



HAECO SUPPORTS THE BUILDING OF THE THIRD RUNWAY AT HONG KONG INTERNATIONAL AIRPORT

Based on the Hong Kong International Airport (HKIA) Master Plan 2030, there are two options proposed for the future development of HKIA. Option 1 is to enhance the existing two runways; option 2 is to build a third runway.

Hong Kong Aircraft Engineering Company Limited (HAECO) supports the second option of building the third runway at HKIA in order to sustain the rapid economic growth of Hong Kong in the future.

This option has significant benefits which are summarised as below.

Impact to the aviation sector in Hong Kong

HAECO as a Maintenance Repair and Overhaul organisation (MRO) is a key player in the local aviation industry and the third runway will enable the industry to continue to flourish in Hong Kong.

Home base Airlines

The introduction of the third runway will give Hong Kong airport the capacity that it needs. This will benefit the home-carriers, allowing them to expand their business by either increasing the number of flights or the number of destination served. Hong Kong should continue to capitalise its natural advantage in this area, its geographic location which covers 50% of the world's population within a 5 hours radius. The growth of the home-base airlines will increase the number of passengers and cargo in, out or through Hong Kong thus directly benefiting our local economy.

Overseas Airlines

The increase in movement slots will also allow more overseas airlines to service Hong Kong instead of going to other airports in the region, bringing in further passenger and cargo. More airlines serving Hong Kong will ensure that there is strong competition in the market so that Hong Kong will benefit with more choices and competitive airfare.

Airport services

More aircraft landing in Hong Kong means that more activities for ground handling for passenger, cargo and luggage as well as all other business (F&B, transportation, tourism, retail etc) within the airport area, playing their part to further stimulate the economic growth of Hong Kong.

Forwarding and Logistics

One of the key success factors of Hong Kong is the ease of movement of both people and goods. The efficiency of Hong Kong has made it an obvious choice for many businesses and good aviation logistics play an important part in this. Building the third runway and the associated airport facilities will ensure that there is greater capacity for aircraft in/out operations. This will make sure that Hong Kong can maintain its edge to be the logistic centre of the region, fending off the competition from other neighboring cities.

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Impact to the Maintenance Repair Organization (MRO) business sector

Line Maintenance

Line maintenance is the regular checking and servicing of aircraft at the airport to ensure that they are ready for the next flight. There are three line maintenance service providers in Hong Kong.

The increase in numbers of aircrafts in/out in Hong Kong will have direct business benefits to Line Maintenance in Hong Kong increasing overall business volume and benefiting all the players.

Base Maintenance

Base Maintenance is the in-depth checking and maintenance of aircraft. There are two Base Maintenance service providers in Hong Kong. More aircraft movements in Hong Kong will increase the business potential in this area.

Furthermore, the cost of Base Maintenance is significant and airlines source the work globally. HAECO, as an example, has many US customers who fly their aircraft into Hong Kong without any passengers specifically for Base Maintenance. To ensure that the Base Maintenance business in Hong Kong can remain competitive among other competing MROs in the world, one needs to ensure that aircraft can move in and out of Hong Kong easily to maximize the business opportunities and the building of the third runway will ensure that it is the case.

Component and Engine Repair & Overhaul

The aircraft component repair and engine overhaul side of the MRO business in Hong Kong are also beneficiaries of the logistic efficiency of Hong Kong. The component repair and engine overhaul business competes on the global level and one of the key performance differentiators is turn-around-time, i.e. time needed to repair the item. To minimize the time lost in shipping, components and engines are air-freighted in and out. Logistic efficiency of Hong Kong will directly impact the competitiveness of the local repair and overhaul business.

Employment

Direct employment

The increase in movement of aircraft enabled by the third runway option will positively impact all aspects of HAECO's business which will in turn directly increase local employment as more staff are needed to fulfill the rising business demand. HAECO currently employs over 5000 people and will hire more than 1,000 people this year to meet the increased needs for quality aircraft engineering services in the region. Furthermore, aircraft maintenance requires specialist skilled labour and HAECO will be providing both initial and continuous training to its production workforce.

Indirect employment

Apart from the direct employment, it is expected that there will be similar effects on other aviation-related companies that are service providers to the industry, such as E&K & Johnson's Cleaning, companies that provide aircraft cleaning services; AVESCO, a company that provides security services for airport facilities.



Maintaining industrial diversity of Hong Kong

The economy of Hong Kong is well developed in service industries like financial services, trading and logistics, tourism, and producer and professional services. Aircraft maintenance is one of the few in the heavy/manufacturing industry in Hong Kong, not to mention one that has been successful in competing against other global players in different parts of the world. HAECO has been operating in Hong Kong for 60 years and is one of the leading MROs in the world. Going ahead with the third runway will allow this sector to continue its growth and to maintain its momentum.

Keeping Hong Kong as an aviation hub

International businesses tend to cluster around the hubs with the best connectivity, Hong Kong, as an international business centre requires maintaining its status as an aviation hub connecting to the cities around the world. Hong Kong needs to maintain its excellence as a leader in aeronautical engineering such as introducing advance technologies and having more research & development to further enhance the operation of the local aviation industry in order to meet the demand for further growth of established services in Hong Kong. Many airports in this region have plans to enhance their facilities in the coming years. Guangzhou Baiyun and Shanghai Pudong, as examples, are planning to increase the number of runways for future needs.

Therefore if the third runway is not to be built to meet the future demand, Hong Kong is going to lose its advance position to be an aviation hub and greatly reduce its global competitiveness not just aviation industry, but the whole economic development of Hong Kong.

Conclusion

To fully support future economic growth and development of Hong Kong, enhance Hong Kong's competitive advantages, meet the future needs in the long run, create more business and job opportunities in the future and generate more skill labour in the market, HAECO believes the building of the third runway is the logical and only option. The third runway should proceed as soon as possible as it will benefit our own industry as well as the future growth and development of Hong Kong.

*Hong Kong Aircraft Engineering Company Ltd.
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