

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

Cathay Pacific maintains its full support for the Airport Authority Hong Kong's plan to build a third runway at Hong Kong International Airport (HKIA). Similar to Kai Tak in the 1990s, the airport is now operating close to capacity. We must speed up the development of a third runway to maintain Hong Kong's status and competitive strength as a premier aviation hub.

We believe that Hong Kong's connectivity with the rest of the world is crucial in ensuring the city's longstanding position as an international centre of finance, trading, logistics, tourism and professional services.

A third runway is the only viable way to ensure the long-term competitiveness and sustainable development of Hong Kong. It is of paramount importance not only to Cathay Pacific but also the entire aviation industry.

A Chinese University study estimates that the industry supports direct and related jobs that are equivalent to about 8% of the total working population. In overall terms, aviation is estimated to account for 8% of Hong Kong's GDP.

Surveys conducted by the Airport Authority indicate that some 65,000 people worked on the airport island in 2013, an increase of 44% from 1998. Indirect and induced employment accounts for an additional 124,000 jobs. A three-runway operation at HKIA is estimated to increase direct employment at the airport to more than 140,000 people, over 75% of which are entry-level jobs.

Our airport faces a fundamental challenge every day. The two existing runways are so heavily used that finding take off and landing slots for additional flights is becoming increasingly difficult, especially during peak travel seasons. Capacity constraints also limit effective service recovery after major flight disruptions such as typhoons.

We appreciate the authorities' initiative to increase capacity at the airport with a number of immediate and mid-term measures. These include increasing the number of the slots during some peak hours from the current 65 to 68 by 2015, and the construction of a mid-field terminal to provide more parking bays.

However, this does not eradicate the need to build a third runway as soon as possible to maintain our hub status and competitiveness, especially when neighbouring airports in the Pearl River Delta and other parts of Asia are actively expanding their airport infrastructure. 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 built.

Environmental Considerations

Cathay Pacific 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.

Cathay Pacific is well aware of the impact the aviation industry has on the environment and has been doing a great deal to minimise its impact. We have been making substantial investments in modernising our fleet with more advanced, fuel efficient and quieter aircraft. We will be taking delivery of more than 90 aircraft at the list price of some HK\$220 billion from now to 2024.

We are bringing in more environmentally-friendly airplanes and retiring less fuel efficient aircraft. For example, our latest Boeing 777-300ERs offer a 28% improvement in CO₂ emissions compared to the older 747-400s, while our modern Dash-8 freighters are 17% more efficient than their predecessors in terms of CO₂ emissions.

Aircraft entering today's fleets are 75% more fuel efficient than those that operated in the 1960s. As fuel is such a large cost component for airlines, it is in the interest of all carriers to operate modern and fuel efficient fleets.

Cathay Pacific is aiming for a 2% year-on-year improvement in fuel efficiency, which exceeds the industry target of 1.5%.

On the subject of noise, aircraft operating today are 20dB quieter than comparable aircraft from 30 or 40 years ago, representing a 75% reduction in noise since the start of the jet age.

The noise footprint of a modern jet aircraft is 15% less than the aircraft it replaces. A further 50% reduction in noise during take-off and landing (-10dB) is expected by 2020.

In our current fleet, our A340, A330, A320, A321, Boeing 777-300ER and 747-8F aircraft meet Chapter 4 noise standards, while the rest of our fleet complies with Chapter 3 noise standards. By 2020, almost all aircraft in the Cathay Pacific fleet will meet Chapter 4 standards.

Competition with PRD airports

Airports in the Pearl River Delta (PRD) are under pressure to meet demand as the number of travellers in the region continues to grow exponentially.

The Guangzhou airport is expected to operate its third runway this year with a second passenger terminal being planned. It now supports more than 120 international routes. The Shenzhen airport is also actively considering the construction of a third runway.

In addition to the competition posed by airports in the PRD, we are also facing growing competition from other rapidly developing hubs in the wider region. For example, Singapore will have its third runway by 2020, while the airport in Seoul is planning to add a fifth runway.

The strong competition from other hubs makes investment in a third runway an urgent requirement if HKIA is to retain its pre-eminent hub status.

Diverting traffic to nearby PRD airports is not a viable option

There have been suggestions that HKIA can divert some of its passenger and 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.

The 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.

In any case, an IATA forecast indicates that even if the expansion plans of the five PRD airports are completed, the passenger demand will continue to outgrow supply.

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 and stakeholders.

As an international centre of finance, logistics and travel, Hong Kong must be able to meet its development needs with its own airport.

Hong Kong-Shenzhen airport rail link not a viable alternative to a third runway

The second runway at the Shenzhen airport is currently in operation, but according to passenger demand forecasts, it will be experiencing capacity constraints by 2019 – around the same time as HKIA. Shenzhen is starting to plan and develop its third runway as well.

Passengers will not wish to take a rail journey from HKIA to Shenzhen and then fly from there to their regional or Mainland destinations. Statistics show that transit passengers comprise close to half of HKIA's passenger traffic.

Other attempts to link airports elsewhere in the world – even linking two airports within the same metropolitan area – have not proved successful. In London, for example, Heathrow and Gatwick do not operate as one airport and transfer traffic between the two is almost non-existent.

The Shenzhen Airport Rail link will best serve passengers travelling to second-tier or third-tier Mainland destinations that have no direct services with Hong Kong. Diversion of these passengers will not reduce capacity demand at HKIA.

In addition, a rapid rail link cannot provide a suitable cargo link. The value of Hong Kong as a cargo hub lies in the consolidation of cargo, which in turn relies on a single inbound and outbound hub combined with free port status. Splitting cargo operations would add complexity and cost, and result in the rapid erosion of Hong Kong's current status as the world's number one air cargo hub.

Hong Kong and Shenzhen are not part of the same administrative region. They have separate governments, separate administrative systems, different currencies, separate border controls, different immigration requirements, different air services agreements; different airport operators and stakeholders, and different designated and operating airlines.

None of these things can simply be "traded" across the legally defined boundary – in fact, the Hong Kong SAR Basic Law defines this separation very clearly.

Summary

To serve Hong Kong's best interests, a third runway at HKIA needs to be built. HKIA should not allow its strategic strength to be undermined by a failure to provide the necessary runway infrastructure.

The longer the third runway is delayed, the more we are in danger of falling behind competing aviation hubs in the region. Of course, this will be detrimental to the aviation industry in Hong Kong, but it will also have a negative impact on the local economy and help other cities to attract new businesses and tourism which might otherwise have come to Hong Kong.

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