simulator.	An applicant is required to engage a designated organization (as an intermediary) to conduct investigations in support of the application. The fee will be mutually agreed between the flight training organization and the intermediary concerned.	About \$2,800 per simulator.	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500.
(b) approval of flight training course	Cost of investigations subject to a maximum fee of \$1,033,700.	No relevant information	No relevant information	No relevant information	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500.

Item	Hong Kong	Singapore	The Mainland	South Korea	Australia
(c) approval of flight training organization	Cost of investigations subject to a maximum fee of \$209,700.	About \$28,000 per annum for each branch of the organization in a different geographical location.	No relevant information	No relevant information	Actual number of hours spent at prescribed hourly rates of about \$1,300 to \$1,500.

Comparison

For comparison, we have tried to apply the above fees to the cases of (i) a large flight training organization which has more than ten flight simulators and provides a wide range of flight training courses; and (ii) a small flight training organization which has less than five flight simulators and provides a limited range of flight training courses.

The estimated total fees that a flight training organization has to pay in the respective jurisdictions per annum are shown below:

	Hong Kong	Singapore	The Mainland	South Korea	Australia
(i) a large flight training organization	About \$260,000 ⁶	About \$120,000 ^{6,7}	The fee will be mutually agreed between the flight training organization and the intermediary concerned.	About \$36,000 ⁶	About \$140,000 ⁶
(ii) a small flight training organization	About \$62,000 ⁶	About \$55,000 ^{6,7}	Ditto	About \$11,000 ⁶	About \$62,000 ⁶

⁶ In Hong Kong, the approval of a flight simulator is generally valid for about one year while the approvals of a flight training course and a flight training organization are valid for one to three years. For comparison purpose, the fees are stated on an annual basis. For Singapore and South Korea, there is no relevant information on the validity period and it is assumed that the approvals are valid for one year. For Australia, there is no relevant information on the validity period, but this does not affect the calculation of the annual fees which is based on the estimated number of working hours spent in a year.

⁷ According to CAAS, they are currently reviewing the fees for the flight training organizations. In addition, CAAS will recover additional cost where overseas visits are required. Therefore, the actual fees could be higher.

Airport Charges Index 2010(Note: The 50th rank being the most competitive)

Ranking	Airport
1	Toronto
2	New Jersey-EWR
3	Osaka
4	Athens
5	Tokyo
6	Vancouver
7	New York-JFK
8	Sydney
9	Frankfurt
10	London-LHR
11	Zurich
12	Moscow
13	Paris-CDG
14	Vienna
15	Amsterdam
16	Auckland
17	Berlin
18	Budapest
19	Brussels
20	Munich
21	Beijing
22	Dublin
23	Johannesburg
24	Prague
25	Dusseldorf

Ranking	Airport
26	Washington
27	Copenhagen
28	Warsaw
29	Miami
30	Bangkok
31	Lisbon
32	Los Angeles
33	Seoul
34	Oslo
35	San Francisco
36	Mexico City
37	Stockholm
38	Milan-MXP
39	Madrid
40	Helsinki
41	Mumbai
42	Rome
43	Jeddah
44	London-LGW
45	Cancun
46	Dubai
47	Singapore
48	Hong Kong
49	Sao Paulo
50	Kuala Lumpur
