

Legislative Council Panel on Economic Services

Measures to Boost Competitiveness of Hong Kong International Airport

Introduction

Hong Kong is an international and regional aviation centre. To further develop our position as an aviation hub, we have to ensure that the services and facilities at the Hong Kong International Airport (HKIA) will continue to be developed and that our air services network will continue to expand in the light of market developments. This paper reports on the measures taken to boost the competitiveness of the HKIA.

A World Class Airport

2. As a result of the hard work of the Airport Authority and its business partners, the services and facilities at the HKIA are now operating at a very high standard. The HKIA is widely regarded as one of the best in the world.

3. To further develop the services and facilities, the Government and the Airport Authority (AA) are working on the following measures :

(a) **Introducing New-Generation Air Traffic Control Systems**

Over the next 10 years, the Government will invest over HK\$1 billion to introduce new-generation satellite-based communications, navigation and surveillance/air traffic management systems in phases. They will replace the existing ground-based radar and communications equipment. This will enhance aviation efficiency and safety in a comprehensive manner.

(b) Additional capacity and Facilities

With the second runway becoming fully operational since August 1999, the HKIA now enjoys greater capacity and operational flexibility. The declared runway capacity has increased from 37 to 40 movements per hour since October 1999. It can further increase in line with demand. The Northwest Concourse of the Passenger Terminal Building will also become operational in early 2000, thus providing more passenger facilities and aircraft parking stands.

(c) Developing air and sea freight transshipment as well as logistics management services

The AA has recently invited expressions of interest for the development and management of a marine cargo terminal and logistics centres at the HKIA. The marine cargo terminal would help facilitate the transfer of air cargo between the HKIA and the Pearl River Delta. It would develop our intermodal transport, taking advantage of the combined strengths of the HKIA and our harbour. The development of logistics centres would enable Hong Kong to develop into a logistics hub and attract more air cargo to go through Hong Kong. Both measures would help to further promote the HKIA as a major air cargo centre.

(d) Land use planning of North Commercial District

The AA will undertake a consultancy study on the land use in the North Commercial District in order to formulate a comprehensive land use strategy. The objective is to create a vibrant commercial district. This would complement the further development of the HKIA.

4. Recognising the competition from other airports in the region and the perception that the HKIA is expensive, the Government and the AA have also taken steps to improve the financial position of the Authority. As a result, the AA will reduce landing and parking charges by 15% with effect from 1 January 2000. This will help airlines to improve or expand services to and from Hong Kong. It also sends a message to the international business arena that the HKIA is taking steps to enhance its competitiveness.

Liberal Air Services Policy

5. The Government is committed to progressive liberalisation of Hong Kong's air services under bilateral air services arrangements. To develop new air links, we will negotiate and conclude more Air Services Agreements (ASAs) with new aviation partners. Since reunification, we have concluded 16 new ASAs, bringing the total to 37. In addition, there are 10 initialled ASAs.

6. We also review the traffic arrangements with existing aviation partners from time to time in the light of market developments. The objective is to expand Hong Kong's aviation network continuously.

7. In exchanging traffic rights with aviation partners, we adopt a liberal approach in order to facilitate the expansion of air services and promote competition. In respect of third and fourth freedom traffic rights (i.e. rights for airlines of one party to carry traffic between the area of that party and the area of another party), our policy is to provide capacity to airlines which have plans to introduce new services or expand existing services so that they can implement those plans. Specifically, we will be prepared to provide for third and fourth freedom traffic rights to allow airlines of our partners to introduce or expand services even when Hong Kong airlines do not have similar expansion plans.

8. In respect of fifth freedom traffic rights (i.e. rights for airlines of one party to carry traffic between the area of another party and the area of a third country whilst operating from or to the area of the first party),

we will provide for such rights where it is in Hong Kong's overall economic interest. We will also take into account whether there is a fair and equitable exchange of economic opportunities for both sides. On routes without adequate services, we will be more flexible in providing for fifth freedom traffic rights.

9. In particular, we will implement proactively our liberal policy for air cargo services. We will be more flexible in granting fifth freedom traffic rights if this would help attract more air cargo to go through Hong Kong and further develop Hong Kong into an international and regional air cargo hub.

Conclusion

10. The HKIA is now operating efficiently and smoothly. We also have an extensive aviation network, with more than 60 international airlines providing over 3,000 flights per week to about 120 destinations worldwide. The Government and the AA will continue to take measures to enhance the services and facilities at the HKIA. We will also implement our liberal air services policy to expand Hong Kong's aviation network. Through these measures and corresponding promotional work overseas, Hong Kong will continue to develop as an international and regional aviation centre.

Economic Services Bureau

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