

**For information
on 14 October 2011**

Legislative Council Panel on Economic Development

Policy Initiatives of the Transport Branch of the Transport and Housing Bureau

Introduction

This paper elaborates on the on-going initiatives relating to the air and maritime transport portfolio in the 2011-12 Policy Agenda. On civil aviation, we have been strengthening Hong Kong's status as an international and regional aviation hub, focusing on liberalising our air services regime, increasing the runway capacity, improving airport infrastructural facilities and strengthening the connectivity between the airport and the Pearl River Delta (PRD) Region. On marine transport, our policy objectives are to enhance the competitiveness of the Hong Kong Port and to strengthen Hong Kong's position as an international maritime centre.

2011-12 Policy Agenda

On-going Initiatives

2. We will continue to implement the on-going initiatives, including –

Chapter 1 – Developing the Infrastructure for Economic Growth

(a) Continuing to pursue with the Airport Authority (AA) the Hong Kong International Airport (HKIA) Master Plan 2030.

- It is important that the HKIA has sufficient runway capacity to handle the forecast growth in traffic. During the period from 3 June 2011 to 2 September 2011, the AA consulted the public and stakeholders on the two development options set out in its HKIA Master Plan 2030. We expect the AA to submit a recommendation on the way forward to the Government in late 2011. The Government will carefully consider the recommendation, with a view to deciding on the next stage of

works which will include the funding arrangements, detailed engineering design and the statutory environmental impact assessment. The Government and the AA will liaise with the stakeholders and carry out appropriate consultation.

(b) Improving air traffic management through the establishment of a new air route to cater for flights between Hong Kong and the eastern part of the Mainland and the implementation of the recommendations of a study to increase our runway capacity by improving the existing infrastructure of the HKIA, air traffic control and flight procedures.

- To facilitate the long-term development of the civil aviation industry, the Civil Aviation Department (CAD) will continue to liaise with the Civil Aviation Administration of China (CAAC) and the Macao Civil Aviation Authority (CAAM) with a view to improving the use of airspace and the co-ordination of air traffic management in the PRD Region. Through the concerted efforts of the three sides, a new transfer point was established on 22 September 2011 at the west of Hong Kong for flights overflying the Hong Kong Flight Information Region and entering into the Mainland, so as to alleviate the pressure on the two existing transfer points.
- The three sides also met on 31 August 2011 to further discuss enhancement measures regarding the PRD's air traffic control procedures and airspace structure. The meeting formulated a work plan for the next stage of work in accordance with the principles of joint airspace planning, use of common standards and harmonised flight procedure design to enhance airspace planning and air traffic management in the region. The three sides agreed to further study the enhancements to the planning proposals of the Guangzhou and Southern PRD Terminal Areas. The three sides also agreed to expedite the development of the related ancillary systems and to strengthen co-ordination at the operational level for the implementation of continued enhancement measures to address operational needs. A feasibility study will also be conducted on the use of common standards in the operational environment in the Southern PRD Terminal Area and the implementation arrangements. These relevant enhancement measures will adequately cater for the future development of the airports in the region, including the operating mode at the HKIA if a third runway is built.

- Separately, we will continue to pursue with the CAAC the establishment of a new air route to cater for flights between Hong Kong and the eastern part of the Mainland.
 - With the progressive increase of the runway capacity to 68 movements per hour by 2015, the AA is implementing a midfield expansion project to provide additional aircraft stands and apron facilities and a new passenger concourse. The project can maximise the use of the two existing runways and increase the handling capacity of the airport to 70 million passengers and 6 million tonnes of cargo, which is expected to cope with air traffic demand up to 2020. The advanced works of Phase 1 of the project began in August 2011, with the main works expected to begin in the first quarter of 2012 and be completed in the third quarter of 2015.
 - In addition, the new air cargo terminal project is expected to be completed in early 2013. This project will increase the airport's cargo handling capacity by 50% to 7.4 million tonnes per year. We expect more competition in the industry upon completion of this new terminal, which will help to enhance the airport's competitiveness.
- (c) *Continuing to foster closer co-operation between the HKIA and Shenzhen Airport, including further planning of the Hong Kong-Shenzhen Western Express Line (WEL) as a multi-purpose cross-boundary railway which complements the planning and development of Qianhai, Shenzhen and northwestern part of the New Territories and exploits the synergy from the complementary strengths of the two airports.*
- The WEL will be planned as a multi-function cross-boundary railway to support closer co-operation between the HKIA and Shenzhen Airport, as well as complementing the developments of Qianhai, Shenzhen and Hung Shui Kiu of the New Territories. The study on the Review and Update of the Railway Development Strategy 2000, which covers the WEL, has been commenced and will formulate a territory-wide railway development blueprint. Currently, the development of Qianhai New District, Shenzhen is included in the National 12th Five-Year Plan, with a view to developing by 2020 into an important production service centre in the Asia Pacific region and a Hong Kong-Guangdong modern service industry innovation and co-operation exemplary zone. The Hung Shui Kiu (HSK) New Development Area (NDA) Planning and Engineering Study has been launched which will assist in formulating development proposals for

the HSK NDA. In view of the latest updates in the above planning parameters, we will further plan the WEL, including matters such as alignment options, railway functionality, station locations, level of service, connectivity with the Hong Kong and Shenzhen railway networks etc.

(d) Reviewing the demand for air services from time to time and continuing to formulate appropriate development strategies to support the continued growth and development of the civil aviation industry.

- We reviewed and expanded our air services arrangements with seven aviation partners in 2010-11 to provide more growth and development opportunities for the civil aviation industry.
- We will continue to review the demand for air services from time to time and initiate air services negotiations with our aviation partners with a view to increasing air traffic capacity to meet market demand.

(e) Continuing to assist the AA to expand inter-modal connections to strengthen the links between the HKIA and the PRD Region.

- Since the launch of the transit passenger ferry service between the HKIA and the PRD Region in September 2003, the services now serve over 2 million passengers a year. There are currently eight routes serving Macau Maritime Ferry Terminal and Taipa, Shekou, Shenzhen Fuyong, Donguang, Zhongshan, Zhuhai (Jiuzhou) and Nansha.
- To further enhance the connectivity between the HKIA and the PRD Region, a new SkyPier began operation in December 2009. The AA will seek to increase the number of destinations for the ferry services and frequencies of existing services to the PRD Region.

(f) Replacing the CAD's air traffic control system and developing a new CAD Headquarters on the Airport Island to support the long-term growth of the aviation industry.

- With funding approval from the Legislative Council in May 2007 and January 2008, the CAD is implementing the replacement of its existing air traffic control (ATC) system and the development of a new headquarters on the Airport Island to enhance operational efficiency and support the long-term growth of the aviation sector. The target completion date for the construction works of the new headquarters

is end 2012. As regards the procurement of the new ATC system for the new ATC Centre (ATCC) through eight open tenders, five of them have been completed, with the remaining three contracts planned to be awarded by end 2011. Installation, acceptance and integration testing, technical and operational training on the new ATC system will be carried out in 2012-2013. The new ATCC is planned for operational use by end 2013 the earliest, upon satisfactory completion of all the training and system reliability testing works.

(g) *Following up the proposals arising from the review on the regulatory regime of the Air Transport Licensing Authority for our local airlines.*

- The ATLA, established under the Air Transport (Licensing of Air Services) Regulations (Cap 448A), is responsible for granting licences to local airlines to operate scheduled air services between Hong Kong and any point in the world. The stakeholders generally supported the proposals to improve the regulatory regime of ATLA, which have been revised to address their concerns. We aim to submit the legislative amendments to the Legislative Council soon in the fourth quarter of 2011.

(h) *Promoting maritime services of Hong Kong.*

- In the “Outline of the Twelfth Five-Year Plan for the National Economic and Social Development” (the National 12th Five-Year Plan) promulgated in March 2011, the Central Authorities pledges its support for Hong Kong to consolidate and reinforce our position as an international shipping centre. Over the years, we have anchored a well-established maritime cluster which offers comprehensive and high quality services in areas such as ship management, ship broking, marine insurance, maritime arbitration and ship finance. We also have institutional strengths such as being a free port, having a simple and low tax regime, allowing free flow of information and capital, etc. Against this backdrop, the Government will continue to join hands with the industry to help the sector to further develop. Through our support for manpower development and overseas and local promotional activities, we will continue to assist the industry to take advantage of opportunities arising from the more vibrant shipping activities in the Mainland and Asian Pacific markets.

(i) Implementing measures to enhance the competitiveness of the Hong Kong Port.

- We will continue to work closely with the industry to implement various measures to enhance port competitiveness.
- To better meet the operational needs of the industry, we have identified some 30 hectares of former construction sites for use as port back-up land following the opening of Route 8 in late 2009. We have since end-2010 been putting them out to the market in phases under short term tenancy. As at end-August 2011, over 95 hectares of land in Kwai Tsing area was let out for port back-up use.
- We are pressing ahead with the project to dredge the Kwai Tsing Container Basin and its approach channels to 17 metres so that the new generation of ultra-large container vessels can visit HKP at all tides. The project is expected to be completed by 2016. We are also actively studying the feasibility of developing Container Terminal 10 (CT10) at Southwest Tsing Yi. The Preliminary Feasibility Study to evaluate the technical feasibility and environmental acceptability of the proposal is underway. Meanwhile, we are also undertaking the “Study on the Strategic Development Plan for Hong Kong Port 2030” to update the port cargo forecasts as well as to review how to make more efficient use of the existing port facilities and the future development plan of HKP. Upon completion of the two studies by end-2012, we will carefully consider the study results, the then global and local economic situation, the performance of the port sector, and the views of stakeholders when deciding on the need and timetable for CT10 development.

(j) Facilitating the development of a logistics cluster and high value-added third party logistics services in Hong Kong by making available suitable sites around the Kwai Tsing area and keeping in view the development of the Lantau Logistics Park (“LLP”) in the light of the need of the logistics sector and the global and local economic situation.

- Sustained economic development in Mainland China and Asia and the growing trading activities have created an increasing demand for quality logistics services. Hong Kong is well-positioned to capitalize on these development opportunities by specializing in the provision of high value-added logistics services. The National 12th Five-Year Plan has also indicated support for Hong Kong to develop into a high-value

goods inventory management and regional distribution centre. To support the industry's development towards this direction, we will continue to make available sites in Kwai Tsing for developing modern logistics centres that can best meet the present-day operational needs of third party logistics service providers. A site of about 2.4 hectares in Tsing Yi was successfully granted through open tender for this purpose on a fifty years lease term in December 2010. Our plan is to release another logistics site in Tsing Yi, also of 2.4 hectares, in 2011 Q4 on similar lease terms specifying that the site can only be used for the operation of logistics and freight forwarding related activities.

- We will continue to identify and assess the feasibility of other sites for logistics use. We will also keep in view the development needs of the logistics sector having regard to the global and local economic situation, and how Hong Kong takes advantage of, and positions itself in, the rapid growth of the Mainland economy.

Members' Views

3. We welcome Members' views on the various initiatives.

**Transport Branch
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