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**Panel on Economic Development  
Meeting on 22 November 2010**

**Background brief on the new air cargo terminal at  
the Hong Kong International Airport**

**Purpose**

This paper provides background information on the development of the third air cargo terminal at the Hong Kong International Airport (HKIA) and summarizes concerns raised by Members on related issues.

**Background**

2. Hong Kong offers a strategic location in air logistics. Hong Kong is at the heart of East and Southeast Asia, and right at the mouth of the Pearl River Delta, with all the major cities in Asia Pacific falling within an average flying time of five hours from HKIA. HKIA is equipped with cargo ground-handling facilities and provides air connectivity services to about 150 destinations including 40 on the Mainland, which adds up to about 5 800 flights per week.

3. For the first nine months of 2010, HKIA handled about 3 million tonnes of cargo, which represents an increase of 28.7% when compare to the same period in 2009. The airport currently has two general air cargo terminals and an express cargo terminal. The Hong Kong Air Cargo Terminals Limited operates the SuperTerminal 1, which occupies a gross floor area of about 330 000 square metres and has a design capacity to handle 2.6 million tonnes of freight a year. The second service provider is Asia Airfreight Terminal Company Limited, whose facilities have a combined handling capacity of about 1.5 million tonnes a year. DHL's Central Asia Hub could handle more than 35 000 parcels and 40 000 documents per hour whereas Hongkong Post's Air Mail Centre handles 700 000 items of mail every day.

## **Development of the third air cargo terminal**

4. According to the forecast in HKIA 2025 issued in December 2006, Hong Kong will handle 8 million tonnes of air cargo annually by 2025, exceeding the capacity provided by the existing two cargo terminals and the express cargo terminal. In anticipation of the growing demand for air cargo services and to maintain the long-term competitiveness of HKIA, the Airport Authority Hong Kong (AA) proposed to develop a third air cargo terminal to ensure the timely provision of sufficient cargo handling capacity.

5. In March 2008, AA awarded a non-exclusive, 20-year franchise to design, construct and operate a new cargo terminal at HKIA to Cathay Pacific Services Limited. The facility, scheduled to begin operations in early 2013, will occupy a site of around 10 hectares in the airport's cargo area. With a development cost of approximately \$5.5 billion, the Cathay Pacific Cargo Terminal will have an annual handling capacity of 2.6 million tonnes, thereby increasing the air cargo handling capacity of the airport by some 50% to 7.4 million tonnes per year. The Government expects more competition for this business upon completion of the project, with lower cost, better service and greater efficiency.

6. According to the Cathay Pacific Services Limited, the new air cargo terminal will be one of the most advanced in the world with a number of sophisticated operational and environmental features, including a \$1.4-billion mechanical handling system, a fully mechanized buffering area, a dedicated Quick Transshipment area, and two warehouse floors to handle import cargo or other non-palletized export shipment. The facility will use an advanced waste management system, with offices utilizing natural lighting to save energy, and cladding to help regulate the temperature inside the building.

## **Previous discussions by Members**

7. Hon WONG Ting-kwong raised an oral question on the third cargo terminal at the Council meeting on 10 January 2007. Regarding the impact of building the third air cargo terminal on the air cargo industry, the Administration advised that the global air cargo traffic would see sustained growth, and that cargo flowed from Asia, particularly those from the Mainland to the United States and Europe, would be the fastest to grow. With HKIA expanding its connections with points in the Mainland and other places, the third air cargo terminal will enable the air cargo industry in Hong Kong to capture a good share of the growing air cargo demand, thereby facilitating and contributing to the sustained growth of the industry.

8. Hon Andrew CHENG raised an oral question at the Council meeting on 20 February 2008 on extension of franchise for air cargo terminals. The Administration advised that the tender document for the new cargo terminal did not provide for automatic extension of the franchise period. AA considered that the franchise period of 20 years could provide a sufficient economic incentive for investors to bid for the project, while allowing AA to review the arrangements for air cargo handling services in a reasonable timeframe.

### **Latest development**

9. To tie in with the completion of the new air cargo terminal in early 2013, the Administration will undertake fitting-out works for Government facilities there. The Administration will consult the Panel on its plan to upgrade the proposed project to Category A before submitting the funding proposal to the Public Works Subcommittee and the Finance Committee.

### **References**

10. The relevant papers are available at the following links:-

LegCo question on "Third Cargo Terminal" (page 51-60)

<http://www.legco.gov.hk/yr06-07/english/counmtg/hansard/cm0110-translate-e.pdf>

LegCo question on "Extension of franchises for air cargo terminals" (page 44-53)

<http://www.legco.gov.hk/yr07-08/english/counmtg/hansard/cm0220-translate-e.pdf>

Administration's paper on "Latest developments in logistics in Hong Kong and related matters"

<http://www.legco.gov.hk/yr08-09/english/panels/edev/papers/edev0525cb1-1952-2-e.pdf>

Hong Kong: The Facts (August 2010)

[http://www.gov.hk/en/about/abouthk/factsheets/docs/civil\\_aviation.pdf](http://www.gov.hk/en/about/abouthk/factsheets/docs/civil_aviation.pdf)

Press release on "New state-of-the-art Cathay Pacific Cargo Terminal marks another significant investment in Hong Kong"

[http://www.cathaypacific.com/cpa/en\\_HK/aboutus/pressroomdetails?refID=9319f2f19aa5a210VgnVCM62000007d21c39](http://www.cathaypacific.com/cpa/en_HK/aboutus/pressroomdetails?refID=9319f2f19aa5a210VgnVCM62000007d21c39)

Press release on "Double-digit traffic growth recorded in September"  
[http://www.hongkongairport.com/eng/media/press-releases/pr\\_1009.html](http://www.hongkongairport.com/eng/media/press-releases/pr_1009.html)

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