

air Hongkong

Air Hong Kong Submission to The Legislative Council Panel on Economic Development On the Third Runway Project in the Hong Kong International Airport

Air Hong Kong (AHK), an all-cargo carrier, was formed in 2002 as a joint venture between Cathay Pacific (60%) and DHL Express (40%). It is the only dedicated freighter airline based in Hong Kong, and serves markets in the Asia/Pacific region, including Bangkok, Ho Chi Ming City, Penang, Singapore, Taipei, Tokyo, Osaka, Nagoya, Seoul, Shanghai, Beijing and Manila.

AHK operates a fleet of 13 aircraft and provides superior express cargo services via the Hong Kong hub, contributing to making Hong Kong the leading air cargo hub and logistics centre in Asia.

Extensive network, schedule and punctuality are of the essence for express cargo operation. Hong Kong International Airport (HKIA) is now operating close to capacity, much earlier than it is anticipated. The capacity constraint will adversely impact the timeliness and efficiency of the operation, and will impede the growth of the air cargo industry in Hong Kong.

AHK fully supports the Airport Authority of Hong Kong's plan to build a third runway to ensure the hub competitiveness and sustainable development of Hong Kong. Efficient airport infrastructure provides the foundation for the aviation industry (the air cargo industry in particular) to support the "four pillars" of the Hong Kong economy: financial services, trading and logistics, professional services and tourism.

Capacity constraints

While the authorities are working hard to increase the number of slots available during some peak hours from the current 65 to 68 by 2015, these are just interim relief measures. There is an urgent need to build a third runway as soon as possible to enhance the airport's operating efficiency. The lead development time for a new runway will be at least 10 years, which means the airport will reach its capacity well before a third runway could be constructed.

Environmental Considerations

Air Hong Kong welcomes the completion of the Environmental Impact Assessment study. We acknowledge the importance of achieving a balance between the environmental considerations and economic benefits of developing a new runway. We will continue to work with the authorities on the mitigation measures.

Airlines are well aware of the impact the aviation industry has on the environment. IATA has set some challenging targets for the industry, including an average improvement in fuel efficiency of 1.5% annually from 2009 to 2020, a 50% reduction in CO₂ emissions by 2050 (relative to 2005 levels) and a cap on aviation CO₂ emissions to achieve carbon neutral growth from 2020.

Diverting traffic to nearby PRD airports is not a viable option for express cargo

There have been suggestions that HKIA can divert some of its cargo traffic through closer cooperation with neighbouring airports in Shenzhen, Macau, Zhuhai and Guangzhou to ease HKIA's capacity constraints, but this is not a feasible option for AHK which runs a hub and spoke system based in Hong Kong.

First of all, the Pearl River Delta (PRD) airports are in different administrative districts with their own administrative systems and border controls. There are also issues relating to separate air services agreements as well as different airport operators and stakeholders.

Secondly, as a cargo hub, Hong Kong must be able to meet its development needs with its own airport. This is particular true for our express cargo business which thrives on fast, and efficiency on-time delivery.

Suggestions of connecting the airports between Hong Kong and Shenzhen with a rapid rail link to ease the capacity constraints in Hong Kong is not a viable option as it cannot serve the needs of the express cargo logistics. The value of Hong Kong as an express cargo hub lies in the efficient sorting and consolidation of cargo, and rapid transshipment of cargo among different flights in the network, which in turn relies on a single inbound and outbound hub combined with free port status. Splitting cargo operations would not just add complexity and cost, but also deprive our capability to achieve over-night delivery of express cargo among various cities in our Asia/Pacific network via Hong Kong hub. The consequence will inevitably be the loss of Hong Kong's competitiveness as the world's number one air cargo hub.

Putting aside these issues, we must not count on leveraging the capacity of neighbouring airports to support the operation of HKIA. Healthy competition among airports in the PRD is beneficial to passengers, cargo shippers/forwarders and various stakeholders in the aviation industry.

Summary

The market potential of air travel & air cargo transport in Asia, especially the mainland China, is vast and growing. Express cargo in particular is the fastest growing sector in air cargo transport. Hong Kong has to act promptly to increase capacity by building a third runway. It is vital that HKIA keeps pace with the growing aviation trends in the region and acts to absorb the unfulfilled demand in air transport, which in turn can enhance not only the local aviation industry but Hong Kong's overall economic development. Failure to do so will result in the city losing its position as the leading aviation hub in the region and allowing other regional hubs with ambitious expansion plans to overtake Hong Kong.