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Panel on Economic Development Meeting on 23 June 2014

Background brief on the development of a third runway at the Hong Kong International Airport

Purpose

This paper provides background information on the development of the third runway at the Hong Kong International Airport ("HKIA") under the HKIA Master Plan 2030 ("HKIA 2030") Study commissioned by the Airport Authority Hong Kong ("AA"), and summarizes concerns and views expressed by Legislative Council Members on the subject.

Background

2. In 2013, 59.9 million¹ passengers used HKIA and some 4.12 million tonnes of air cargo passed through Hong Kong. HKIA is connected to about 180 destinations, including 44 in the Mainland, through about 1 000 daily flights by more than 100 airlines.

The need to build a third runway

3. AA released the 20-year plan, HKIA 2025, in December 2006. The plan envisages that HKIA would serve close to 80 million passengers, handle 8 million tonnes of cargo and 490 000 air traffic movements ("ATMs") per year by 2025. It also indicates that AA would work with the Civil Aviation Department ("CAD") to assess the feasibility of a third runway.

4. In July 2008, AA commissioned the HKIA Master Plan 2030 Study to review the infrastructural development needs of the airport up to 2030. AA also commissioned a study on the engineering and environmental feasibility of a three-runway system.

¹ Source: Website of AA <http://www.hongkongairport.com/eng/business/about-the-airport/welcome.html>

5. After three years of study and review by AA management and its consultants, with inputs from professionals of the airport community, AA proposed, in HKIA 2030 released on 2 June 2011, two different development options for HKIA's future expansion. The first option maintains the existing two-runway system but makes enhancements to the terminal and apron facilities to increase HKIA's capacity. The second option envisages the construction of a third runway and its associated terminal, airfield and apron facilities. This option requires land reclamation of about 650 hectares north of the existing airport island. The public was consulted on the options between June and 2 September 2011, and, in the light of an overall community support for third runway, AA submitted the two options together with its recommendations for proceeding with the second option to the Government on 29 December 2011.

6. On 20 March 2012, the Executive Council approved the third runway option as the future development direction for HKIA for planning purpose, and that AA should proceed with the planning work, including the statutory environmental impact assessment ("EIA"), the associated design details and the formulation of financing arrangement plans. The construction of the third runway is estimated to cost about HK\$86.2 billion (in 2010 dollars) or \$136.2 billion (at money-of-the-day prices). HKIA 2030 envisages that the capacity of HKIA under the third runway would increase from 420 000 air traffic movements per year under the existing two-runway system to 620 000 air traffic movements per year. The runway capacity would be increased progressively to the maximum of 102 aircraft movements per hour. By 2030, HKIA is expected to handle at least 97 million passengers and 8.9 million tonnes of cargo annually. The Administration expects that this option would enable HKIA to meet the long-term air traffic demand up to and possible beyond 2030.

7. With the Executive Council's mandate, AA proceeds with the planning related to the third runway and the major tasks involving the statutory EIA. The associated design details are being prepared in parallel with the EIA process and the formulation of financing arrangement plans. AA estimates that the planning work will cost around \$800 million, and would be completed within 2014. Meanwhile, the Government would set up a high-level steering committee to provide steer to AA and a dedicated team led by the relevant policy bureau to support the steering committee and undertake the daily monitoring and co-ordinating work.

Members' views on the proposed third runway

8. The Administration briefed the Panel on Economic Development ("the Panel") on the Executive Council's approval for AA to adopt the option of expanding into the third runway as the future development option for HKIA, and on the Government's staffing proposal for establishing a dedicated Airport Expansion Project Co-ordination Office ("APECO") in the Transport and Housing Bureau to co-ordinate efforts and steer the work of AA to take forward the HKIA 2030 at its initial stage. Panel members also discussed the progress of the development at its meeting held on 27 January 2014 when the Administration briefed members on the major policy initiatives announced in the Policy Address 2014. Members have also raised written questions on various subjects in connection with the implementation of the third runway project for the special meetings of the Finance Committee ("FC") to examine the Estimates of Expenditure 2014-2015. The major concerns of Members and the Administration's response are summarized in the ensuing paragraphs.

Public engagement and public consultation

9. Some Panel members have expressed concerns that APECO should facilitate maintenance of regular dialogue with stakeholders throughout the two-year EIA study of the third runway project. The Administration assured the Panel that there would be proper engagement of the public in the relevant EIA process, thorough public consultation and continued communication with various green groups, political parties and academics. Panel members have requested that channels other than EIA should be opened to enable the public to participate in the discussion of the third runway proposal, and that stakeholders other than green groups, such as the commercial sector and the affected residents, should be involved. The Administration advised that AA would consult all stakeholders thoroughly before implementing the project, and that various activities such as seminars for academics, briefing sessions for local residents and continued dialogue with green groups would be organized to ensure effective public engagement in the exercise.

Environment impact of the three-runway system

10. Some members considered that the criteria for assessing the environmental impacts of the third runway project were lenient and unclear, especially in respect of aircraft noise, air and water pollution, and the effects of third runway on the Chinese White Dolphin habitat. They expressed concerns whether the EIA study would be effectual in identifying the major issues and the mitigation measures. The Administration advised that AA had undertaken to conduct the relevant EIA study in a professional manner

according to stringent aircraft noise and marine ecology standards.

(a) Air quality

11. On air pollution concerns, one member suggested that AA should conduct a detailed air quality impact assessment adopting the new Air Quality Objectives ("AQOs") as the benchmark under the EIA study of the third runway proposal. The Government should ensure that the design of the third runway would comply with the new standards. The Administration confirmed that AA would base on the new AQOs in carrying out the EIA study.

(b) Aircraft noise

12. As the third runway entails new flight paths to be opened, there were concerns in the Panel that the aircraft noise generated under the proposed third runway might affect a wider area than Tsing Lung Tau and Sham Tseng where local residents have already been complaining about aircraft noise from HKIA for many years. Members suggested that the Administration should map out mitigation measures and conduct timely public consultation. Where necessary, compensation should be provided to affected residents. The Administration advised that when the design capacity of the third runway was finalized, the noise exposure contours would be produced with reference to the design of the relevant flight paths, the flight movement forecasts, the planned runway usage, and the associated night noise mitigation measures. Between midnight and early morning when aircraft movements were fewer, the south runway would be used as standby. The Administration explained that this approach would help reduce aircraft noise on North Lantau.

(c) Marine ecology

13. Some members have expressed concerned about the impact of the large-scale reclamation required in the third runway project on marine ecology (especially the Chinese White Dolphin) and fisheries. They queried whether advice from dolphin experts had been sought on how the impact could be mitigated. The Administration responded that conservation of marine ecology would be given special attention in the relevant EIA study, and local and international experts would be engaged in developing mitigation measures. However, the Administration maintains that large-scale reclamation was necessary to provide space for taxiway and a full range of airport operational and supporting facilities for the third runway project. Measures to protect the Chinese White Dolphin would be implemented before reclamation was conducted.

Funding and financing issues

14. Possible construction cost escalation and the scale of funding shortfall to implement the third runway project were common concerns of a number of Panel members. Some members suggested that the Administration should consider direct injection of funds into the project, while some other members urged the Administration to explore methods and technologies that would help reduce land development cost in the construction of the third runway. A few members also raised questions on the financing arrangements for the project.

15. The Administration advised the Panel that financing arrangements could only be worked out after completion of the EIA process. The outcomes of EIA could shed light on the mitigation measures and other costs required. The associated design details, which would be prepared in parallel with the EIA process, could then be refined. When the final design and the changes necessary to mitigate any environmental impact so identified were worked out, the actual construction costs required would be finalized. As regards financing arrangements, the Administration has indicated that options could include direct injection of funds by the Government, delayed dividend payment by AA to the Government and bonds issued by AA.

Measures to expedite construction of the three-runway system project

16. In a written reply to Members for the special meetings of FC to examine the Estimates of Expenditure 2014-2015, the Administration indicates that apart from the planning work, AA is also undertaking necessary preparatory work for reclamation in parallel, with a view to commencing construction as soon as the third runway project obtains all necessary approvals, including statutory approval under relevant Ordinances and, where necessary, funding approval from FC. A Panel member queried if the Administration encountered any difficulties with the implementation of the three-runway system project. The Administration advised that complying with the EIA requirements and sourcing sand for reclamation works remained some of the key challenges of the project.

Latest position

17. The Administration and AA will update the Panel on 23 June 2014 on the progress of the statutory EIA, scheme designs, funding proposals as well as public engagement initiatives in relation to the third runway project.

References

18. The relevant papers are available at the following links:

Legislative Council Brief - Hong Kong International Airport Master Plan 2030

<http://www.legco.gov.hk/yr11-12/english/panels/eDEV/papers/eDEV-thbTcr393008-e.pdf>

Background brief on the development of a third runway at the Hong Kong International Airport

<http://www.legco.gov.hk/yr11-12/english/panels/eDEV/papers/eDEV0326cb1-1368-2-e.pdf>

Minutes of meeting of the Panel on Economic Development held on 26 March 2012

<http://www.legco.gov.hk/yr11-12/english/panels/eDEV/minutes/eDEV20120326.pdf>

Minutes of meeting of the Panel on Economic Development held on 27 January 2014

<http://www.legco.gov.hk/yr13-14/english/panels/eDEV/minutes/eDEV20140127.pdf>

Replies by Secretary for Transport and Housing to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2014-15

http://www.legco.gov.hk/yr13-14/english/fc/fc/w_q/thb-t-e.pdf

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