

**Extract of draft minutes of meeting of the
Panel on Economic Development held on 23 June 2014**

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IV Updates on the Third Runway Project in the Hong Kong International Airport

(LC Paper No. CB(1)1626/13-14(03) —Administration's paper on the updates on the Third Runway Project in the Hong Kong International Airport

LC Paper No. CB(1)1626/13-14(04) —Paper on the development of a third runway at the Hong Kong International Airport prepared by the Legislative Council Secretariat (background brief))

6. Under Secretary for Transport and Housing ("USTH") made a brief introduction. Chief Executive Officer, Airport Authority of Hong Kong ("AAHK") and General Manager, Environment (Projects), AAHK supplemented with the aid PowerPoint. Mr CHAN Kam-lam and Mr Frankie YICK declared that they were members of the Board of AAHK.

7. Dr Elizabeth QUAT said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the implementation of the 3RS Project as early as possible.

Possible cost overrun of and legal challenge against the Three-Runway System

8. Dr Elizabeth QUAT expressed concern about cost escalation of the project in the event that the scheduled completion of 3RS by 2023 was delayed and that Hong Kong might lose out in the regional competition as neighbouring airports were catching up in terms of passenger and cargo throughput. Mr YIU Si-wing and Mr Christopher CHEUNG expressed a similar concern. Dr QUAT asked about the measures that the Administration adopt to prevent cost overrun.

9. USTH said that the current plan is to commence construction of the 3RS in 2016 for commissioning in was pragmatic and achievable. He added that a

Steering Committee, chaired by the Financial Secretary, would co-ordinate the project and monitor various relevant issues such as the supply of labour, the required legislation as well as co-operation and liaison with Mainland authorities.

10. As regards HKIA's competitive edge over other neighbouring airports, USTH said that HKIA was positioned as an international air service hub and did not compete directly with regional airports in the Mainland (such as the Baiyun Airport in Guangzhou) which mainly served domestic flights.

11. The Chairman asked whether the Administration would allow the import of labour for the 3RS project to ensure its timely completion. USTH said that the Administration's objective was to ensure a sufficient supply of labour to ensure timely completion of the project, and it would remain open in respect of the means to achieve this.

12. Mr CHAN Kam-lam expressed concern about the fast growing competition from neighbouring airports and said that Hong Kong could not afford any delay in the 3RS project. Mr CHAN asked whether AAHK foresaw any risk of the environmental impact assessment ("EIA") report on the 3RS project being challenged legally and whether AAHK could accommodate further environmental requirements put forward by the public.

13. Chief Executive Officer, AAHK expressed agreement to Mr CHAN Kam-lam's concern that 3RS should be implemented as early as possible so that HKIA could have sufficient capacity to handle the increasing air traffic demand. He said that the EIA process had been conducted in a transparent manner and in accordance with all relevant statutory requirements. Certain mitigation measures would be implemented. However, Chief Executive Officer, AAHK said that any member of the public had the right to seek a judicial review of the EIA process and that AAHK could not speculate on such possibility.

14. Dr LAM Tai-fai expressed support for the 3RS project and said that Hong Kong must keep up its infrastructural development to maintain its competitive edge in the region. However, Dr LAM cast doubt on the Administration's ability to control cost and prevent cost overruns of the 3RS project. He asked the Administration for the latest estimate of the 3RS project and whether the recent change of the Chairmanship in HKAA board had any impact on the project.

15. USTH explained that a reasonable project cost estimate would be worked out by AAHK during detailed design stage and the estimate would be subject to verification by the Government. He added that both the out-going and new Chairmen of AAHK were equally concerned about the progress of the 3RS project and the project was also being monitored by a high level steering

committee in the Administration.

16. Mr TANG Ka-piu considered that the planned commencement of the construction of 3RS in 2016 was too optimistic given the possibility of judicial review against the EIA process and the time that the Legislative Council might require for scrutinizing the project and the funding requirement. He asked if the Administration had assessed the time beyond which implementation of 3RS would no longer be cost effective.

17. USTH considered that the current project timetable was pragmatic and achievable and declined to speculate on the time required for the project to receive necessary approval by the Legislative Council. He appealed to members for their support for the project.

18. Mr YIU Si-wing supported the early implementation of the 3RS project. He noted that the capacity of HKIA would be saturated by 2019, and he asked about the economic loss that Hong Kong would suffer each year if the implementation of 3RS was delayed. Dr LAM Tai-fai raised a similar query.

19. Chief Executive Officer, AAHK said that according to the latest forecast, HKIA would reach the point of saturation as early as 2016. Executive Director, Projects, AAHK supplemented that if 3RS could not come into operation by 2023, Hong Kong would suffer an economic loss estimated to be around \$9 billion to \$10 billion each year. However, as the project estimate for 3RS was still being worked out, the increase in construction expenditure due to delay in project could not be evaluated at the present stage.

20. Noting that HKIA would become saturated by 2016, Mr YIU Si-wing asked the Administration to assess the impact of the situation on the tourism industry and the logistics trade in the interim when the new runway could only come into operation by 2023 at the earliest. USTH considered it unlikely that the tourism industry and the logistics trade would be severely affected since it was envisaged in some studies that between 2016 and 2023, their growth and hence demand for air traffic might slow down.

21. Dr Elizabeth QUAT suggested that the Administration should prepare reports for members' reference, on the economic impact on Hong Kong and the impact of the employment situation if 3RS was not implemented or delayed. USTH said that the Administration might consider what information could be made available for members in the light of AAHK's formulation of financing options to be completed by the end of the year.

Financing options for the project

22. In response to Dr Elizabeth QUAT regarding financing options of the

3RS, USTH said that AAHK had engaged consultants to work out cost estimates and explore means to generate income from the project to offset construction cost. The Administration would also appoint independent consultants to evaluate the financing options from AAHK. It was estimated that the consultancy study would be completed by the end of 2014.

23. Mr SIN Chung-kai commented that if the Administration forfeited any interest payment from AAHK, 3RS could be implemented by AAHK without any additional funding from the Government. USTH responded that AAHK was considering various financing options, including the approach mentioned by members. Chief Executive Officer, AAHK said that further options could be presented for discussion with members after the financial assessment had been finalized and after having discussed the recommended approaches with the Government.

Impact of the Three-Runway System Project on Chinese White Dolphins

24. Mr CHAN Kam-lam noted the public concerns about the conditions of the Chinese White Dolphins ("CWDs"). He asked if the dolphins could be relocated during the reclamation phase of the Project. Dr Thomas JEFFERSON of Clymene Enterprises said that the impact of construction activities on the habitat of CWDs had been evaluated, and data were also available from previous studies conducted at the later stage of the Chek Lap Kok airport in the 1990s. The information indicated that CWDs did tend to shift their habitat when there were construction activities in progress.

25. While acknowledging that there was a need to construct 3RS in Hong Kong, Mr Albert CHAN considered that Chek Lap Kok was not the appropriate location. Mr CHAN commented constructing the new runway in the proposed location would bring about an ecological disaster as it would practically obliterate the existing habitat for CWDs. He suggested that the environmental issues of the proposed 3RS should be discussed in depth at the Panel on Environmental Affairs.

26. Mr Kenneth LEUNG asked if the Administration would conserve the CWDs by first designating the Marine Park so that the CWDs could be relocated there before the construction of the third runway commenced. Mr Thomas JEFFERSON of Clymene Enterprise said that the location of the proposed Marine Park would be very close to the proposed reclamation area for the third runway and once the Marine Park was designated, it would difficult for the construction work to proceed.

27. Mr Frankie YICK supported the early commissioning of the proposed 3RS. He considered that the proposed re-routing of the ferry services to and from the SkyPier as a measure for protecting the CWDs would result in longer

detour and additional operating cost of such services. He asked whether there might be alternatives that could keep the existing ferry routes using SkyPier intact while achieving the conservation objective.

28. Mr Thomas Jeffreson of Clymene Enterprises said that there were signs that the CWDs were shifting away from development projects and would return when the construction activities ceased. When the Marine Park was designated, the various relevant restrictions would ensure better protection of the CWDs.

29. Mr Michael TIEN asked if the Administration would sign an agreement with AAHK that the third runway would not be put to use before the Marine Park had been designated. USTH replied that the Director of Environmental Protection was considering introducing similar conditions in the Environmental Permit on 3RS.

30. Ms Cyd HO relayed the criticism by some organizations that the EIA report had not fully revealed the opinions and recommendations from experts on the conservation of CWDs. Ms HO asked if the Administration or AAHK could reveal the views and recommendations of experts that had not been adopted in the report. Chief Executive Officer, AAHK responded that the criticism that Ms HO quoted was not correct.

31. Mr Jeffrey LAM declared that he was a member of the AAHK Board. In response to the enquiry from Mr LAM, Mr Thomas JEFFERSON of Clymene Enterprises said that the movements of the CWDs were being tracked since mid-1990s and detailed information of their movements had been incorporated in the EIA report as appropriate. Mr JEFFERSON said that each dolphin had a particular range of movement and tended to move around certain core areas.

Environment impact of the Three-Runway System

32. Mr Albert CHAN requested the Administration to provide information on the existing Noise Exposure Forecast ("NEF") 25 contour of HKIA. The Administration undertook to provide the information after the meeting.

33. Mr TANG Ka-piu said that Tung Chung residents were concerned about the degradation of air quality in Tung Chung as a result of the airport operation. He asked if the Administration would offer compensatory measures to secure their support for 3RS. General Manager, Environment (Projects), AAHK advised that AAHK had implemented various carbon reduction measures in recent years which had resulted in a 15% drop in emission. It had invited local residents of Tung Chung to pay visits to the airport to enhance their understanding of the work of AAHK.

34. Mr Michael TIEN said that residents of Ma Wan were concerned about

aircraft noise due to the opening of new flight paths following the operation of 3RS. They suggested that, when the third runway was in operation, the centre runway should be on standby mode between 11:00 pm to 7:00 am on the following day. Mr TIEN asked if AAHK would accede to Ma Wan residents' request.

35. General Manager, Environment (Projects), AAHK explained that runways in HKIA would need to undergo regular routine check and maintenance. When one runway was suspended for maintenance, the other runways might need to back up. It was therefore impractical to put the second runway on constant standby mode during late night/morning hours as suggested. In fact, the noise levels of the second and third runway were expected to be comparable, and with technological improvement, new generation aircrafts were quieter. Noise impact should be within a tolerable limit.

36. Mr Michael TIEN commented that the flight paths of aircrafts using the proposed third runway appeared to cross Ma Wan area and would therefore generate noise affecting Ma Wan residents. He suggested that the Administration should explain the rationale and the noise impact to the residents' concerned.

37. Mr CHAN Han-pan noted that new flight paths would be open with the commissioning of the proposed 3RS. He said that the additional air traffic along the flight paths would cause noise that would affect the population underneath, such as Tai Lam and Kam Tin. Mr CHAN asked how many people would be affected and what the noise levels would be. General Manager, Environment (Projects), AAHK said that the flight paths were designed to comply with the Hong Kong Planning Standards and Guidelines which stipulated that land uses were considered acceptable if they fell outside the NEF 25 contour. The areas mentioned by Mr CHAN would not fall within the NEF 25 contour of the proposed third runway.

Employment opportunities arising from the Three-Runway System

38. Mr TANG Ka-piu said that the existing 70 000 job positions were not filled because they were not attractive given the long travelling distance between the airport and the urban areas, as well as the high commuting cost. Mr TANG asked what measures the Administration would introduce to attract more workers to take up employment in the airport. Executive Director, Airport Operations, AAHK said that AAHK had maintained regular communication with the local community and bus operators on the feasibility of increasing bus frequencies and the provision of travelling subsidies for workers.

Reclamation requirement

39. Mr Kenneth LEUNG asked whether the area of the proposed 650 hectares of reclamation for the 3RS could be further reduced, and how the reclaimed areas would be used. Executive Director, Projects, AAHK said that the reclamation would be used for essential facilities including concourse and other ancillary facilities. There was no scope for further reduction in the scale of reclamation.

Capacity of the Three-Runway System and airspace management

40. Mr Kenneth CHAN noted that the maximum runway capacity of HKIA would be increased from 68 air traffic movements ("ATMs") per hour with the existing two runways to a maximum of 102 ATMs per hour under 3RS. He queried whether the latter figure was a theoretical limit, and whether factors such as wind conditions and airspace control had been taken into account when setting this limit.

41. General Manager, Environment (Projects), AAHK replied that AAHK had commissioned the National Air Traffic Service in the United Kingdom to carry out airspace and runway capacity analysis. Geographical characteristics, physical terrain, traffic mix, etc., had been taken into account in evaluating the aircraft movement capacity of the airport under 3RS.

42. Mr SIN Chung-kai asked, when 3RS was in full operation, whether there would be sufficient timeslots in the airspace to allow full utilization of the third runway. USTH said that there were established communication channels between Hong Kong and Mainland authorities on the optimal use of the airspace. The 3RS project was taken into account in the long-term management mode of the airspace.

Impact on the fishing sector

43. Mr Steven HO commented that the Administration had so far only focused on the impact of the 3RS project on fishing resources without addressing the operational issues faced by the fishery sector. Mr HO suggested that the Panel on Food Safety and Environmental Hygiene should be invited to follow up on the matter. Mr Eric CHING of Mott MacDonald replied that during the preparation of EIA, a survey on the fishing community had been conducted to gain better understanding of their operations, and to recommend migration measures such as the setting up of a fund to encourage enhancements in the operation of the fishery industry.

Rail connection between Chep Lap Kok and Shenzhen

44. Mr Michael TIEN commented many international flights might not choose to call at HKIA if there was no rail connection with the Shenzhen airport,

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even with the commissioning of the third runway. He urged the Administration to consider the feasibility of constructing a rail link between the two airports. USTH responded that AAHK had conducted studies which indicated that such proposed rail link might not necessarily be cost effective and for some sectors, it might even be counterproductive.

Charging for the use of the airport

45. Mr Christopher CHEUNG supported the early implementation of 3RS. Mr CHEUNG asked whether AAHK had worked out the various charges associated with the use of HKIA by airlines. Mr CHEUNG expressed concern that high charges would affect the competitiveness of HKIA and that airlines might pass on the additional costs to passengers. He asked whether AAHK would consider cost reduction measures or listing HKIA in the Hong Kong Stock Exchange.

46. USTH advised that the question of charging would be considered in the context of the consultancy study on the financial arrangement and financing options currently being worked out for the 3RS project and that these options and relevant recommendations would be available at the end of 2014.

47. Chief Executive Officer, AAHK said that AAHK adhered to the "user pays principle" when setting or adjusting fees and charges for the use of the airport. He echoed members' concern about the impact on Hong Kong's competitiveness.

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