

**For information
on 15 October 2010**

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 2010-11 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 improving 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.

2010-11 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 study in conjunction with the Airport Authority (AA) the engineering and environmental feasibility of building a new runway at the Hong Kong International Airport (HKIA).

- It is important that the HKIA has sufficient runway capacity to handle the forecast growth in traffic. The AA is conducting a Hong Kong International Airport Master Plan 2030 Study to review the airport facilities with a view to maintaining the status and competitive edge of Hong Kong as an international and regional aviation centre. A key issue in the Study is the possibility of building a third runway. Upon completion of the Study, there will be a public consultation process, which is expected to take place in the first half of 2011.

(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. The three sides are studying the addition of a new transfer point west of Hong Kong for flights overflying the Hong Kong Flight Information Region, to alleviate the pressure on the two existing transfer points. This measure is expected to be implemented in the first half of 2011. 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 Airport Authority 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. Phase 1 works are expected to begin in the third quarter of 2011 for completion in mid 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 as a multi-purpose 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 preliminary feasibility study on the Hong Kong-Shenzhen Western Express Line (WEL) has confirmed the technical feasibility of its alignment. Apart from enhancing the cooperation between the two airports in Hong Kong and Shenzhen, one of the major functions of the WEL is to promote the development of Qianhai and Northwest New Territories (NWNT). It is important for the design of the WEL to take into consideration the planning of these two areas. With the development of Qianhai and NWNT being pushed ahead, more planning parameters for these areas will be available. This will enable us to conduct more in-depth studies on the WEL, and investigate various alignment options and their respective patronage forecasts, the functionality of the railway, its technical standards, operational and service requirements, 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 eight aviation partners in 2009-10 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. A new route to Macau Taipa was launched in December 2009. 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. 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 pursuing 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. In this regard, the tendering exercises for the replacement ATC system are in good progress, with two contracts awarded in January and April 2010 respectively. The remaining six tendering exercises are planned for completion by mid-2011. The design and construction works for the new headquarters began in May 2009 and the construction works are in good progress.
- (g) ***Following up the proposals arising from the review on the regulatory regime of the Air Transport Licensing Authority (ATLA) 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. We consulted the stakeholders in the first half of 2010 on the proposals arising from the review, and consulted the Legislative Council Panel on Economic Development and the Technical Subcommittee of the Aviation Development Advisory Committee in March and April 2010 respectively. The respondents generally supported the proposals to improve the regulatory regime of ATLA, and put forward some changes. We are considering the comments received with a view to finalising the proposals. We aim to submit the legislative amendments to Cap 448A to the Legislative Council in the second quarter of 2011.

(h) Promoting maritime services of Hong Kong.

- Hong Kong is a renowned international maritime centre. With our institutional strengths such as being a free port, having a simple and low tax regime, allowing free flow of information and capital, etc., a cluster of maritime services has been formed by Hong Kong shipowners and related service providers. This cluster offers comprehensive and high quality services in areas such as ship management, ship broking, marine insurance, maritime arbitration and ship finance.
- With increased importance of the Mainland and various Asia Pacific countries in the world's manufacturing supply chain and consumer markets, shipping activities in the Asia Pacific region have become more vibrant. In addition, Chinese shipping lines are playing a greater role in international freight transportation. All these contribute to the shift of the focus of the maritime industry to the Asia Pacific region. There are hence ample new opportunities of which Hong Kong-based maritime service providers can take advantage. In this regard, the Government will strengthen the training of human resources, and continue to work with the industry to promote Hong Kong's services to the potential markets.

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

- We are working closely with the industry to implement measures to enhance port competitiveness, particularly connectivity with cargo sources and port productivity.
- To enhance port productivity, we shall continue to work in conjunction with relevant departments to make available suitable adjacent port back-up land to meet port operational needs. As at end-August 2010, over 80 hectares of land in Kwai Tsing area was let out by way of short term tenancy for use by the industry.

- Separately, according to the Study on Hong Kong Port Cargo Forecasts 2005/06 completed in April 2008, our container throughput would continue to have a moderate growth. In view of the adverse impact of the global financial tsunami on container throughput in 2009, we plan to update the above-mentioned study when throughput level reverts to a more stable trend. Given the long lead time for new container terminal development, we are actively studying the feasibility of Southwest Tsing Yi for the Container Terminal 10 development. The concerned feasibility study commissioned in March 2009 is scheduled for completion in 2011.
- We are also taking forward a project to deepen the Kwai Tsing container basin and its approach channels to 17 metres to strengthen Hong Kong's position as a regional hub port. The project is expected to be completed by 2014. Hong Kong will be able to meet the draught requirements of the new generation of ultra-large container vessels at all tides by then.
- In the meantime, to attract more river trade vessels to Hong Kong, thereby increasing the cargo volume, we are also exploring measures to facilitate river trade vessels calling Hong Kong.
- (j) *In the context of cross-boundary logistics co-operation, further enhancing collaboration on the basis of the achievements so far, and continuing to discuss with the Guangdong authorities measures to reduce cross-boundary trucking cost, with a view to enhancing freight flow and logistics efficiency between the two sides.*
- On the basis of the good progress made in the relaxation of regulatory and licensing requirements on cross-boundary container trucks as well as improvements in the service level and efficiency of inland control points, we shall continue to engage the Guangdong authorities to explore measures for further enhancement of freight flow and logistics efficiency between the two sides.

- (k) *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.*
- With an efficient intermodal transport network to and from the Mainland and the rest of the world, Hong Kong possesses strong potential to strengthen our position as the regional logistics hub by specializing in handling high value goods and providing high value-added services. To promote development of the logistics industry in the higher-end market segment, we have identified possible sites for long-term logistics use in the Kwai Tsing area. We shall include in the land lease terms conducive to the anchoring of professional third party logistics service providers and leading brands as appropriate. The first of such sites of about 2.4 hectares in Tsing Yi has just been put up for public tender starting from 24 September 2010. The tender exercise is expected to complete in 2011 Q1. We shall release the other sites in phases subject to the review of market needs and the traffic impact of development of such sites in the Kwai Tsing area. We shall take into account the need of the logistics sector as well as the global and local economic situation, including the market response to the said permanent sites 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
14 October 2010**