



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

Dragonair is a Hong Kong-based airline operating a fleet of 41 passenger aircraft and serving 47 regional destinations, including 22 cities in Mainland China. We have been operating in Hong Kong for almost three decades and bears witness to the phenomenal growth of Hong Kong as a premier aviation hub.

Thriving economic growth in the region, and in particular Mainland China, has led to the rapid development of air traffic to and from Hong Kong. The airport is now operating close to capacity, much earlier than it is anticipated. In other words, Hong Kong is a victim of its own success.

Dragonair fully supports the Airport Authority 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 to support the "four pillars" of the Hong Kong economy: financial services, trading and logistics, professional services and tourism.

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.

Capacity constraints

A critical and fundamental challenge that airlines at HKIA face every day is capacity constraints. The two existing runways are so close to maximum capacity that any attempt to mount additional flights to meet demand or reschedule flights after major disruptions such as typhoons to help passengers is increasingly difficult.

While the authorities are working hard to increase the number of slots during some peak hours from the current 65 to 68 by 2015, and to provide more parking bays through the construction of a mid-field terminal, 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 and customer convenience. 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

Dragonair 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.

The airlines community is well aware of the impact the aviation industry has on the environment. IATA has formulated a plan to reach a number of challenging targets including an average improvement in fuel efficiency of 1.5% annually 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 emission from 2020, i.e. carbon neutral growth).

As part of the Cathay Pacific Group, we are aiming for a 2% year-on-year improvement in fuel efficiency, which exceeds the industry target of 1.5%.

Regarding aircraft noise, Dragonair's current fleet of aircraft can meet Chapter 4 noise standards. 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.

Building the third runway is not going to significantly impact on noise levels. In fact, the new increased navigation accuracy for approaches using GPS will provide significant benefits by reducing night-time noise levels by routing approaches away from built-up areas.

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. Importantly, Hong Kong and Shenzhen are not part of the same administrative region as explained in previous paragraphs.

Summary

The market potential of air travel in Asia, especially the mainland China, is vast and growing. 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 a key aviation hub in the region to other regional competitors that are eager and ready to expand.

Dragonair
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