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**Transport and
Housing Bureau**
Government Secretariat

Transport Branch
East Wing, Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

本局檔號 Our Ref.: THB(T)CR 2/2172/08
來函檔號 Your Ref.: CB4/PAC/R63

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12 January 2015

Mr Anthony CHU
Clerk to the Public Accounts Committee
Legislative Council Complex,
1 Legislative Council Road, Central
Hong Kong

Dear Mr CHU,

**Chapter 4 of the Director of Audit's Report No. 63 on the
Administration of the air traffic control and related services**

Thank you for your letter dated 7 January 2015. Regarding the issues mentioned in your letter, I am authorised to reply as follows.

The Transport and Housing Bureau ("THB"), through its regular meetings with the Director-General of Civil Aviation ("the Director"), receives reports regularly from the Director and other key Directorate officers of the Civil Aviation Department ("CAD") on the major work of the Department, including progress on the replacement of the air traffic control system ("ATC system"). Apart from the said meetings, THB also maintains close contact with CAD regarding the progress of the ATC system and related work.

Since the tendering process of the ATC system took longer time than anticipated, and coupled with the delay in the commissioning date of the new CAD headquarters building, CAD anticipated in the first half of 2010 that the commissioning date of the Air Traffic Management System ("ATMS") would be deferred from the original estimate of December 2012 to 2013, and reported the development to THB. Subsequently, CAD set out in the contract of the ATMS

that the completion date of the ATMS was mid-2013.

As regards the implementation of the ATMS contract, THB was informed in the second half of 2012 that, considering the results of the Factory Acceptance Tests of the ATMS which indicated that follow-up actions were required on a number of outstanding issues, the commissioning date of the new Air Traffic Control Centre (“ATC Centre”) would be affected. THB, through its meetings with CAD, have repeatedly requested CAD while ensuring the smooth operation, safety and stability of the new system to step up its efforts to enhance its supervision of the work of the contractor of the ATMS, and settle the outstanding issues of the new ATC system as soon as possible to minimize the delay. In order to expedite the project, CAD has adopted a host of improvement measures, details of which have been set out in THB’s reply to the Committee of 24 December 2014, and are not repeated here.

THB and CAD have been reporting on a regular basis the progress of the implementation of the new ATC Centre to the Legislative Council (“LegCo”) Panel on Economic Development, including the commissioning date of the new ATC system, and proactively replied to the queries from the LegCo Finance Committee and other LegCo Members regarding the new ATC system, including the progress. Please find attached copies of the documents submitted to LegCo by THB and CAD since we were aware of the delay in the commissioning date of the new ATC centre in 2010 for reference.

In addition, the contract of the ATMS was awarded by the Government Logistics Department (“GLD”) on behalf of CAD. According to the Government Stores and Procurement Regulations (“the Regulations”), variations to such contract required approval from the GLD Tender Board. CAD had handled the contract variations of the ATMS in accordance with the requirements under the Regulations.

Yours sincerely,



(Desmond WU)

for Secretary for Transport and Housing

c.c. Director-General of Civil Aviation
Director of Government Logistics
Secretary for Financial Services and the Treasury
Director of Audit

**The reports of progress of the implementation of
the Air Traffic Control System to the Legislative Council
by the Transport and Housing Bureau and Civil Aviation Department**

Date	Details	Attachments
March 2010	In response to Hon Tong Ka-wah, Ronny's question during the examination of estimates of expenditure for financial year 2010-11 by the Finance Committee of the Legislative Council ("LegCo"), the Director-General of Civil Aviation ("DGCA") pointed out that the Civil Aviation Department ("CAD") was closely working with the Government Logistics Department in the procurement of the new air traffic control ("ATC") systems and the progress had been satisfactory. It was anticipated that the new equipment/systems would be delivered in phases starting from end 2010. Upon satisfactory installation, testing and commissioning of the new ATC systems, the new ATC centre was scheduled for operation by end 2013.	1
March 2011	In response to the questions from Hon Lau Kin-ye, Miriam, Hon Fung Kin-kee, Frederick, Hon Ip Wai-ming and Hon Wong Sing-chi during the examination of estimates of expenditure for financial year 2011-12 by the LegCo Finance Committee, DGCA reported progress of the new ATC systems. The reply pointed out that the new ATC Centre was planned for commissioning for operational use by end 2013 after completion of system acceptance and integration testing, and controller training.	2
October 2011	In the paper for briefing the LegCo Panel on Economic Development ("ED Panel") on relevant policy initiatives in the Chief Executive's 2011-2012 Policy Address, the Transport and Housing Bureau ("THB") reported the progress of the new ATC Centre to Members. The paper pointed out that installation, acceptance and integration testing, technical and operational training on the new ATC system would be carried out in 2012-13. The new ATC Centre was planned for operational use by end 2013 the earliest, upon satisfactory completion of all the training and system reliability testing works.	3
January 2013	In the paper for briefing the LegCo ED Panel on relevant policy initiatives in the Chief Executive's 2013 Policy Address, THB reported the progress of the new ATC Centre to Members. The paper pointed out that CAD was progressively implementing the	4

Date	Details	Attachments
	<p>installation as well as the acceptance and integration testing of the new ATC systems. CAD would conduct integration and pilot testing for the new ATC systems, and provide technical and operational training for the air traffic controllers. Upon satisfactory completion of the work above, the new ATC Centre was expected to commence operation by the second quarter of 2014.</p>	
March 2013	<p>In response to the question from Hon Wong Kwok-hing during the examination of estimates of expenditure for financial year 2013-14 by the LegCo Finance Committee, DGCA reported progress of the new ATC systems. The reply pointed out that construction of the ATC Centre was completed in December 2011 and installation of the new ATC systems was underway. Subject to satisfactory completion of system integration and testing, and training of operational and technical staff, the new ATCC was expected to commence operation in 2014.</p>	5
22 July 2013	<p>In the reply to the letter from Hon Gary Fan of 9 July 2013 referred by the LegCo ED Panel, THB reported the development of the contract variations concerning the Air Traffic Management System (“ATMS”) contract, and the commissioning date of the new ATC Centre. The reply pointed out that due to delay in tendering of the “Design and Construction” works of the new CAD Headquarters Building, coupled with the need to optimize the Autotrac 3 system and the longer time taken to test and evaluate the system than expected, commissioning of the new ATC Centre could not commence by end of 2012 as originally scheduled. It was expected that the enhancement and functional testing of the new Autotrac3 system would be completed in the first quarter of 2014 the earliest, followed by comprehensive integration testing and training of the new systems. The earliest operation of the new ATC Centre was estimated to be in the second half of 2014.</p> <p>The reply also pointed out that in light of the need to meet the higher international standards on air traffic management and new requirements of the International Civil Aviation Organisation (ICAO) set out in the new Global Air Navigation Plan, there was a need to further enhance the new ATMS. The enhancement work would be undertaken in two phases. The phase one work</p>	6

Date	Details	Attachments
	<p>which costed around HK\$40 million included enhancement of the related functions in air traffic flow management and human-machine interface, as well as addition of training positions in the Simulator System. CAD was actively preparing for the phase two work. All contract variations arising from the enhancement work would be proceeded in strict accordance with the Stores and Procurement Regulations, and must be approved by the GLD. The total cost for the replacement of the air traffic control system project (including the enhancement work) would not exceed the limit of the approved budget.</p>	
22 July 2013	<p>In the reply to the letter from Hon Tang Ka-piu of 11 July 2013 referred by the LegCo ED Panel, THB reported the commissioning date of the new ATC Centre. The reply pointed out that due to delay in tendering of the “Design and Construction” works of the new CAD Headquarters Building, coupled with the need to optimize the Autotrac 3 system and the longer time taken to test and evaluate the system than expected, commissioning of the new ATC Centre could not commence by end of 2012 as originally scheduled. It was expected that the enhancement and functional testing of the new Autotrac3 system would be completed in the first quarter of 2014 the earliest, followed by comprehensive integration testing and training of the new systems. The earliest operation of the new ATC Centre was estimated to be in the second half of 2014.</p>	7
January 2014	<p>In the paper for briefing the LegCo ED Panel on relevant policy initiatives in the Chief Executive’s 2014 Policy Address, THB reported the progress of the new ATC Centre to Members. The paper pointed out that CAD was upgrading its ATC system to maintain its high efficiency in air traffic management, thereby consolidating Hong Kong’s leading status as a major aviation hub in the region. The new system was expected to come into operation in early 2015 after appropriate testing.</p>	8

Examination of Estimates of Expenditure 2010-11

Reply Serial No.

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

THB(T)028

Head: 28 – Civil Aviation Department

Subhead (No. & title):

Question Serial No.

1133

Programme: (4) Air Traffic Engineering and Standards

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Transport and Housing

Question:

The Air Traffic Engineering and Standards Division is implementing the replacement of the air traffic control (ATC) systems. Please advise:

- (a) What is the progress of the replacement of the ATC systems?
- (b) Would the replacement incur additional expenditure for the Civil Aviation Department (CAD), such as in providing training for staff in the operation of the new systems?

Asked by: Hon. TONG Ka-wah, Ronny

Reply:

- (a) The CAD is closely working with the Government Logistics Department in the procurement of the new ATC systems and the progress has been satisfactory. It is anticipated that the new equipment/systems will be delivered in phases starting from end 2010. Upon satisfactory installation, testing and commissioning of the new ATC systems, the new ATC centre is scheduled for operation by end 2013.
- (b) The new ATC systems will enhance the operational efficiency and capacity of the CAD's air traffic control services. Comprehensive training programmes are being developed to ensure that all technical and operational staff are familiarised with the new ATC systems. Since provision has been made for the equipment contractors to provide technical and operational training, additional funding for training by the CAD is not necessary.

Signature _____

Name in block letters _____ **NORMAN LO**

Post Title _____ **Director-General of Civil Aviation**

Date _____ **16.3.2010**

Examination of Estimates of Expenditure 2011-12

Reply Serial No.

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

THB(T)005

Head: 28 – Civil Aviation Department

Subhead (No. & title):

Question Serial No.

1206

Programme: (3) Air Traffic Management

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Transport and Housing

Question:

On the enhancement of the existing runway capacity, will the Administration inform this Committee of the specific work in this area over the past two years (i.e. 2009-10 and 2010-11); of the expenses and manpower involved; of the enhanced capacity in percentage; of any assessment of the effectiveness of such work; if so, of the results; of the estimated work and expenses in 2011-12.

Asked by: Hon. FUNG Kin-kee, Frederick

Reply:

- (a) The Civil Aviation Department (CAD) has continued to take forward various measures to enhance the runway capacity of the Hong Kong International Airport (HKIA):
- (i) a new Arrival Manager System for more efficient sequencing of arrival flights was implemented in 2010;
 - (ii) air traffic control (ATC) procedures are being reviewed with a view to establishing a new control position in 2011 to share the workload of the existing control positions;
 - (iii) the procurement of the new ATC systems is in good progress and the systems are expected to be operational by end 2013; and
 - (iv) the ATC training curriculum has been streamlined to enhance its effectiveness.
- (b) With our continuing efforts, the runway capacity of the HKIA has been increased from 56 movements per hour in early 2009 to 60 movements per hour at present. This capacity, which is equivalent to 1 256 movements per day, is sufficient to handle the estimated annual aircraft movements of 325 000 in 2011.

To cater for further traffic growth, we will increase capacity of the existing two runways at the HKIA to 62 movements per hour by end 2011, and then progressively to 68 movements per hour by 2015. The handling capacity of the airport is expected to be able to cope with the anticipated air traffic demand up to 2020.

- (c) The above increase in runway capacity will be achieved by the use of the new ATC systems, the replacement cost of which is \$1,565 million. In terms of manpower resources, 35 air traffic controller posts were created during 2009-10 and 2010-11. The annual staff cost of these additional posts in terms of notional annual mid-point salary value is \$24.41 million, and the training provision required in 2011-12 is \$13.5 million.

Reply Serial No.

THB(T)005

Question Serial No.

1206

Signature _____

Name in block letters _____ **NORMAN LO** _____

Post Title _____ **Director-General of Civil Aviation** _____

Date _____ **17.3.2011** _____

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

THB(T)007

Head: 28 – Civil Aviation Department

Subhead (No. & title):

Question Serial No.

1441

Programme: (4) Air Traffic Engineering and Standards

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Transport and Housing

Question:

Regarding “finalise the detailed design of the Air Traffic Control Centre in the new headquarters of the Department”, would the Administration advise this Committee:

- i. when will the content and timetable of the above project be submitted to the Legislative Council;
- ii. what is the expenditure of the project involved; and
- iii. will additional civil servants be recruited accordingly and if so, what are the details?

Asked by: Hon. IP Wai-ming

Reply:

- i. & ii. The two projects involve the replacement of the existing Air Traffic Control (ATC) systems at the Hong Kong International Airport, and the construction of a new Civil Aviation Department (CAD) headquarters cum ATC Centre on the Airport Island to house the new ATC systems and other CAD facilities (including offices). The Finance Committee approved funding of \$1,565 million and \$1,997 million in money-of-the-day prices for the two projects in May 2007 and January 2008 respectively.

The construction of the new CAD headquarters will be completed by end 2012. The new ATC Centre is planned for commissioning for operational use by end 2013 after completion of system acceptance and integration testing, and controller training.

There is no individual cost breakdown for detailed design of the ATC Centre, equipment rooms and workshops as they form part of the entire headquarters building. The estimated expenditure in 2011-12 for the replacement of air traffic control systems and the construction of the new CAD headquarters are \$130 million and \$470 million respectively.

- iii. To oversee the construction of the new CAD headquarters building and the replacement of air traffic control systems, creation of one supernumerary directorate grade post was approved in 2007. Besides, 21 time-limited posts, including two Air Traffic Control Officer I, 17 Air Traffic Control Officer II and two Electronics Engineers were also created to support the projects.

Reply Serial No.

THB(T)007

Question Serial No.

1441

Signature _____

Name in block letters NORMAN LO

Post Title Director-General of Civil Aviation

Date 17.3.2011

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

THB(T)008

Head: 28 – Civil Aviation Department

Subhead (No. & title):

Question Serial No.

1640

Programme: (3) Air Traffic Management

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Transport and Housing

Question:

- (a) According to paragraph 14, “the declared runway capacity [of the Hong Kong International Airport (HKIA)] will be increased from 60 to 62 movements per hour in 2011”. Will the Administration provide additional manpower, equipment, instruments and capital to cope with the increased movements? If yes, what are the details?
- (b) Is the Administration’s estimated increase of only two movements per hour for the coming year too conservative?
- (c) According to paragraph 16, the Administration will “continue to improve the efficiency of air traffic management in order to further enhance the runway capacity of the HKIA”. What are the improvement measures and the expenditure involved?

Asked by: Hon. IP Wai-ming

Reply:

- (a) The Civil Aviation Department (CAD) has continued to take forward various measures to enhance the runway capacity of the Hong Kong International Airport (HKIA):
- (i) a new Arrival Manager System for more efficient sequencing of arrival flights was implemented in 2010;
 - (ii) air traffic control (ATC) procedures are being reviewed with a view to establishing a new control position in 2011 to share the workload of the existing control positions;
 - (iii) the procurement of the new ATC systems is in good progress and the systems are expected to be operational by end 2013; and
 - (iv) the ATC training curriculum has been streamlined to enhance its effectiveness.
- (b) With our continuing efforts, the runway capacity of the HKIA has been increased from 56 movements per hour in early 2009 to 60 movements per hour at present. This capacity, which is equivalent to 1 256 movements per day, is sufficient to handle the estimated annual aircraft movements of 325 000 in 2011.

To cater for further traffic growth, we will increase capacity of the existing two runways at the HKIA to 62 movements per hour by end 2011, and then progressively to 68 movements per hour by 2015. The handling capacity of the airport is expected to be able to cope with the anticipated air traffic demand up to 2020.

Reply Serial No.

THB(T)008

Question Serial No.

1640

- (c) The above increase in runway capacity will be achieved by the use of the new ATC systems, the replacement cost of which is \$1,565 million. In terms of manpower resources, 35 air traffic controller posts were created during 2009-10 and 2010-11. The annual staff cost of these additional posts in terms of notional annual mid-point salary value is \$24.41 million, and the training provision required in 2011-12 is \$13.5 million.

Signature _____

Name in block letters NORMAN LO

Post Title Director-General of Civil Aviation

Date 17.3.2011

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

THB(T)011

Head: 28 – Civil Aviation Department

Subhead (No. & title):

Question Serial No.

1006

Programme: (3) Air Traffic Management

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Transport and Housing

Question:

To increase the runway capacity progressively to 68 movements per hour by 2015, the Administration stated last year that it would introduce a number of measures including assessments of the new operating procedures for air traffic management, enhanced familiarisation with the new operating procedures, procurement of new air traffic control systems and enhanced training for air traffic controllers. Please advise on the progress of the work and the resources involved.

Asked by: Hon. LAU Kin-ye, Miriam

Reply:

The Civil Aviation Department (CAD) has continued to take forward various measures to enhance the runway capacity of the Hong Kong International Airport (HKIA):

- (a) a new Arrival Manager System for more efficient sequencing of arrival flights was implemented in 2010;
- (b) air traffic control (ATC) procedures are being reviewed with a view to establishing a new control position in 2011 to share the workload of the existing control positions;
- (c) the procurement of the new ATC systems is in good progress and the systems are expected to be operational by end 2013; and
- (d) the ATC training curriculum has been streamlined to enhance its effectiveness.

With our continuing efforts, the runway capacity of the HKIA has been increased from 56 movements per hour in early 2009 to 60 movements per hour at present. The capacity will be further increased to 62 movements per hour by end 2011, and then progressively to 68 movements per hour by 2015.

The above increase in runway capacity will be achieved by the use of the new ATC systems, the replacement cost of which is \$1,565 million. In terms of manpower resources, 35 air traffic controller posts were created during 2009-10 and 2010-11. The annual staff cost of these additional posts in terms of notional annual mid-point salary value is \$24.41 million, and the training provision required in 2011-12 is \$13.5 million.

Reply Serial No.

THB(T)011

Question Serial No.

1006

Signature _____

Name in block letters NORMAN LO

Post Title Director-General of Civil Aviation

Date 15.3.2011

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

THB(T)025

Head: 28 – Civil Aviation Department

Subhead (No. & title):

Question Serial No.

0292

Programme: (4) Air Traffic Engineering and Standards

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Transport and Housing

Question:

Concerning the detailed design of the Air Traffic Control Centre, equipment rooms and workshops in the new headquarters of the Civil Aviation Department mentioned in the Matters Requiring Special Attention in 2011-12, please inform this Committee of their estimated completion date and the respective expenses.

Asked by: Hon. WONG Sing-chi

Reply:

We are finalising the detailed design of the new headquarters of the Civil Aviation Department (CAD), including the new Air Traffic Control (ATC) Centre, equipment rooms and workshops. The construction of the new CAD headquarters will be completed by end 2012. The new ATC Centre, supported by the equipment rooms and workshops, is planned for commissioning for operational use by end 2013 after completion of system acceptance and integration testing, and controller training.

The approved project estimate for the construction of the new CAD headquarters is \$1,997 million in money-of-the-day (MOD) prices. The estimated expenditure in 2011-12 is \$470 million. Also, the approved cost estimate of replacing the air traffic control systems, which will be accommodated in the new CAD headquarters, is \$1,565 million. The estimated expenditure in 2011-12 is \$130 million. There is no individual cost breakdown for the detailed design of the ATC Centre, equipment rooms and workshops as they form part of the entire headquarters building.

Signature _____

Name in block letters NORMAN LO

Post Title Director-General of Civil Aviation

Date 17.3.2011

**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
Transport and Housing Bureau
October 2011**

**2013 Policy Address
Policy Initiatives of
Transport and Housing Bureau: Economic Development**

Our Vision

The maritime, logistics and aviation industries constitute around 6% (HK\$105 billion) of Hong Kong's Gross Domestic Product (GDP). The Government attaches great importance to the development of our port, maritime and logistics sectors, which provide about 200 000 jobs. The Central Authorities have clearly indicated support for Hong Kong to reinforce and enhance its status as an international aviation and maritime centre, and to develop into a high-value goods inventory management and regional distribution centre. The Hong Kong International Airport (HKIA) is the world's busiest cargo gateway, and one of the world's 10 busiest passenger airports. At present, there are over 100 foreign airlines operating about 6 700 flights per week, serving about 170 destinations worldwide. The current employment on the airport island is about 65 000 people, and the number would be a few times higher when indirect and induced jobs created by the aviation industry outside the airport island are taken into account.

2. The Government is committed to consolidating Hong Kong's leading position as an international aviation and maritime centre and a regional logistics hub. We will continue to enhance Hong Kong's capacity to handle the needs of the travelling public and shippers, review the demand for air services from time to time, strengthen the regulatory regime of local airlines, and maintain high efficiency in air traffic management. The Government will, in collaboration with the industry, work towards enhancing our maritime services, and will ensure that the port and its supporting infrastructural facilities are provided in a timely manner having regard to the growth in cargo throughput, so as to maintain the competitiveness of the Hong Kong Port.

New Initiatives

3. The Chief Executive has announced in the Policy Address that an Economic Development Commission (EDC) would be established to explore and identify growth sectors which present opportunities for Hong Kong's further economic growth from the perspective of the overall strategy and policy to enhance Hong Kong's growth and development. A number of working groups will be set up under the EDC, including the Working Group on Transportation to make concrete recommendations to the Government. Furthermore, having

regard to the findings of the two consultancy studies underway (viz. the Consultancy Study on Enhancing Hong Kong's Position as an International Maritime Centre and the Study on the Strategic Development Plan for Hong Kong Port 2030), we will review comprehensively the policy formulation and institutional arrangements for supporting the maritime and port development, such as adjusting and reinforcing the work of the Transport and Housing Bureau and Marine Department, as well as the functions of and coordination among the three related advisory bodies (i.e. the Hong Kong Maritime Industry Council, the Hong Kong Port Development Council and the Hong Kong Logistics Development Council), with a view to promoting more effectively the long-term development of the relevant sectors and Hong Kong's position as a maritime centre.

On-going Initiatives

Consolidating Hong Kong's status as an international and regional aviation hub

Improving the infrastructure of the HKIA, replacing the Civil Aviation Department (CAD)'s air traffic control system and developing a new CAD Headquarters

4. To cope with air traffic demand for passengers and cargo up to 2020, the Airport Authority Hong Kong (AAHK) is implementing a midfield expansion project, including the construction of a midfield passenger concourse, 20 aircraft parking stands, automated people mover linking to Terminal 1, a new cross-field taxiway, and relevant airfield infrastructures. The works are expected to be completed by mid-2015.

5. In addition, the new air cargo terminal project is expected to be completed in 2013. This project will increase the airport's cargo handling capacity by 50% to 7.4 million tonnes per year. In line with the medium-term development plan, AAHK will also construct 16 new aircraft parking stands on the western part of the midfield area in two phases by the end of 2014.

6. CAD obtained funding approval from the Legislative Council in May 2007 and January 2008 to implement the replacement of the existing air traffic control (ATC) system and the development of a new headquarters on the Airport Island to enhance operational efficiency of the department and support the long-term growth of the aviation sector. The construction works of the new headquarters were completed in mid-2012, and all units of CAD (except the Air Traffic Management unit) had moved into the new headquarters and commenced

operation by end 2012.

7. As regards the replacement of the existing ATC system, CAD is progressively implementing the installation as well as the acceptance and integration testing of the new ATC systems. CAD will conduct integration and pilot testing for the new ATC systems, and provide technical and operational training for the air traffic controllers. Upon satisfactory completion of the work above, the new ATC Centre is expected to commence operation by the second quarter of 2014.

Expanding HKIA into a three-runway system

8. Connectivity is key to enhancing Hong Kong's competitiveness and status as an international business and aviation centre. It is therefore crucial to ensure that the HKIA has sufficient runway capacity to handle the forecast growth in the air traffic volume in the long run. The Government has given in-principle approval to adopt the three-runway system as the future development and planning option for HKIA. AAHK is carrying out the relevant planning work, including the Environmental Impact Assessment (EIA) in light of the study brief issued by the Director of Environmental Protection in August 2012. The EIA is expected to be completed in around two years. The Government and AAHK will liaise with and consult the stakeholders during the process. At the same time, AAHK will carry out other related planning work, including the associated design details and financing arrangements. When the planning report and assessment details are ready, the Government will make a final decision on whether to proceed with the implementation of the three-runway system.

9. According to AAHK's proposal, when the third runway is commissioned in 2023, it can cope with air traffic demand up to at least 2030. By such time, the annual passenger and cargo throughput as well as air traffic movements will increase to 97 million, 8.9 million tonnes and 602 000 from the current 56.5 million, 4 million tonnes and 352 000, respectively.

Reviewing the demand for air services from time to time

10. In 2012, we concluded air services negotiations and initialled an Air Services Agreement with a new aviation partner (the Republic of Seychelles). In addition, we also reviewed and expanded our air services arrangements with eight aviation partners (Luxembourg, India, Kazakhstan, Mongolia, the Mainland, Russia, South Korea and Saudi Arabia) to provide more growth and development opportunities for the civil aviation industry.

11. 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.

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

12. 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 legislative amendments which aimed at improving the regulatory regime of ATLA were passed by the Legislative Council in 2011. We have drawn up the procedural guidelines for the new regulatory regime to facilitate the new applicants and existing licence holders to make applications under the requirements of the new regulatory regime. In addition, we are also conducting a tender exercise to commission an independent consultant to assist ATLA in discharging its duties under the new regulatory regime. Upon completion of the tender process for the consultant, the new regulatory regime is expected to be implemented in early 2013.

Improving air traffic management

13. To facilitate the long-term development of the civil aviation industry, CAD will continue to liaise with the Civil Aviation Administration of China and the Macao Civil Aviation Authority with a view to improving the airspace planning and the co-ordination of air traffic management in the Pearl River Delta (PRD) Region. The three sides held the latest meeting in June 2012, and agreed to continue pursuing various measures to optimize the usage of the airspace and enhance the communication and coordination among the air traffic management authorities in three places, in accordance with the principles of joint airspace planning, use of common standards and harmonised flight procedure design formulated previously. Examples include rationalising flight procedures and air routes, developing related ancillary systems, such as a network platform used for sharing air traffic related information messages, etc. The three sides also agreed to further push forward the planning proposals of the Southern PRD Terminal Areas to remove airspace constraints within the region and increase regional air transport capability. These measures will adequately cater for the future development of the airports in the region, including the operating mode at the HKIA when a third runway is built.

Consolidating and Reinforcing Hong Kong's Position as an International Maritime Centre and Regional Logistics Hub

Port and Maritime Development

14. Strategically located on the Far East trade routes and at the geographical centre of the fast-developing Asia Pacific region, Hong Kong is a regional hub port and an international maritime centre. The Hong Kong Port provides frequent and comprehensive liner shipping services with about 410 container liner services per week to about 520 destinations worldwide. Added to a superb airport and efficient land boundary crossings and transport facilities, it has enabled Hong Kong to become a regional hub port with a vast service network.

15. At present, there are over 700 companies in Hong Kong running businesses related to the maritime industry and providing diversified international maritime services. Not only is Hong Kong a place where shipowners concentrate, our markets for marine insurance and international arbitration services are also well established. Leading and renowned classification societies have all set up offices in Hong Kong. Furthermore, the Hong Kong Shipping Register (HKSR) continues to perform well in terms of ranking. According to the Danish Shipping Statistics November 2012 published by the Danish Shipowners' Association, Hong Kong has risen to the third position in the world in ranking as a place for ship registration. As at end-December 2012, 2 193 ships with a total gross tonnage of 78.9 million were registered with the HKSR. This represents a 15% increase in gross tonnage from a year ago.

16. Hong Kong is a deep-water harbour. To maintain the competitiveness of the Hong Kong Port, we plan to seek funding approval from the Legislative Council later this year for a project to dredge the Kwai Tsing container basin and its approach channels from the present navigable depth of 15 metres to 17 metres. This will enable the Kwai Tsing container terminals to meet the draught requirements of the new generation of ultra-large container ships at all tides. Subject to approval for the funding application, the project is expected to be completed by 2016.

17. We are conducting the preliminary feasibility study for the proposed development of Container Terminal 10 at Southwest Tsing Yi. We are also proceeding with the Study on the Strategic Development Plan for Hong Kong Port 2030. Both studies are expected to be completed in a few months' time. We will consider the need to develop Container Terminal 10 having regard to the study results, global and local economic situation, performance of the port sector

and views of stakeholders, etc.

18. To build on the Central Authorities' support to Hong Kong under the National 12th Five-Year Plan and chart a blueprint for the future development of Hong Kong as a maritime centre, we are due to complete the Consultancy Study on Enhancing Hong Kong's Position as an International Maritime Centre. The aim of the Study is to review Hong Kong's strengths and challenges we face as compared with other maritime centres; analyze the development potential of the related maritime services, including ship management, finance, insurance, law, arbitration, as well as ship broking and ship chartering etc. With reference to the policies and measures adopted by other international maritime centres, and having regard to future opportunities and challenges, the Study will make recommendations on the development roadmap of Hong Kong as an international maritime centre. The Study is expected to be completed in the first half of this year.

19. Meanwhile, the Government has been working with the industry through the Hong Kong Maritime Industry Council to support maritime-related manpower training. Supported by the industry, the Government has put in place a number of maritime training and subsidy schemes to develop a pool of talents to consolidate and reinforce our position as an international maritime centre. These include scholarship schemes for training professionals in maritime services and incentive schemes for training sea-going officers and ship-repair technicians. So far, over 850 persons have benefited under the various schemes. We will continue to support the industry in manpower training.

20. In addition, due to the international nature of shipping operations, shipping companies are more susceptible to double taxation than other taxpayers. To reinforce our position as an international maritime centre and enhance the competitiveness of our maritime industry in the global market, Hong Kong has entered into double taxation relief agreements covering shipping income with 34 major trading partners. We will continue to proactively engage other trading partners in establishing related relief arrangements.

21. The service industries of Hong Kong have a sophisticated and solid foundation. We will continue to make good use of such strengths, including our rule of law and judicial system, free flow of capital and information, and efficient customs clearance, in developing the maritime services industry of Hong Kong, so that we might support the development of the maritime industry worldwide and in the Mainland, and to create more jobs for Hong Kong.

Logistics Development

22. Hong Kong is a regional logistics hub with free port status, efficient and well-established external transport network, convenient multi-modal transport connectivity, efficient customs clearance and comprehensive protection for intellectual property, etc. In recent years, the increasing demand for high-value consumer goods in Asian markets has attracted many overseas brands to set up regional distribution centres in Hong Kong where the goods are stored, and to engage third party logistics service providers to provide a range of customized logistics services that are tailored to the needs of individual clients. These services include inventory management, packaging, labelling, quality control, and distribution of goods to points of sale in Asia just-in-time and just-enough in support of the brand's regional sales network. This development trend has spinned the sector's shift towards the provision of high value-added logistics services, which in turn helps consolidate Hong Kong's position as a regional logistics hub.

23. To support the sector's development in this aspect, we have released two logistics sites in Tsing Yi with a total area of 4.8 hectares for the development of modern logistics centres. In addition to warehousing service, modern logistics centres provide a range of high value-added services. They use advanced technologies such as electronic identification and radio frequency identification (RFID) for handling and tracking the goods accurately. They are also equipped with automated facilities and tight security system for handling cargo movement in and out of the centres. We will release the third logistics site of about 2.1 hectares in Tsing Yi early this year. Meanwhile, we are actively identifying other suitable sites for modern logistics development.

24. Through the Hong Kong Logistics Development Council, we will continue to collaborate with the sector to explore and implement initiatives that will help promote industry development in respect of manpower training, technology application, marketing and promotion, etc. To promote e-logistics, the Government has sponsored industry organizations to conduct "A Feasibility Study for Cross-Border Supply Chain Visibility Across Guangdong, Hong Kong and Asia". The study aims to examine the economic benefits brought about by enhancement in cross-boundary supply chain visibility (SCV), its technical feasibility and business model. The study is proceeding to its second phase under which pilot case studies will be launched and completed by the end of this year. The study findings will help explore how to enable the wider use of electronic platforms to enhance SCV and strengthen the competitiveness of local logistics enterprises.

Marketing and Promotion

25. On marketing and promotion, we co-organized with the Hong Kong Trade Development Council the Second Asian Logistics and Maritime Conference in November 2012, which attracted the participation of about 1 300 industry experts and service users from over 21 countries or regions and a number of provinces in Mainland China. The Conference was successful in highlighting Hong Kong's premier status as a regional logistics hub and an international maritime centre. It also updated the participants on the latest global trends and facilitated them to expand their networks. We plan to organise another international conference of similar nature in the second half of this year to further reinforce Hong Kong's role as a hub and intermediary in the global market.

26. The joint delegation of the Hong Kong Port Development Council and Hong Kong Maritime Industry Council visited Dalian in November 2012 to promote the various maritime and related services provided by Hong Kong as an international maritime centre. We will continue to maintain close contact with major maritime centres in the Mainland so as to create greater business opportunities for the industry through complementary development on a mutually beneficial basis. The Hong Kong Logistics Development Council will visit Europe in the first half of this year to promote Hong Kong's competitive edges in providing high value-added logistics services and to attract European companies to establish their regional distribution centres in Hong Kong. We will continue to work in partnership with the industry to conduct local and overseas promotional activities and facilitate the sector in seizing development opportunities.

27. We will also continue to improve our maritime, land and aviation transport facilities and their linkages, and promote the development of maritime services in collaboration with the industry, with a view to reinforcing Hong Kong's position as a regional hub port and an international maritime centre.

Maritime Management

28. Further to the vessel collision incident on 1 October last year, the Chief Executive has set up an independent Commission of Inquiry to conduct investigation into the matter. Upon completion of the investigation, the Commission of Inquiry will submit recommendations for improvement to the Government. In parallel, the Transport and Housing Bureau, Marine Department as well as the industry are reviewing comprehensively the existing regulatory regime and related legislation on local passenger-carrying vessels and

the crew. After the incident, the Marine Department has also adopted immediate measures to strengthen inspection and enhance the safety of passenger-carrying vessels. During the pyrotechnic display on the New Year's Eve last year, the Marine Department adopted new management measures in collaboration with other enforcement agencies in enhancing the safety of passenger-carrying vessels. In the coming months, the Government will continue to cooperate with the investigation work of the independent Commission of Inquiry. The Government will also take follow-up actions arising from the recommendations of the Commission of Inquiry and the Local Vessels Advisory Committee on maritime safety to prevent the recurrence of similar incidents in future in response to public concern on marine traffic safety.

Transport Branch
Transport and Housing Bureau
16 January 2013

Examination of Estimates of Expenditure 2013-14

**CONTROLLING OFFICER'S REPLY TO
INITIAL WRITTEN QUESTION**

Reply Serial No.

THB(T)190

Question Serial No.

4273

Head: 28 – Civil Aviation Department Subhead (No. & title):

Programme: (4) Air Traffic Engineering and Standards

Controlling Officer: Director-General of Civil Aviation

Director of Bureau: Secretary for Transport and Housing

Question:

Please advise the details, schedule and initial expenses regarding “planning the reprovisioning of the Air Traffic Control Centre (ATCC) and implementing the replacement of the air traffic control systems” as highlighted in paragraph 18.

Asked by: Hon. WONG Kwok-hing

Reply:

The project comprises the setup of a new ATCC in the new Civil Aviation Department (CAD) Headquarters building, and the replacement of the existing air traffic control (ATC) systems to meet the growing demand of air traffic. Construction of the ATCC was completed in December 2011 and installation of the new ATC systems is underway. So far, about \$320 million has been spent on the ATC systems replacement project. Subject to satisfactory completion of system integration and testing, and training of operational and technical staff, the new ATCC is expected to commence operation in 2014.

Name in block letters: NORMAN LO

Post Title: Director-General of Civil Aviation

Date: 28.3.2013

Attachment 6

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Housing Bureau**
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East Wing, Central Government Offices,
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本局檔號 Our Ref. THB(T)A 26/17/7 Pt. 9

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22 July 2013

Clerk to the Legislative Council Panel on Economic Development
(Attn: Mr Noel Sung)
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Sung,

**Replacement of the Air Traffic Control System
of the Civil Aviation Department**

Thank you for your letter dated 9 July 2013.

The Government attaches paramount importance to maintaining aviation safety, and is committed to providing an efficient air traffic management service with a view to consolidating Hong Kong's leading position as an international aviation hub. The Civil Aviation Department (CAD) has strictly followed the relevant rules and procedures as stipulated in the Government Stores and Procurement Regulations (SPR) throughout the replacement process for the new air traffic control system. The new system fully meets the international requirements for air traffic management.

Our reply to the questions of Hon Gary Fan in the letter is set out in the ensuing paragraphs.

Procurement of the new system

The tender document for the procurement of the new Air Traffic Management System (ATMS) was developed by the CAD in 2009, and vetted by the Government Logistics Department (GLD), Department of Justice (DoJ), as well as the Government Central Tender Board which comprised representatives from the Financial Services and the Treasury Bureau (FSTB), GLD and DoJ. The new system was procured via an open tender process in accordance with the SPR. In the process of preparing the tender document, the CAD had conducted comprehensive market research of similar systems, and paid visits to major air traffic control centres in the United Kingdom, Australia, Italy, France, Norway, Guangzhou and Beijing, etc, to exchange views with the air traffic control personnel there and make reference to their views and experience in operating air traffic management systems. CAD had also incorporated the latest technology and safety requirements into the tender document.

The evaluation of the tenders for the new ATMS was conducted strictly in accordance with the SPR. A Tender Assessment Panel (TAP) with experienced engineering and air traffic control personnel was established by the CAD to evaluate the tender offers. The TAP was led by a Chief Electronics Engineer, with members of one Senior Electronics Engineer, three Electronics Engineers, one Senior Evaluation Officer, two Senior Air Traffic Control Officers, two Air Traffic Control Officers and one Technical Support Officer.

The TAP adopted a marking scheme as stipulated in the SPR to evaluate the tender offers. It consisted of two parts, namely the technical and price score, contributing to weighting of 40% and 60% respectively of the overall score. The tenderer obtaining the highest overall score would be awarded the contract. Such evaluation criteria were clearly stipulated in the tender document for reference by the potential bidders. To ensure that the evaluation was conducted in a fair and impartial manner, the TAP firstly conducted technical assessment against each tender and calculated the technical score. After completion of the technical assessment, the GLD then provided the TAP with the price information of the tenders to calculate the price score. CAD had not changed the evaluation criteria throughout the tendering process.

After completion of the tender evaluation by the TAP, the tender with the highest score was recommended for consideration and approval by the Government Central Tender Board which is chaired by the Permanent Secretary for Financial Services and the Treasury (Treasury), and comprised representatives from the FSTB, GLD and DoJ. Since the tender proposal of the Autotrac3 system offered by the Raytheon Company obtained the highest overall score, the Raytheon Company was awarded the contract for the new ATMS. The contract was signed between the GLD and the Raytheon Company in early 2011.

Enhancement of the new system

In light of the rapid development in air transport and aviation technology, and the need to meet the higher international standards on air traffic management and new requirements of the International Civil Aviation Organisation (ICAO), in particular the relevant requirements set out in the new Global Air Navigation Plan endorsed by ICAO for implementation at the 12th Air Navigation Conference held in 2012, the new ATMS Project team of CAD had conducted a thorough study and concluded that there was a need to further enhance the new ATMS. The enhancement work would be undertaken in two phases. The phase one work which costed around HK\$40 million included enhancement of the related functions in air traffic flow management and human-machine interface, as well as addition of training positions in the Simulator System. The above enhancement work would further enable CAD to meet the latest operational needs of air traffic in Hong Kong. CAD is actively preparing for the phase two work to meet the relevant requirements of the ICAO Global Air Navigation Plan. All contract variations arising from the enhancement work will be proceeded in strict accordance with the SPR and must be approved by the GLD. The total cost for the replacement of the air traffic control system project (including the enhancement work) will not exceed the limit of the approved budget.

Stability of the new system

The contract of the new ATMS was awarded to the Raytheon Company for designing and manufacturing the Autotrac3 system after undergoing a stringent tender evaluation process. The Raytheon Company has over 50 years of experience in designing and manufacturing air traffic control and radar systems, and their systems are widely used by civil aviation authorities around the world, including the United States, Dubai, India, etc.

The CAD has enquired with the Airports Authority of India (AAI) and was given to understand that the three air traffic control (ATC) centres in New Delhi, Mumbai and Chennai are currently using the Raytheon Company's Autotrac3 systems, which were officially put into full operations in 2011. The AAI is satisfied with the overall performance of the systems. Moreover, subsequent to the commissioning of the new systems in the three ATC centres in New Delhi, Mumbai and Chennai, the AAI was awarded the Jane's 2012 ATC Operational Efficiency Award¹ and the ATC Global Awards 2013 - Air

¹ The award is presented by Jane's Airport Review under IHS (Information Handling Services). This organisation is an independent and well recognised platform in the aviation industry. The award aims at commending and rewarding party with good performance records over the past 12 months across seven key areas of air traffic control. The Airports Authority of India was the winner of Operational Efficiency Award in 2012.

Navigation Services².

The CAD will conduct detailed and stringent functional testing on the new systems before the new ATC Centre is put into operational use. In addition, safety assessment will be conducted in accordance with the established international aviation safety management standards and procedures to ensure the safety, reliability and stability of the new systems.

Functions of the new system

The new ATMS can handle approximately 8,000 flight plans every day and monitor 1,500 air or ground targets simultaneously, which is about 5 and 1.5 times of existing system respectively. In addition, the new system adopts several advanced technologies, including (1) “Multi-sensor Tracking” technology which fuses and processes the radar and surveillance sensors information; (2) “ATS Inter-facility Data Communication” technology which exchanges the aeronautical information with the adjacent air traffic control centres and coordinate the transfer of aircraft control; (3) advanced flight trajectory prediction algorithm to enhance conflict prediction, alert and resolution capability; and (4) “Automatic Electronic Flight Strip” technology which automatically displays the important flight information for reference by the air traffic control officers.

Opening of the new Air Traffic Control Center

Due to delay in tendering of the “Design and Construction” works of the new CAD Headquarters Building, coupled with the need to optimize the Autotrac3 system and the longer time taken to test and evaluate the system than expected, commissioning of the new ATC Centre could not commence by end of 2012 as originally scheduled. The CAD is making every effort to complete the implementation of the air traffic control system replacement project. Installation work of the other six major systems at the new ATC Centre has been substantially completed, and acceptance tests are progressing.

To ensure the new systems are safe, reliable and stable, the systems of the ATC Centre will undergo a series of stringent tests and satisfy safety assessment conducted in accordance with the established international aviation safety management standards and procedures. It is expected that the enhancement and functional testing of the new Autotrac3 system will be completed in the first quarter of 2014 the earliest, followed by comprehensive

² The award is presented by the ATC Global in association with Air Traffic Management magazine. It aims at commending and rewarding individuals and organisations to drive forward the air traffic management industry.

integration testing and training of the new systems. The earliest operation of the new ATC Centre is estimated to be in the second half of 2014.

Thank you for the interest of the Members in the project.

Yours sincerely,



(Desmond Wu)

for Secretary for Transport and Housing

c.c. Director-General of Civil Aviation (Attn: Mr Simon Li)

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22 July 2013

Clerk to the Legislative Council Panel on Economic Development
(Attn: Mr Noel Sung)
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Mr Sung,

**Replacement of the Air Traffic Control System
of the Civil Aviation Department**

Thank you for your letter dated 11 July 2013. With regard to the questions raised by Hon TANG Ka-piu in the letter, I am authorised to reply as follows.

The Government attaches paramount importance to maintaining aviation safety, and is committed to providing an efficient air traffic management service with a view to consolidating Hong Kong's leading position as an international aviation hub. The Civil Aviation Department (CAD) has strictly followed the relevant rules and procedures as stipulated in the Government Stores and Procurement Regulations (SPR) throughout the replacement process for the new air traffic control system. The new system fully meets the international requirements for air traffic management.

In the process of preparing the tender document, the CAD had conducted comprehensive market research of similar systems, and paid visits to major air traffic control centres in the United Kingdom, Australia, Italy, France, Norway, Guangzhou and Beijing, etc, to exchange views with the air traffic

control personnel there and make reference to their views and experience in operating air traffic management systems. CAD had also incorporated the latest technology and safety requirements into the tender document.

The Raytheon Company which was awarded with the Air Traffic Management System contract has over 50 years of experience in designing and manufacturing air traffic control and radar systems, and their systems are widely used by civil aviation authorities around the world, including the United States, Dubai, India, etc.

The CAD has enquired with the Airports Authority of India (AAI) and was given to understand that the three air traffic control (ATC) centres in New Delhi, Mumbai and Chennai are currently using the Raytheon Company's Autotrac3 systems, which were officially put into full operations in 2011. The AAI is satisfied with the overall performance of the systems. Moreover, subsequent to the commissioning of the new systems in the three ATC centres in New Delhi, Mumbai and Chennai, the AAI was awarded the Jane's 2012 ATC Operational Efficiency Award¹ and the ATC Global Awards 2013 - Air Navigation Services².

Due to delay in tendering of the "Design and Construction" works of the new CAD Headquarters Building, coupled with the need to optimize the Autotrac3 system and the longer time taken to test and evaluate the system than expected, commissioning of the new ATC Centre could not commence by end of 2012 as originally scheduled. The CAD is making every effort to complete the implementation of the air traffic control system replacement project. Installation work of the other six major systems at the new ATC Centre has been substantially completed, and acceptance tests are progressing.

To ensure the new systems are safe, reliable and stable, the systems of the ATC Centre will undergo a series of stringent tests and satisfy safety assessment conducted in accordance with the established international aviation safety management standards and procedures. It is expected that the enhancement and functional testing of the new Autotrac3 system will be completed in the first quarter of 2014 the earliest, followed by comprehensive integration testing and training of the new systems. The earliest operation of the new ATC Centre is estimated to be in the second half of 2014.

¹ The award is presented by Jane's Airport Review under IHS (Information Handling Services). This organisation is an independent and well recognised platform in the aviation industry. The award aims at commending and rewarding party with good performance records over the past 12 months across seven key areas of air traffic control. The Airports Authority of India was the winner of Operational Efficiency Award in 2012.

² The award is presented by the ATC Global in association with Air Traffic Management magazine. It aims at commending and rewarding individuals and organisations to drive forward the air traffic management industry.

Thank you for the interest of the Members in the project.

Yours sincerely,



(Desmond Wu)

for Secretary for Transport and Housing

c.c. Director-General of Civil Aviation (Attn: Mr Simon Li)

**For information
on 27 January 2014**

**Legislative Council Panel on Economic Development
The 2014 Policy Agenda
Policy Initiatives of the Transport Branch of the
Transport and Housing Bureau**

Introduction

This paper elaborates on the initiatives set out in the 2014 Policy Agenda that the Government will pursue and continue to pursue to reinforce and enhance Hong Kong's status as an international aviation and maritime centre.

Hong Kong as an international maritime and aviation centre and the global development trend

2. The centre of global economic development is shifting eastward. Asia has become the world's marine transport centre¹. Three out of top four world's busiest ports with highest throughput are in China, including Shanghai, Shenzhen and Hong Kong; China is becoming a world shipping power. The Central Authorities have clearly indicated support under the National 12th Five-Year Plan for Hong Kong to reinforce and enhance its status as an international maritime centre, and to develop into a high-value goods inventory management and regional distribution centre.

3. The Government has started preparations to provide input to formulation of the National 13th Five-Year Plan and is studying how to enhance Hong Kong's position as an international maritime centre, develop high-end maritime services, and strengthen Hong Kong as a high-value goods inventory management and regional distribution centre. The study covers how to attract maritime companies from different places (including Mainland and overseas) to use Hong Kong as a base for their business operations, assuming the strategic position of a maritime services and talent hub; as well as how Hong Kong's positioning would also tie in with the national development towards a world shipping power, becoming the springboard for

¹ In 2012, out of the top ten ports with the highest container throughput, nine are in Asia and seven in China, i.e. Shanghai, Hong Kong, Shenzhen, Ningbo-Zhoushan, Guangzhou, Qingdao and Tianjin.

more maritime companies in the Mainland to enter the international market, thus strengthening Hong Kong as an important international maritime services centre in Asia.

4. To seize the development opportunity and realise this policy goal, we are enhancing our competitiveness, improving transport infrastructure, and strengthening manpower training. Capitalising on its geographical and institutional advantages, Hong Kong is moving towards high value-added services and a knowledge-based economy, matching up with the rapid economic development in Asia and the global development trend. We will also make best endeavors to enhance the efficiency of the port and its supporting infrastructural facilities, having regard to the growth in cargo throughput, with a view to maintaining the competitiveness of the Hong Kong Port (HKP).

5. On civil aviation, we will continue to entrench and enhance Hong Kong's status as an international aviation hub. The major areas of work include enhancing manpower training and development for the aviation industry, pushing ahead with full force the Third Runway proposals, developing the North Commercial District on the airport island, enhancing Hong Kong's capacity to handle the passenger and cargo traffic, maintaining high efficiency in air traffic management, regularly reviewing the demand for air services, as well as strengthening the links between the Hong Kong International Airport (HKIA) and the Pearl River Delta Region, and optimizing the regulatory regime of local airlines.

New Initiatives

6. We will implement the new initiatives as set out in paragraphs 7 to 12 below in 2014.

(a) Take forward a consultancy recommendation to examine the feasibility of setting up a statutory body to drive the development of the maritime services in Hong Kong. The proposed body will be responsible for driving the diversification and development of maritime services, manpower training, as well as conducting policy research etc., with a view to strengthening and enhancing Hong Kong's position as an international maritime centre.

7. Commissioned by the Hong Kong Maritime Industry Council, the Consultancy on Enhancing Hong Kong's Position as an International Maritime Centre has been completed. According to the study analysis,

Hong Kong has advantages in soft power; at the regional level, we have the potential to congregate a diversity of high value-added maritime services, and further become the preferred base in Asia for international maritime business. At the same time, Hong Kong is well positioned to serve as a springboard for Mainland maritime companies to “go global” and provide services for overseas enterprises to tap into the Mainland market, thus becoming an important international maritime services centre for China and the Asia Pacific.

8. The study also pointed out that Hong Kong had advantages in developing high value-added maritime services, including ship registration, management, finance, marine insurance, and maritime law and arbitration, but that we needed to strengthen the institutional set-up and dedicate human resources to drive proactively the industry development. The consultant therefore proposed setting up a new statutory maritime body to propel the long-term development of the maritime industry in Hong Kong, including to undertake policy research, support manpower training, and conduct marketing and promotion regionally and internationally, with a view to strengthening and enhancing Hong Kong’s position as an international maritime centre.

9. The proposed new statutory maritime body will help drive and implement the development strategy and specific measures devised by the Government. The industry (including the Hong Kong Maritime Industry Council and the Sub-group on Maritime under the Economic Development Commission) in general supports the consultant’s recommendation. In the coming year, the Government will work out the functions, funding, structure, mode of operation etc., to ensure that the new body is practicable in terms of financial and business sustainability. We will consult the industry and the Legislative Council with a view to commencing the legislative process as early as possible.

(b) With the support of the Working Group on Transportation under the Economic Development Commission, conduct a study on the feasibility of establishing a civil aviation training institute, with a view to enhancing the skills for local and overseas practitioners of the aviation industry, thereby nurturing talents for the aviation industry, enhancing the safety standards and efficiency of air transport, and further strengthening Hong Kong’s leading status as a major aviation hub in the region.

10. At present, a wide array of aviation-related training courses are provided by the aviation industry, post-secondary education institutes, the Vocational Training Council, and the Civil Aviation Department (CAD), etc, to existing practitioners and those who are interested to join the aviation industry. The Government is committed to entrenching Hong Kong's leading status as a major aviation hub in the region. As the civil aviation industry continues to grow rapidly, Hong Kong needs to enhance training for practitioners of the aviation industry in order to cope with the associated opportunities and challenges.

11. With the support of the Working Group on Transportation under the Economic Development Commission, CAD will commission a consultancy study to explore the feasibility of establishing a civil aviation training institute. As a preliminary idea, the proposed civil aviation training institute will provide vocational or qualification training for local and overseas practitioners and persons who are interested to join the aviation-related sectors.

12. The preparation work for the consultancy study has already commenced. The scope of the study will include an assessment on the current and future manpower situation in Hong Kong and overseas aviation industry vis-à-vis the demand for training, and the feasibility of establishing a civil aviation training institute in Hong Kong and related issues, such as the scale of the institute, types and level of training to be offered, trainers, and interaction and collaboration with the stakeholders (including those existing training institutes), etc. Upon the completion of the consultancy study, the Government will carefully consider the outcome of the study.

On-going Initiatives

13. In addition, we will continue to implement various on-going initiatives in 2014, with details set out in paragraphs 14 to 41 below.

Manpower Training

(a) ***Taking forward initiatives under the Maritime and Aviation Training Fund to support manpower development for the maritime and aviation industry.***

14. On 10 January 2014, the Finance Committee of the Legislative Council approved \$100 million to establish the Maritime and Aviation Training Fund

(MATF) for use over a period of five years (from 2014-15 to 2018-19), to sustain and enhance the five existing training and scholarship schemes and launch new initiatives, to –

- (a) attract more new blood to expand the pool of talent and address the issue of aging workforce in the maritime and aviation sectors;
- (b) diversify expertise of the workforce to meet manpower demands of the sectors, especially in providing high value-added services; and
- (c) enhance the overall competency and professionalism of the sectors and in turn our global competitiveness as an international maritime centre.

15. In addition to encouraging young people to enrol in aviation- and maritime-related professional and skills training programmes, the target and scope of funding has also placed emphasis on supporting the manpower training for the local maritime sector for upgrading the overall marine safety in Hong Kong as well as the professional standard of the relevant workforce.

16. Implementation details for each of the new initiatives will be worked out shortly through the tripartite collaboration among Government, the industry and the academia. We aim to roll out the various funding/scholarship schemes starting from April this year with a view to building up a wealth of professional and skilled talent that is vibrant, diversified and competitive to support the long-term development of our maritime and aviation sectors. The Government, industry stakeholders and education institutions will set up tripartite committees for the maritime- and aviation-related initiatives respectively to monitor and review their implementation.

Maritime-related Initiative

- (b) ***Working with industry players to consolidate and enhance our position as an international maritime centre.***

17. In respect of infrastructural facilities and business environment, we will continue to enhance the infrastructure of sea, land and aviation transport and strengthen multi-modal transport connectivity; upgrade the cargo-handling capacity and efficiency of the airport and port of Hong Kong. Through platforms such as the Hong Kong Port Development Council, the Hong Kong Maritime Industry Council, and the Sub-group on Maritime under the Economic Development Commission, the Government and the

industry will join hands in conducting marketing and promotion in the Mainland and overseas. To enhance the attractiveness of Hong Kong as a maritime centre, the Government will continue to work with our trade partners to establish arrangements on avoidance of double taxation covering shipping income². This will create a more competitive business environment and encourage more shipping companies to relocate to or set up branch operation in Hong Kong.

18. Last year, the Hong Kong Port Development Council and the Hong Kong Maritime Industry Council conducted promotion visits to Taipei and Shanghai to promote to the local industry the various maritime and related services provided by the Hong Kong maritime cluster. We organised the third Asian Logistics and Maritime Conference in November last year, attracting the participation of over 1 600 trade representatives from local and Mainland, as well as different countries or regions in Asia, Europe and America. We are planning to take part in a large-scale international maritime exhibition in Greece in June this year to promote to the local maritime industry Hong Kong's competitive edges in providing high value-added services such as ship registration, maritime law and arbitration, as well as ship management, broking and finance etc. We will also take the opportunity to market Hong Kong as a preferred base for establishing maritime business in Asia.

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

19. HKP is one of the busiest container ports in the world. In the past decade, it handled an annual average of more than 22 million TEUs. We will continue to optimize our port facilities and enhance the port's handling capacity, including monitoring the dredging project of the Kwai Tsing Container Basin and its approach channels to a depth of 17.5 meters. This will enable HKP to meet the draught requirements of the new generation of ultra-large container ships at all tides. The project commenced in August of 2013 and is expected to be completed earliest towards the end of 2015.

20. In view of the scarce land resources in Hong Kong, both government and the trade recognised the need to rationalize and increase the utilization of

² As of now, Hong Kong has established arrangements with 37 trading partners on avoidance of double taxation covering shipping income. They are Austria, Belgium, Brunei, Canada, Chile, Czech, Mainland of China, Denmark, France, Germany, Guernsey, Hungary, Indonesia, Ireland, Italy, Japan, Jersey, Korea, Kuwait, Liechtenstein, Luxembourg, Malaysia, Malta, Mexico, the Netherlands, New Zealand, Norway, Portugal, Qatar, Singapore, Spain, Sri Lanka, Switzerland, Thailand, the United Kingdom, the United States and Vietnam.

the existing container port and back-up facilities for enhancing the port efficiency and maintaining the competitiveness of HKP. Government will continue to work closely with the trade this year to review the existing port facilities and the management mechanism of adjacent port back-up land with a view to working out a feasible option for enhancing the efficiency of the existing port facilities to meet the future operational need of HKP.

21. The government is conducting two consultancy studies for the long term development of HKP, i.e., “The Preliminary Feasibility Study of developing CT10 at Southwest Tsing Yi” and “Study on the Strategic Development Plan for Hong Kong Port 2030”. The two studies are expected to be completed soon. By then, the government will take all relevant factors into consideration, such as local demand and external economic trends, in setting the direction and strategy for the port’s long term development.

Logistics-related Initiative

(d) Facilitating the provision of high value-added third party logistics services in Hong Kong by making available suitable sites for the development of modern logistics facilities.

22. With the continuous development of the logistics industry towards the provision of high value added services, Hong Kong is developing into a high value goods inventory management and regional distribution centre. Comparatively, Hong Kong still has advantages over neighboring cities in providing high value added services, given our multimodal transport network, highly efficient transport infrastructure such as airport and port, free port status and sound judicial system protecting intellectual property, efficient customs clearance and accumulation of rich experience in providing third party logistics services.

23. Under the vibrant development of the Mainland consumer market, the demand of online trade in the region for high value added logistics services has increased. To increase the provision of logistics facilities in Hong Kong and to support the development of high value added services by the industry, we disposed of a site of about 2 hectares in Tsing Yi dedicated for logistics development in May 2013. At present, we are conducting a traffic impact assessment on the 10 hectares of land reserved in Tuen Mun West to confirm the feasibility of developing logistics facilities thereon. In parallel, we will continue to identify suitable land and consider reserving land in new development areas for developing modern logistics facilities, so as to support

the logistics industry's development towards provision of high value added services.

Aviation-related Initiative

(e) Working with the Airport Authority in considering initiatives to enhance airport capacity and airport services. Major projects being considered include the expansion of the Hong Kong International Airport into a three-runway system and implementing the midfield expansion project.

24. The Government has given in-principle approval in March 2012 for the Airport Authority (AA) to adopt the three-runway system (3RS) as the future development option for HKIA. Since then, AA has actively embarked on the planning work for the project, namely the statutory Environmental Impact Assessment (EIA), scheme designs and financing arrangement studies.

25. The EIA work is progressing according to the plan, and AA has been liaising with the stakeholders closely during the process. AA expects that the EIA process will be completed by Q3, 2014. Subject to the successful completion of the EIA process and the subsequent LegCo's approval of the funding arrangement, AA aims to start the construction works as early as possible with a view to commissioning the 3RS in 2023.

26. With the three-runway system in place, AA expects that the capacity of HKIA will increase from 420,000 flight movements per year under the two-runway system to 620,000 per year. The additional capacity can cope with the air traffic demand of HKIA until at least 2030. By that time, the HKIA will handle at least 97 million passengers and 8.9 million tonnes of cargo annually, up from 56.5 million passengers and 4 million tonnes of cargo in 2012.

27. Separately, to cope with both short and medium term air traffic demand and to tie in with the designed capacity of the two-runway system by increasing the handling capacity of HKIA to 70 million passengers and 6 million tonnes of cargo per annum, AA is implementing Phase 1 of its midfield expansion project. A passenger concourse is under construction to provide 20 additional aircraft stands. The project started in late 2011 and is expected to be completed by phases in 2015. At the same time, AA has started designing the development of Phase 2 of the midfield expansion project and is exploring the feasibility of providing additional aircraft stands. AA will also construct new aircraft parking stands on the western part of the

midfield area with a view to be completed by phases by the end of 2014. Upon completion of all these expansion projects, the number of aircraft stands will increase by more than 30%.

28. In October 2013, the third air cargo terminal came into full operation, which increased the overall cargo handling capacity of the airport by 2.6 million tonnes per annum. This facility will help strengthen the position of Hong Kong as an international and regional logistics centre.

(f) Working with the Airport Authority to develop the North Commercial District on the airport island. The aim is to maximise the development potential of this site, taking into account the future development of the Hong Kong International Airport including the three-runway system, and the synergy with Lantau as well as the Western Pearl River Delta Region.

29. To support the long-term economic development of Hong Kong, we will ensure the optimal use of the limited land on the Airport Island. We will work together with AA on the timely development of the North Commercial District (NCD) of the HKIA. The aim is to maximise the development potential of the site, taking into account the future expansion of the HKIA, including the three-runway system, as well as the synergy with the development on Lantau. On 17 December last year, the AA Board decided that AA would proceed immediately with the development of a new hotel at the NCD as the area's first phase of commercial development. AA will continue to actively pursue relevant planning work to finalise a Master Layout Plan for the entire NCD development.

(g) Assisting the Airport Authority to expand inter-modal connections to strengthen the links between the Hong Kong International Airport and the Pearl River Delta Region.

30. The HKIA is a gateway of Mainland China, supported by an integrated and multi-modal transport network. Cross-boundary coaches, limousine and ferry services connect passengers between the Pearl River Delta (PRD) and international destinations via the HKIA. Last year, an average of about 550 round trips by coaches were made every day to link the HKIA with 110 PRD cities and towns.

31. The SkyPier at HKIA provides speedy ferry services for air-to-sea/sea-to-air transit passengers travelling to and from the PRD and

Macao. SkyPier is currently connected to eight PRD ports, namely Shekou and Fuyong of Shenzhen, Dongguan, Zhongshan, Zhuhai Jinzhou, Nansha, Macao Taipa and Maritime Ferry Terminal in Macao.

32. With the planned completion of various major transport infrastructure in Hong Kong and PRD Region, including the Hong Kong-Zhuhai-Macao Bridge (HZMB), Guangzhou-Shenzhen-Hong Kong Express Rail-link, Tuen Mun Western Bypass and Tuen Mun-Chap Lap Kok Link in the coming future, the travelling distance for passengers and cargo to the HKIA will be further shortened and the network between Hong Kong and the PRD Region will be strengthened. To maximise the synergy effect between HZMB and HKIA and facilitate passengers in the Region, AA is exploring the expansion of intermodal facilities and provision of dedicated bus services for transit passengers to and from the HKIA.

(h) Improving air traffic management through optimising the use of airspace as well as implementing enhancement measures on air traffic control system.

33. CAD will continue to enhance air traffic management to regulate the continued growth of air traffic movements. The tripartite Technical Working Group formed by Hong Kong CAD, the Civil Aviation Administration of China and the Macao Civil Aviation Authority held its latest round of working-level meetings in May and December last year to continue taking forward the various measures to enhance the airspace management of the Pearl River Delta region, including improving flight procedures and air routes, establishing additional handover points, as well as developing network platform for sharing air traffic information and the multi-airport departure release system. In addition, in view of the rapid development of air transport and aviation technology, and to meet the latest international requirements in air traffic management, CAD is upgrading its air traffic management system to maintain its high efficiency in air traffic management, thereby consolidating Hong Kong's leading status as a major aviation hub in the region. The new system is expected to come into operation in early 2015 after appropriate testing.

34. Over the last year, through various enhancement measures of air traffic management, CAD has increased the maximum runway capacity from 63 to 65 movements per hour. Continued efforts will be made to further increase the capacity to 68 movements per hour in 2015 as planned to meet air traffic demands.

- (i) Reviewing the air services arrangements with our aviation partners, with the objective to further liberalising our air service regime, thereby supporting the continued growth and development of the local civil aviation industry.***

35. In 2013/14, we reviewed and expanded our air services arrangements with eight aviation partners (Belgium, Qatar, Mongolia, Myanmar, the UK, Bangladesh, South Africa and New Zealand) to support the growth of the civil aviation industry and to provide further development opportunities. At present, Hong Kong has signed Air Services Agreements (ASAs) with 62 countries and regions. 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.

- (j) Supporting the Air Transport Licensing Authority in regulating our local airlines.***

36. The Air Transport (Licensing of Air Services) (Amendment) Regulation 2011 (“the Amended Regulations”) has come into operation on 22 April last year. The Amended Regulations strengthens the financial monitoring capability of the Air Transport Licensing Authority (ATLA), and puts in place requirements for licence holders to notify ATLA of specific incidents and to submit annual financial statements, thus enabling ATLA to more effectively assess the capability of licence holders to operate their air services on a continual basis.

37. To ensure a smooth rollout of the new regulatory regime, we have conducted briefing sessions for licence holders before the commencement of the Amended Regulations. The transition of the operational arrangements to the new regulatory regime has been smooth, with all incumbent licences successfully converted to the new licences stipulated under the Amendment Regulations. Moreover, ATLA has formulated procedural guidelines in regard to the new regulatory regime to facilitate the new applicants and existing licence holders in complying with the relevant requirements of the regulatory regime.

Marine Safety-related Initiative

- (k) Reviewing comprehensively the existing regulatory regime on local passenger-carrying vessels to enhance marine safety. We will take***

into account the recommendations in the report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012.

38. After the release of the Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012 in April last year, to follow up on the recommendations of the report, the Secretary for Transport and Housing promptly set up the Steering Committee on Systemic Reform of the Marine Department (Steering Committee) in May to steer the Marine Department (MD) to undertake a comprehensive systemic review and reform. The Steering Committee has focused on three areas, including the improvement measures to enhance marine safety, the review of and improvements to the business processes and operational procedures of MD, and the manpower resources strategy and training matter of MD. In addition, with respect to possible problems with MD officers in carrying out their duties in the past as mentioned in the report, including possible maladministration and negligence of duty, an Investigation Team was set up in June to conduct an internal investigation on MD to identify any possible responsibilities and to ensure that the investigation is comprehensive, thorough and fair. The Investigation Team will later submit a report to the Secretary for Transport and Housing.

39. To enhance safety of local passenger-carrying vessels, MD had introduced the first phase of improvement measures by amending the Code of Practice in late November last year. The measures included enhancing look-out by crew, provision of a muster list, review of minimum manning scale, improving signage relating to lifejackets and fitting watertight-door alarms in wheelhouse. These measures will take effect by phases within a year. The work for the second phase has commenced this year. MD will deal with the improvement measures relating to the installation of navigation equipment and lifejackets. It will, where necessary, provide appropriate financial assistance to the industry to help facilitate them in meeting the requirements for enhancing marine safety. The Department is now working out the implementation details in consultation with the industry.

40. In addition, regarding the business and operational processes of MD, the Efficiency Unit (EU) is assisting the MD in the systemic review. The first phase of the review covered how the licensing and regulatory procedure work for local vessels could be improved. The EU is now preparing the report of the first phase review and will brief the Steering Committee when ready. Upon endorsement by the Steering Committee, MD will implement the proposals at the earliest opportunity. The second phase of the review will commence shortly in February. MD, in collaboration with the EU, will

review the work and operational process of other sections of the Department.

41. As regards the longstanding issue of manpower shortage of professional grades in MD, the Steering Committee has agreed to MD's proposal to revise the entry requirements currently applied to the two professional grades (i.e. the Marine Officer grade and the Surveyor of Ships grade) so as to engage young graduates at an earlier stage, and enhance the training programmes for new recruits by providing them with on-the-job and appropriate training in MD to meet their job needs. MD is actively working towards the implementation of the proposal.

Members' Views

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

**Transport Branch
Transport and Housing Bureau
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