

For Information

LegCo Panel on Economic Services An Update on Hong Kong International Airport

Introduction

Hong Kong International Airport (HKIA) has been in operation for nearly two years. Although the local and regional economics have yet to fully recover, the turnaround at HKIA has been rapid in the past nine months. This paper serves to update Members on recent developments as well as important initiatives underway at HKIA.

Airport Infrastructure

2. Commissioning of the Second (North) Runway last year and opening of the Northwest Concourse of the Passenger Terminal Building (PTB) at the beginning of this year marked the completion of all major construction works.

3. Brought into operation in phases from May 1999, the North Runway is now used primarily for aircraft landing, while the South Runway is used for cargo aircraft and aircraft take-offs. The airport's capacity has been increased to 45 movements an hour and as a result offers airlines much greater scheduling flexibility and the ability to increase frequency. The availability of the North Runway also allowed the airport to continue operations in exceptional circumstances where one of the runways has to be closed such as that following the China Airlines crash in August 1999.

4. The Northwest Concourse extension with 34,000 square metres of floor space was opened in January 2000. This brought the total floor area of the PTB to 550,000 square metres, making it one of the largest single terminal buildings in the world. The 11 new frontal gates raised the total number to 48, allowing up to 95 per cent of passengers to board or disembark through airbridges from the PTB. The new concourse also increased HKIA's passenger handling capacity to 45 million passengers a year – more than adequate to meet our short- and medium-term needs, including expected increases in traffic from the Disney project in 2005.

Airport Operations

5. The airport entered the new millennium on a very positive note with passenger numbers and air cargo tonnages continuing to break records. Almost 3 million passengers passed through HKIA in April, an increase of 14.6 per cent over the same period last year. Significantly, in the 12 months from May 1999 to April 2000, the airport handled just under 31.3 million passengers, surpassing the record of 30.8 million passengers in the 1996 calendar year. As shown in Annex 1, HKIA now ranks first in the Asia Pacific region and fifth in the world in respect of international passengers handled. A comparison of air traffic data for the last four years is tabulated in Annex 2.

6. One-day records for the airport were set on Good Friday, 21 April when 121,000 passengers arrived or departed on a total of 610 flights. The only other day with more passengers and flights was that following the passage of Typhoon York, when 122,000 passengers and 640 flights were handled.

7. Cargo's double-digit growth continued in April, with 185,000 tonnes handled, representing an 18.5 per cent increase over April 1999. The total for the last 12 months (May 1999 to April 2000) reached 2.09 million tonnes, a rise of 25.9 per cent over the corresponding period in 1998-99. HKIA continues to be the world's busiest international air cargo centre as shown in Annex 3.

Customer Service

8. Passengers and other users of the airport continued to show a high degree of satisfaction with our services and facilities, according to the Fourth Customer Survey conducted by Lingnan University in mid-January 2000. Of the more than 3,000 respondents interviewed, 91.8 per cent of them were either "satisfied" or "very satisfied" with the airport. Results of the four customer surveys are illustrated in Annex 4.

9. As part of the Authority's commitment to customer service, we published a brochure outlining our performance pledges and targets. These included:

- maximum airline check-in time of 30 minutes;
- checked baggage delivery within 20 to 40 minutes of aircraft arrival;
- automated people mover trains operating every four minutes;

- security screening of passengers and their carry-on bags within 5 minutes;
- immigration formalities completed within 15 minutes for 92 per cent of passengers;
- customs procedures completed by all passengers within 15 minutes;
- all telephone calls to AA enquiry centres answered within one minute; and
- written enquiries responded to within 14 days.

All of these targets are being met.

10. In response to customer feedback and to make the airport more user-friendly, a number of important improvement works has been undertaken by the Authority in the PTB during the past year, including:

- additional and/or upgrading of nurseries, water fountains, toilets, smoking lounges and facilities for the disabled;
- provision of airside trolleys;
- installation of additional signage and directories; and
- video screens in the meeters and greeters hall (to facilitate meeting of arriving passengers).

11. In co-operation with government departments and other organisations, the Authority will continue to add works of art, cultural displays, artefacts and exhibitions to enhance the ambience of the PTB. Special exhibitions and cultural performances by local artists have also been planned. Chinese New Year, Christmas and Easter celebrations in the PTB were well received by passengers and other airport users. New advertising has also added more colour to the building as well as income to the Authority.

12. A \$50 million landscape improvement works programme was launched in March 2000 to enhance the environment of the airport island. More than 2 million trees, shrubs and seedlings, including Bauhinias, will be planted by October 2000. As a result of these efforts, visitors and local residents will be greeted over the next few years with a more colourful landscape gradually emerging from a mix of native and introduced species at the headland preserve, along road and rail approaches on the airport island, and about the PTB and Ground Transportation Centre (GTC).

13. Our website has been revised and was re-launched on 1 May with several new attractions, including real-time flight information which allows departing passengers and meeters/greeters to fine-tune their travel plans. Information is also provided on car parking facilities and charges, transportation, and weather conditions. For information regarding the PTB, the website gives details of special needs facilities, location of airline lounges, monthly passenger and cargo statistics as well as useful telephone numbers and websites of business partners and government departments.

Retail and Commercial

14. Retail spending by Asian passengers, in particular those from the Mainland, was on the rise last year. The number of Mainland visitors also out-numbered Japanese and made up almost 20 per cent of all arriving visitors, followed by Taiwanese (18 per cent) and Southeast Asians (16.2 per cent). The composition by market of passengers who arrived and departed at HKIA in 1999 is shown in Annex 5. Mainlanders spend an average of \$736 per person on airport shopping and dining, higher than the Japanese spending of \$659. The Authority will continue to review and revise, if necessary, the trade-mix at its premium retail and catering complex in the PTB, Hong Kong Skymart, to meet customer expectations and preferences.

15. Two important initiatives were recently implemented as part of the Authority's plans to upgrade its retail facilities. A duty free liquor and tobacco outlet was opened in the pre-immigration arrivals hall to satisfy arriving passengers' shopping requirements. In addition, the Authority has invited tenders for the operation of a "cyber zone" in the Northwest Concourse, incorporating e-tailing facilities, a children's play area, free Internet stations, and an Internet café. These facilities are expected to be available by October 2000. With the addition of 10 new retail outlets in the Northwest Concourse, Hong Kong SkyMart will have a complement of 123 retail shops, 25 commercial catering outlets and 4 staff canteens. Twenty-two new kiosks have also been installed in the PTB since airport opening.

16. We have also commissioned consultants to draw up a development plan to exploit the airport island's 90 hectares of prime commercial real estate into a range of developments. Ideas being examined include a convention and exhibition centre, another hotel and recreation facilities. These will in turn create a further demand for ancillary facilities such as retail, entertainment and catering. They will

also help broaden our future revenue base to include convention delegates and more business travellers.

Fiscal Management

17. Throughout the year, the Authority continued to exercise prudent fiscal management. Continuous efforts have been made to maximise revenue and control costs. We are constantly searching for both new sources of, and improvements to existing, revenue streams including additional advertising and retail outlets in the PTB. On the cost side, the Authority will further strengthen and streamline cost control and procurement procedures.

18. The Authority's latest syndicated loan facility, which was arranged in July 1999, was the largest borrowing in the Hong Kong syndicated loans market in 1999. The \$6,500 million facility was named "Loan Deal of the Year" by a leading Asian financial magazine. The success of the transaction reflects the solid credit rating of the Authority and reaffirms the banking community's strong confidence in HKIA.

HKIA – Passenger and Air Cargo Hub

19. Operating figures are improving every month and it is becoming evident that HKIA is rapidly evolving as a hub airport. China's imminent entry to the World Trade Organisation should have a beneficial impact, resulting in an increased volume of air cargo and passenger traffic through the airport. The positive effects of the region's economic recovery is already evident in the rising number of visitors from other parts of Asia. Our role as the gateway of China has received a potential boost as a result of the expansion in air services provided for in the recently concluded air services arrangements between the Mainland and Hong Kong.

Passenger Traffic

20. With the additional capacity available as a result of commissioning of the North Runway and Northwest Concourse, the Authority, together with major airlines and Government, is taking forward a joint strategy to develop HKIA as a major passenger hub. Passenger traffic has risen at an increasing rate over the last several months, culminating in a growth of 14.6 per cent month-on-month during April 2000. As visitors from the Mainland and Taiwan account for some 20 per cent and 18 per cent respectively of arriving passengers, we welcome and support moves to simplify visa requirements for these visitors.

21. Transfer passengers (who arrive on one flight and continue their journey on another) represent some 27 per cent of the total passenger throughput and has grown at a rate of over 18 per cent in the last year, indicating that HKIA is becoming more and more popular as a hubbing destination. Means to facilitate these passengers will be explored, including rationalisation and expansion of existing facilities to shorten the transfer time for both passengers and their baggage, and improvements to commercial facilities in the PTB to better focus on the needs of this category of passengers.

Air Cargo

22. Late last year, we announced plans to develop two logistics centres and a marine cargo facility at HKIA to take advantage of our location on a major trade waterway in the Pearl River Delta (PRD). As has been set out in an information paper issued earlier on 10 May 2000, the marine cargo facility will provide an alternative and efficient means of transport of air cargo between the PRD and HKIA, thus enhancing the airport's position as an international and regional air cargo centre. Business plans for the operation, management and maintenance of the marine cargo terminal were submitted by 16 May through an open tender process and are currently being evaluated by the Authority. We plan to issue a licence for this operation in the third quarter of this year.

23. The logistics centres will allow local and overseas companies to provide services ranging from sourcing and distribution to more value-added services such as quality control and product testing. Expressions of interest submitted to the Authority by the February 2000 deadline are being evaluated and tender documents will be issued to interested parties within the next month.

Overseas Recognition

24. Since airport opening, HKIA has won a range of awards and accolades including:

- one of the Top 10 Construction Achievements of the 20th Century by US-based CONEXPO-CON/AGG'99;
- annual Critics Choice award by Travel & Leisure, a premium US travel magazine;
- Journalist's Choice award of OAG Worldwide;

- second best airport in the world by Condé Nast Traveller, a prestigious British travel magazine;
- 1999 Structural Steel Design Award by the British Constructional Steelwork Association, the Steel Construction Institute and British Steel;
- Raven Fox Award for Travel-Retail Excellence in Asia/Pacific; and
- Outstanding AVSEC Organisation Award in recognition of the aviation security services provided by our subsidiary, Aviation Security Company Limited (AVSECO).

Airport Related Conferences

25. Airports Council International (ACI), which is the international association of the world's airports, has also chosen Hong Kong as the site for its World Economics Conference in November 2001. Several hundred senior representatives from airports around the world, multi-national companies, government departments and trade organisations are expected to attend the conference and exhibition.

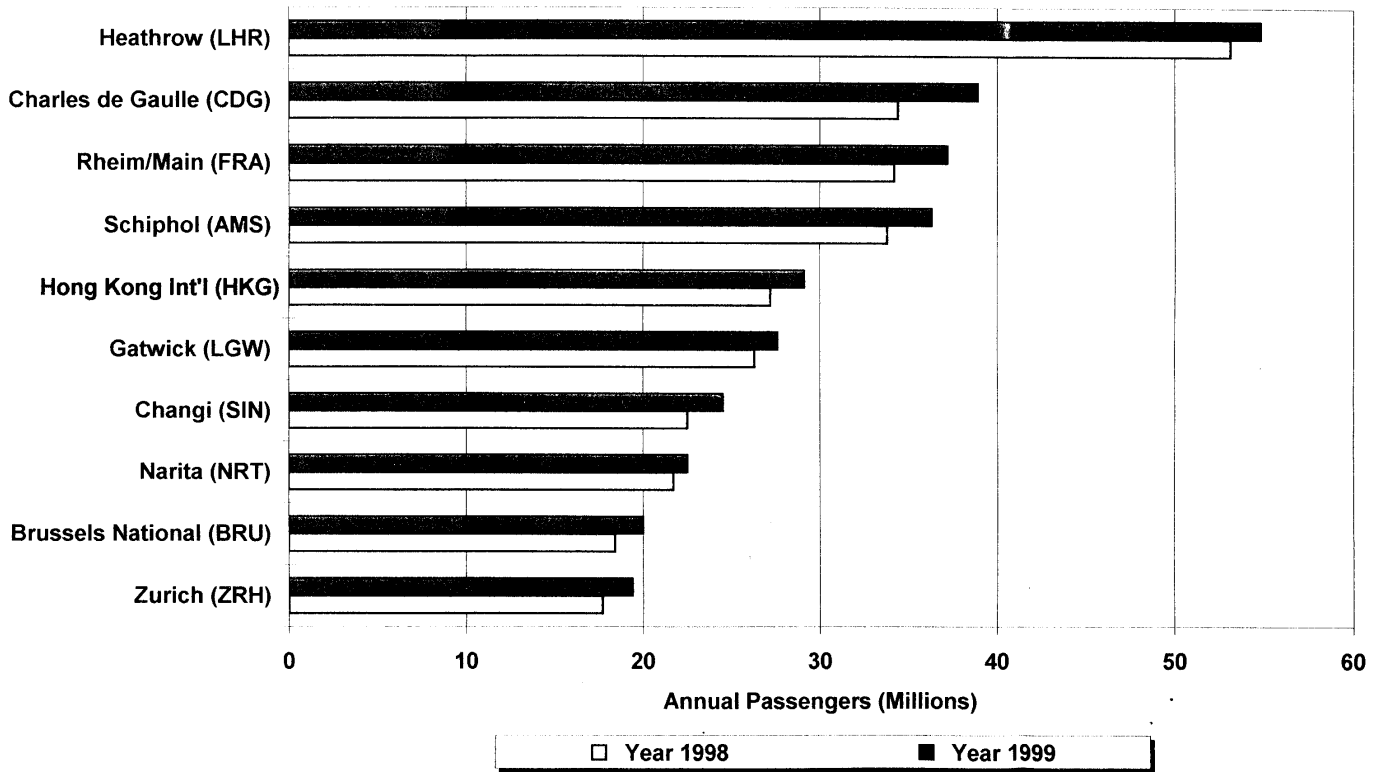
26. The International Air Cargo Association (TIACA), the worldwide professional body for air cargo trade, has selected Hong Kong as the venue for its 21st International Air Cargo Forum and Exposition in September 2002. Hong Kong was chosen among bids from venues in Australia and the Mainland, to host this important event. The convention is expected to attract some 4,000 attendees most of whom hold top management positions in air cargo and related industries.

Airport Authority
May 2000

Top 10 Busiest Airports in Year 1999 - International Passenger Throughput

PRELIMINARY

(Source: Airports Council International)



Note: "International Passenger Throughput" includes originating, terminating and transfer (counted twice) passengers travelled between the designated airport and an airport in another country. Transit passengers are not included.

Hong Kong International Airport Air Transport Movement

Period	Passenger		Cargo Handled		Aircraft Movements	
	Total No.	% Change	Total (tonnes)	% Change	Total No.	% Change
1996	30,882,064	+ 7.7	1,563,493	+ 7.3	158,797	+ 5.8
1997	29,695,292	- 3.8	1,786,487	+ 14.3	165,154	+ 4.0
1998	28,631,078	- 3.6	1,628,742	- 8.8	163,223	- 1.2
1999	30,393,720	+ 6.2	1,974,292	+ 21.2	167,369	+ 2.5
1996/97	31,384,335	+ 7.3	1,622,234	+ 9.8	161,226	+ 6.3
1997/98	28,668,346	- 8.7	1,795,740	+ 10.7	164,072	+ 1.8
1998/99	29,045,346	+ 1.3	1,643,588	- 8.5	164,510	+ 0.3
1999/00 (provision)	30,917,000	+ 6.4	2,060,000	+ 25.3	169,180	+ 2.8

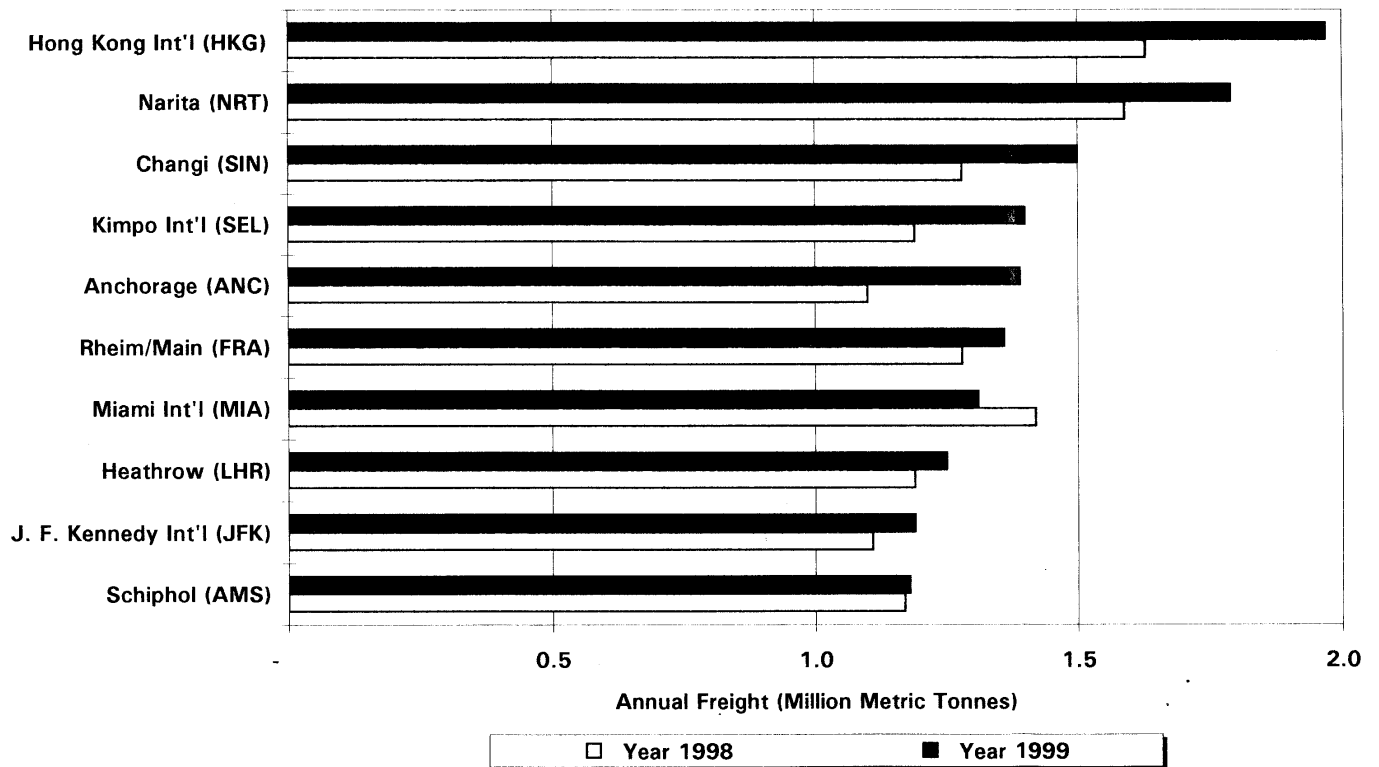
Notes:

- (1) +/-% refers to changes over the same period of the previous year.
- (2) Total figure for passengers includes originating, terminating, transit and transfer passengers.
- (3) "Aircraft Movements" includes commercial international passenger, cargo and non-revenue flights.
Military and local flights are excluded.
- (4) "Cargo Handled" includes import, export and transhipment (counted twice) cargo. Air mail is excluded.

Top 10 Busiest Airports in Year 1999 - International Freight Throughput

PRELIMINARY

(Source: Airports Council International)



Note: "International Freight Throughput" includes originating, terminating and transshipment (counted twice) freight carried between the designated airport and an airport in another country. Air mail is not included.

香港國際機場顧客意見調查

整體滿意程度

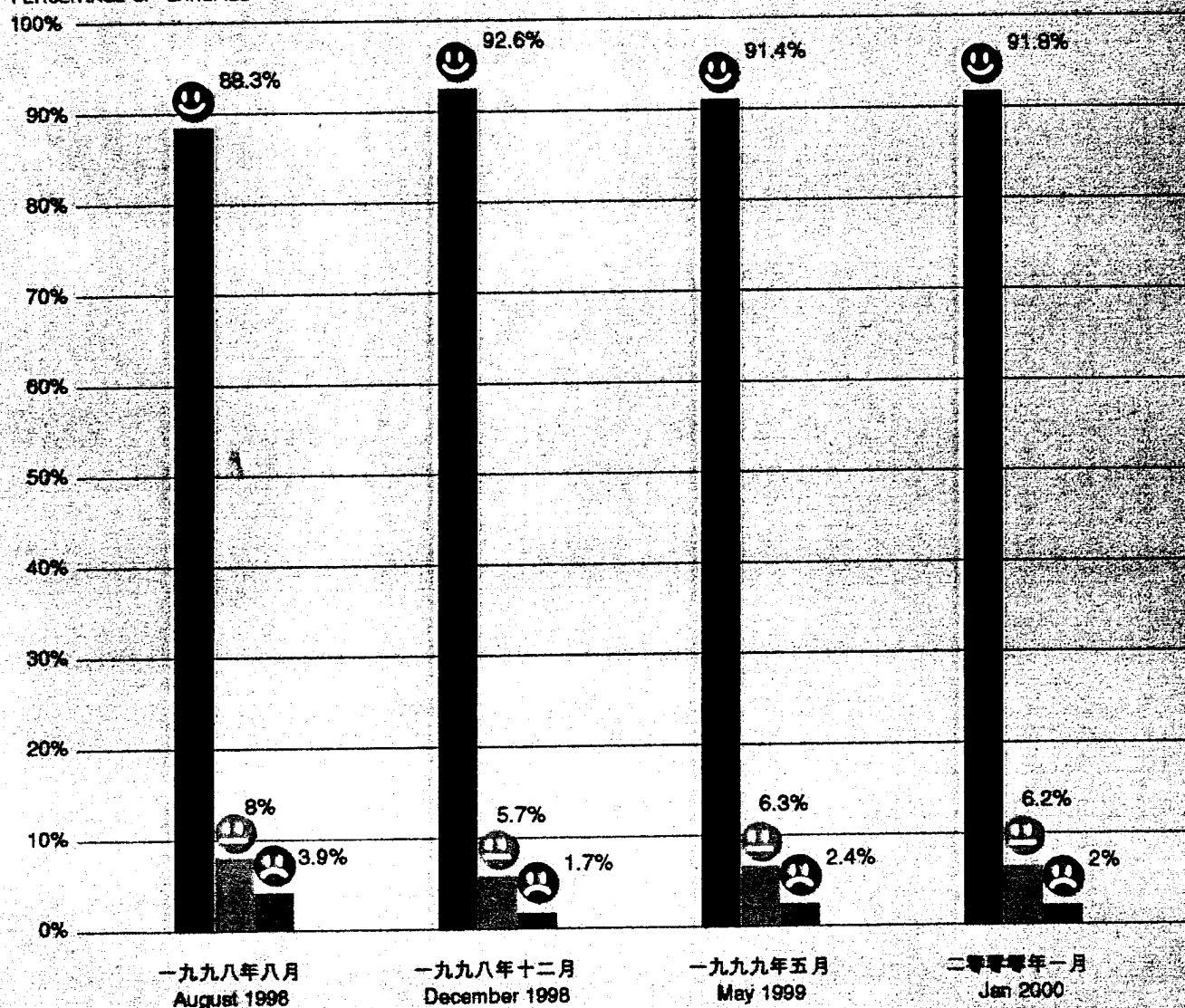
(一九九八年八月至二零零零年一月)

Hong Kong International Airport Customer Survey

Overall Satisfaction

(August 1998 - January 2000)

滿意程度百分比
PERCENTAGE OF "SATISFIED"



滿意
Satisfied



普通
Neutral



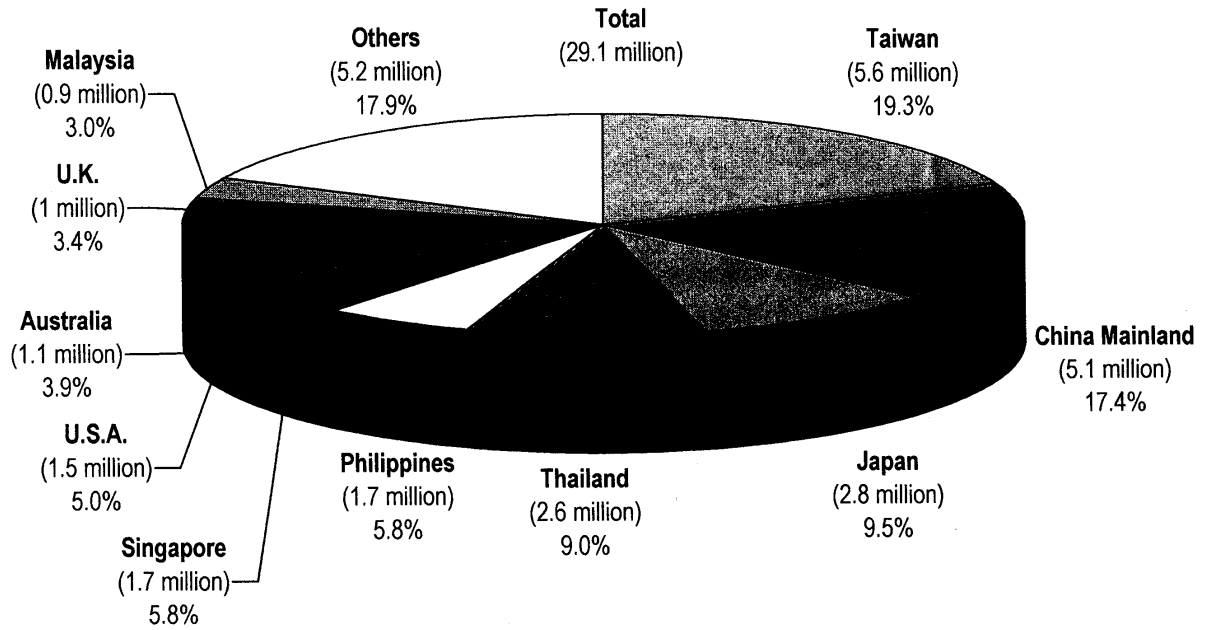
不滿意
Dissatisfied

* 這項調查以十一分制衡量受訪者的滿意程度。

「零分」至「四分」被界定為「不滿意」，「六分」至「十分」為「滿意」，「五分」為普通，不予特別評級。

* An 11-point scale is used to measure the level of satisfaction of respondents. Levels "0" to "4" are categorized as "Dissatisfied" and levels "6" to "10" as "Satisfied". "5", being the average, is not categorized.

Hong Kong International Airport
Passengers by Market in 1999



Note: Passengers using the PTB include originating, terminating and transfer passengers (counted twice) but exclude transit passengers