

**For discussion
on 15 January 2004**

**Legislative Council Panel on Economic Services
Expansion of Heliport Facilities at Macau Ferry Terminal**

Introduction

Members were last briefed in June 2003 (LC Paper No. CB(1)1959/02-03 (04)) on the findings and recommendations of the Consultancy Study on Helicopter Traffic Demand and Heliport Development in Hong Kong (the Consultancy Study) commissioned by the Civil Aviation Department (CAD). This paper briefs Members on the Government's follow-up action to implement one of the recommendations to expand the existing heliport at the Macau Ferry Terminal (MFT) to cater for the anticipated increasing demand in cross-boundary helicopter services.

Background

2. According to the Consultancy Study, the number of passenger trips between Hong Kong and Macau by helicopters experienced a significant annual growth rate of 23% between 1991 and 2001. The fast economic development of the Pearl River Delta (PRD) and its growing links with Hong Kong present a virtually unexploited market for cross-boundary helicopter services with significant growth potential. The Consultancy Study projects that the overall cross-boundary passenger trips would grow at an average rate of about 9.4% per annum between now and 2020. This projection was made partially on the assumption that PRD destinations would be opened progressively, with its share of total cross-boundary traffic reaching about 30% by 2006.

3. The heliport on the rooftop of MFT is the only cross-boundary heliport in the urban area. It is owned by the Government and leased to a private company for operation under a tenancy agreement for the common use of helicopter operators. It has one elevated

landing/take-off helipad with a designed capacity of 30,700 flight movements per year. In 2002, the heliport handled 17,883 movements, representing about 60% of its designed capacity, and is expected to reach its designed capacity by end-2006. We therefore need an early decision on the expansion of existing facilities to allow sufficient leadtime for planning and constructing additional facilities to meet the anticipated growth in cross-boundary helicopter traffic.

The Expansion Project

4. The Consultancy Study has evaluated several expansion options of various scale, including the longer-term development of a heliport on the rooftop of the proposed cruise terminal in the Southeast Kowloon Development. We will pursue this separately. The present proposal for MFT can be implemented within a relatively short period of time. This option involves adding one landing/take-off pad and a new connecting taxiway to the existing MFT heliport. When completed, it would expand the existing capacity of the MFT heliport by 80%, or an additional 24,500 movements each year. The expanded MFT heliport is expected to meet the anticipated demand up to 2015. A conceptual drawing of the expanded MFT heliport is at the Annex.

Annex

Development Mode

One private heliport developer-cum-operator

5. Given the commercial nature of the helicopter business and the Government's objective to involve private sector as much as possible in delivering public projects, we consider that the expansion project would best be funded and carried out by the private sector. It is also proposed that the expanded facility should be developed, managed and operated by one single entity, for the following reasons –

- (a) Avoid disruption to existing services

To ensure that there would be no disruption to the only existing cross-boundary heliport, there must be seamless co-

ordination between the construction of the new facility and on-going operation of the existing facility. We believe that this can only be achieved if the developer is at the same time also the operator.

(b) Economies of scale

Management of the two helipads by one single operator will enhance efficiency and achieve greater co-ordination of flight operations. Supporting facilities and staff can also be shared to achieve synergy and economies of scale.

Although there will be one operator for the expanded heliport, we will make it a requirement that the facilities should be opened to use for helicopter services on a non-discriminatory basis both in terms of availability and charges.

Contractual arrangement

6. We intend to grant the right to develop and operate the heliport through a tenancy agreement (TA). This is in line with the arrangement for the existing MFT heliport. The TA will be awarded through an open tender exercise. Under the proposed TA, the tenant will expand the MFT heliport at its own cost and then operate the heliport for the common use of all helicopter operators on a fair and equal basis. The tenant will be permitted to collect heliport charges from helicopter operators on a non-discriminatory basis. Charges permissible and guidelines for establishing and adjusting the charges will be set out in the tender documents. The tenant will be required to return the expanded heliport and the related facilities to the Government upon expiry of the TA. Based on these tender conditions, tenderers will be invited to offer the highest rental payable to the Government.

7. We have carefully considered the various growth scenarios and the projected financial returns corresponding to different tenancy periods. In view of the amount of capital investment required and the uncertainty in the pace of developing the Mainland market, in particular

during the early years of the expansion project, we propose to offer an 18-year tenancy (inclusive of the design and construction period which is estimated to be 3 years) to provide a sufficiently long period to attract potential investors.

Transitional arrangements

8. As noted in paragraph 5 above, we propose to grant the development and operation of the MFT heliport to a single developer-cum-operator to avoid disruption of the existing services and to achieve economies of scale. We will terminate the existing MFT heliport tenancy by giving three-months' notice to the current tenant after the tender exercise is successfully concluded. The existing heliport will then be transferred to the new heliport developer-cum-operator upon award of the tender.

Timeframe for Development

9. We intend to complete the open tender exercise and award the tenancy in mid-2004. The tenant will then have 2 ½ years to undertake detailed environmental study and design, seek regulatory approvals, and carry out the construction works, with a view to commissioning the expanded heliport in end-2006.

Implications of the Expansion Project

Financial and Civil Service Implications

10. The expansion project is to be funded and operated entirely by the private sector. There will be no additional capital investment on the part of Government. Additional recurrent revenue, including the helicopter movement fees and Air Passenger Departure Tax, could be generated as a result of increased helicopter movements and passenger trips after the expansion. The proposal does not have civil service implications.

Economic Implications

11. Development of cross-boundary helicopter services would further facilitate the flow of people between Hong Kong and the PRD and reinforce Hong Kong's position as an international and regional aviation centre. It would also enhance tourism by expanding the portfolio of tourism products available.

Environmental Implications

12. Heliport development at the MFT constitutes a designated project under the Environmental Impact Assessment (EIA) Ordinance. As such, the project has to go through the statutory EIA process and an environmental permit is required for its construction and operation.

13. A preliminary assessment has been conducted in the Consultancy Study to assess the general environmental acceptability of the proposed MFT expansion. The assessment indicates that, during day-time, the expanded heliport could accommodate simultaneous operations of two helicopters currently deployed for cross-boundary services without causing unacceptable noise impact to the neighbouring Noise Sensitive Receivers. Further detailed assessments are required to determine the environmental acceptability of simultaneous operations at night or operations of alternative helicopter types. The developer-cum-operator of the heliport will be required to undertake the detailed EIA Study.

Consultation with District Council

14. We will consult the Central and Western District Council before conducting the open tender.

Views Sought

15. Members are invited to comment on the proposal to expand the MFT heliport.

Economic Development and Labour Bureau
January 2004

Conceptual Drawing of the Expanded MFT Heliport

