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Hong Kong Dragon Airlines Limited Submission to Legislative Council Panel on Economic Development on Hong Kong International Airport Master Plan 2030

A Hong Kong Success Story – But for How Long?

Hong Kong International Airport (HKIA) has been a source of pride to the city since it opened in 1998. The airport provides the foundation for the aviation industry that plays a critical role in the so-called “four pillars” of the economy: financial services, trading and logistics, professional services and tourism.

Thriving economic growth in the region, and in particular Mainland China, has led to the rapid development of a number of other strong aviation hubs. Hong Kong needs to be able to compete with these rival hubs and develop its own long-term plans to meet future needs. Given that HKIA will soon reach saturation point, there is an urgent need to upgrade capacity – and Dragonair believes the only viable option for ensuring the airport’s long-term competitiveness is to build a third runway.

Asia’s Aviation Boom

According to the International Air Transport Association (IATA), aviation development is moving eastwards. Half of the world’s aviation profit in 2010 came from Asia, and the region is expected to overtake North America as the most important aviation market by 2014. China is at the centre of this growing market: IATA data shows that, by 2014, there will be an increase of 800 million travellers worldwide, and a quarter of this growth will come from Mainland China, inclusive of domestic and international passengers.

Meanwhile, airlines from other parts of the world are competing for and maximising their market share in Asia. Strategies will include increasing the number of destinations and flight frequencies to the Asia Pacific region as well as increased cooperation with Asian carriers. If Hong Kong is to retain its position as Asia’s leading international aviation hub, the building of a third runway is vital in helping Hong Kong keep its competitive edge.

Growing PRD Competition

A number of airports in the Pearl River Delta (PRD) region are expanding, including Guangzhou airport, where the number of runways will be increased from two to five,

and Shenzhen airport which adds a second runway this year and has plans for a third. Some argue that this is enough capacity to cope with the increased demand and growth in the region, yet both the Civil Aviation Administration of China and IATA say that even this increased capacity will be insufficient to meet demand in 2020, let alone 2030. It is predicted that by 2020, passenger demand will reach 233 million yet capacity will only be 200 million. By 2030, the gap could rise to 147 million. If HKIA remains at its current scale, this market demand will be lost or absorbed by other airports within the PRD or even by airports outside the region, which is detrimental to Hong Kong's hub position and competitiveness in the long term.

Strong International Connectivity

Hong Kong has developed as a significant aviation hub thanks to its geographical location. One of its key advantages is its international connectivity in terms of number of destinations and flight frequencies. The city is connected to about 160 destinations, including around 45 in the Mainland, demonstrating its role as gateway to and from China as well as the rest of the world. The role of Hong Kong as an aviation hub and a place of transit for passengers and cargo – and the positive benefits this brings for the city's economy - has been well demonstrated.

Looking at other airports in the PRD, Shenzhen provides about 32 international routes while Guangzhou Baiyun International Airport, one of the three key airport hubs in China, is now offering about 100 international routes. While HKIA still appears to be well ahead of the rest, we cannot ignore the pace at which both Guangzhou and Shenzhen are catching up. Between 2005 and 2010, the number of international destinations served by Guangzhou and Shenzhen airports increased by 34% and 100% respectively. Guangzhou is targeting 120 destinations by 2015.

Dual Airports Not a Solution

With the growing competition in the region, Hong Kong needs to maintain and indeed enhance its advantage in terms of international connectivity, seizing opportunities from the predicted growth in the number of travellers and remaining competitive in the face of growing competition. The argument that Hong Kong can make use of capacity at Shenzhen airport rather than building a third runway is invalid for a number of reasons. First, as already mentioned, Shenzhen is already facing its own capacity constraints. Second, numerous examples around the world have shown that the dual-airport concept doesn't work: travellers simply don't want to connect via a lengthy train ride to another airport to continue their journey. They want same-hub connections. Third, the cost of providing the associated infrastructure for using Shenzhen as an alternate airport would be not dissimilar to building the third runway – and the latter option would bring many more direct benefits to Hong Kong.

Putting the Record Straight

Dragonair fully supports the construction of a third runway at HKIA because it will undoubtedly be required as the demand for air travel increases over the years ahead. The third runway will be crucial in helping Hong Kong retain its competitive edge and continue to offer passengers travel to destinations worldwide with a frequency of flights that's required by business travellers. The economic and social benefits of the third runway are convincing. We'd like to clarify a number of issues related to the third runway where inaccurate information has been put forward.

1. Terrain

It has been said that the terrain, and specifically Tai Mo Shan, is a problem as it lies directly in the proposed approach path for the third runway. However, despite this being the case, the proposed third runway, by design, is stepped back more westward than the two existing runways such that it meets all the terrain clearance criteria. In short, Tai Mo Shan is a non-issue as far terrain is concerned.

2. Meteorological conditions

There is no correlation between adverse weather conditions, such as windshear, and the position of the proposed third runway. This runway will not be affected by weather conditions to any greater extent than the two existing runways. In fact, windshear and turbulence is likely to be less of an issue for the third runway as the proposed location is further away from the Lantau hills.

3. Airspace restrictions

Some have said that a third runway is not necessary, as a restructuring of PRD airspace will solve the capacity problems. This is not the case. There is a limit to the number of movements per hour any runway can handle and this is not determined by the airspace above the airfield but by separation on final approach. The third runway is required because HKIA will reach capacity in terms of movements per hour by 2015, with a possible small improvement on this figure made possible by the new air traffic control system.

The much-needed extra capacity at HKIA can only really come from having another runway. However, in order to be able to fully benefit from the third runway, it is true that airspace restructuring is needed. Talks on the issue of airspace in the PRD have been taking place for the past seven years and there is now an agreed implementation date for the new airspace between 2015 and 2020. This is well before the proposed third runway would be ready. In short, improving the airspace is not the solution to improve existing capacity at HKIA and the already agreed airspace improvement plan will not limit the operational use of another runway.

4. Noise

The third runway is not going to significantly impact on noise levels. In fact, the new increased navigation accuracy for approaches using GPS will provide significant benefits by reducing night-time noise levels by routing approaches away from built-up areas. This, along with much quieter new generation of aircraft, such as the A350 and B787 that will predominate at HKIA, will ensure that noise levels will be reduced significantly as a whole.

Conclusion

The huge market potential offered in the Asia Pacific region is apparent as demand for passenger and cargo air transport surges. Hong Kong has to act promptly to increase capacity by building a third runway. It is vital that HKIA keeps pace with the growing aviation trends in the region and acts to absorb the unfulfilled demand in air

transport, which in turn can enhance not only the local aviation industry but Hong Kong's overall economic development. Failure to do so will result in the city losing its position as a key aviation hub in the region to other regional competitors that are eager and ready to expand.

Hong Kong Dragon Airlines Limited
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