

**Panel on Economic Development - Invitation for Submissions**

**"Hong Kong International Airport Master Plan 2030"**

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On behalf of **J.P. Morgan Securities (Asia Pacific) Limited**

As participants in the financial services industry for over 15 years, we have been first hand beneficiaries of Hong Kong's position as a leading financial centre and the logistic hub of Asia. In fact, the two sectors are intimately tied to each other: an international air hub allows CEOs and senior executives of multinational companies to manage their regional operations effectively, this in turn brings a cluster of decision makers and professionals together that makes Hong Kong the financial centre it is today.

In the fourteen years since the Chap Lap Kok airport came into operation, Hong Kong has also grown exponentially as a global financial centre. With the increasingly close integration with the PRC, our fundamentals economic backdrop to support a new runway today is even more promising than fourteen years ago.

With the existing runways now at 90%-plus capacities, and expected to reach saturation in the next 5 to 10 years by different studies, making the necessary investment now to ensure sufficient air transportation capacity in the future is important to the growth of Hong Kong. And it will be increasingly valuable as we move to higher value added service segments, where time cost of professionals and efficiency are key differentiating factors.

Air transportation have always required large capital expenditures. This was the case when Chap Lap Kok was built, it is the case with Cathay Pacific's order book for new jets standing at HK\$180bn, and it will be the case with the third runway. But large capital expenditure is positive so long as the economic benefit outweighs the cost, and together with all the external social benefits and job jobs creation (200,000 jobs directly and indirectly), the higher capital expenditure required for the third runway (as compared to expanding the existing runways) only serve to generate greater economic benefits for Hong Kong.

In fact, our neighbors in the Pearl River Delta region have already made their move to cater for the expected growth in demand. According to a study by IATA, the air throughout in the Pearl River Delta region is expected to reach 387 million passenger trips, and 18 million tones of cargo by 2030, 5 to 7 times more than Hong Kong's current throughput. In response to this growing trend, Shenzhen Airport's second runway will come into operation this month and is planning a third runway, whilst Guangzhou's Baiyun airport has already started constructing their third runway and planning the fourth and fifth runways. It is therefore vital for Hong Kong to make the investment now in order to sustain our leadership position as a leading financial centre and logistic hub of the Pearl River Delta region.

In conclusion, we are supportive of the construction of the third runway, we believe that Hong Kong's continued leadership in air transportation is tied to our ability to serve the headquarters of multinational companies, and to sustain our position as *the* financial centre of the world along with New York and London.

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