



Board of Airline Representatives (BAR) Hong Kong

Submission for Panel on Economic Development Meeting, 19 July, 2011

“Hong Kong International Airport Master Plan 2030”

**Board of Airline Representatives Hong Kong welcomes
a third runway in HKIA Master Plan 2030**

Airport Authority Hong Kong (AAHK) has outlined the strategic directions of Hong Kong International Airport (HKIA)'s future expansion in the Master Plan 2030 (MP2030). Two options are being proposed in the MP2030 for public consultation. The first option (Option 1) is to expand the capacity through enhancing the current two-runway system, which would cope with the traffic demand up to 2020. The second option (Option 2) is to build a third runway, which would be able to meet the traffic demand up to 2030 and possibly beyond.

In order to maintain Hong Kong's competitiveness as an international aviation hub, Board of Airline Representatives (BAR) Hong Kong believes that a third runway at HKIA (Option 2) is necessary to meet Hong Kong's future demand.

Capacity constraints of the current two-runway system

Hong Kong is one of the leading international aviation hubs, and it ranks number three in terms of international passenger volume and number one in international cargo throughput. HKIA has also set a new annual record of 50.9M passengers, 4.1M tonnes of cargo and 306,535 air traffic movements in 2010.

Though HKIA has reached new heights of success, the throughput volume in 2010 has accounted for 85% of its existing capacity. Although progress is being made to increase runway movement and maximize throughput capacity, according to the industry projections, HKIA is forecasted to reach its full capacity sometime between 2015-2020. The construction lead time of a third runway will take about 10 years, and with the current projected timeline, HKIA would be saturated before a third runway could be built.

Insufficient slot capacity would restrict the growth of destination and flight frequency, and no doubt Hong Kong's air connectivity would suffer as a consequence. Hong Kong's superior air connectivity is the vital component that contributes to our success as a leading international aviation hub. It is crucial for the government to act promptly to address HKIA's capacity issues.

Growing competition in the nearby regions

It is evident that HKIA is facing a more fierce competition while neighboring airports are enhancing their capacity to catch up with the rising demand. Competition from airports in China, Pearl River Delta and other rapidly developing hubs like Bangkok and Seoul is growing.

In Pearl River Delta, Shenzhen Bao'an International airport has opened its second runway in Jun 2011 and will subsequently construct a third one. Guangzhou Baiyun International Airport is also planning to gradually increase the number of runways from two to five.

In China, Beijing Capital International Airport is already operating with three runways and planning to build a second international airport. Shanghai also has plans to expand its operations from three runways to five in the near future.

In other nearby regions, Bangkok aims to complete its third runway by 2016 and Seoul to complete its fifth runway by 2020.

BAR foresees traffic will gradually shift to neighboring airports if HKIA faces insufficient slot capacity in the near future. It is vital for Hong Kong to act swiftly to upkeep its status as a leading international and regional hub.

Economic benefits for the local economy

Aviation plays a significant role in Hong Kong's economy by supporting 7.7% of the total working population and 8.2% of the GDP³.

A strong aviation industry not only boosts business opportunities for Hong Kong via foreign trade, in addition, it also enhances the local economic prosperity by creating more job opportunities. It is estimated that the construction of a third runway will create a total contribution of HK\$167B to Hong Kong's GDP and 340,000 direct and indirect employment in 2030¹.

Aviation, which connects Hong Kong with the rest of the world, is essential to the growth of the four pillars of Hong Kong's economy: financial services, trading and logistics, tourism and exhibition, producer and professional services. Due to Hong Kong's superior aviation connectivity, there are currently more than 3,500 multi-national companies whom have established an office in Hong Kong. These companies altogether have provided over 140,000 jobs for the local economy.

For Hong Kong to maintain its competitive edge as a global and regional business hub, decision on building a third runway should not be delayed any further.

Rapid growth in the global aviation industry

Traffic forecasts indicate that over the next 20 years, global passengers and cargo will each grow at approximately 5% per annum¹. With the continuous development in trade and local economy, the projected growth of Mainland and PRD will be even more robust. By 2014, the average annual passenger growth of China and Hong Kong is expected to reach 10% and 7% respectively. The estimated average annual growth of cargo business is also strong with 12% increase for both China and Hong Kong⁷.

Further enhancing facilities of the two-runway system (Option 1) can only alleviate the capacity constraints in the medium-term. Under Option 1, HKIA would not be able to handle additional traffic demand by 2020¹. Beyond that, HKIA will be turning away a total of 116M passengers, 15.8

tonnes of cargo and 986,000 flights in ten years' time.

To rightfully capture the future opportunities that will bring tremendous benefits to Hong Kong's economic well-being, building a third runway is the option that fulfills the long term demand.

Aviation and the environment

Over the years, airlines have been working constantly to minimize the environmental impacts on emission and noise. With the aid of technologies, airlines have improved fuel efficiency and CO2 performance by 14% and noise level by 50% over the past 10 years⁴.

The aviation industry worldwide is committed to further reduce the environmental impact. IATA has formulated a plan to reach a number of challenging emission targets including an average improvement in fuel efficiency of 1.5% per year from 2009 to 2020, a reduction in CO2 emissions of 50% by 2050 (relative to 2005 levels) and to put a cap on aviation CO2 emissions from 2020 (carbon-neutral growth)⁴. Continuous developments in the new technology, such as new materials and designs, alternative fuels, solar power and hydrogen fuel cells which already exist, are important steps towards achieving these targets.

By investing in new aircraft and enhancing operations, BAR believes airlines with operations in Hong Kong will continue to improve their environmental performance.

Summary

To maintain Hong Kong's position as a leading international aviation hub and international business center, BAR believes a third runway should be built with no further delay. This is a decision which not only determines the future development of HKIA, but the long-term strategic directions of Hong Kong's economy as a whole.

It is important to engage all stakeholders in the public consultation and planning process to ensure decisions made are well balanced. The environmental and social impact, funding considerations of building a third runway should also be carefully reviewed during the feasibility studies.

Board of Airline Representatives (BAR) Hong Kong is the airline industry body that represents 78 airlines with operations in Hong Kong to and from all over the world.

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Source:

1. *Hong Kong International Airport Master Plan 2030, AAHK (Date, 2011)*
2. *Hong Kong Needs a Third Runway – Protect Connectivity with Sufficient Capacity, IATA (16 Feb, 2011)*
3. *Urgent Greenlight for Third Runway – Critical to Hong Kong's Future, Hong Kong Ideas Center (Dec, 2010)*
4. *IATA - <http://www.iata.org/>*