

**立法會**  
**Legislative Council**

LC Paper No. CB(4)1036/14-15  
(These minutes have been seen  
by the Administration)

Ref : CB4/PL/EDEV

**Panel on Economic Development**

**Minutes of meeting**  
**held on Monday, 23 March 2015, at 9:30 am**  
**in Conference Room 1 of the Legislative Council Complex**

**Members present** : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)  
Hon CHAN Kam-lam, SBS, JP  
Hon Andrew LEUNG Kwan-yuen, GBS, JP  
Hon WONG Ting-kwong, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Dr Hon LAM Tai-fai, SBS, JP  
Hon CHAN Kin-por, BBS, JP  
Dr Hon LEUNG Ka-lau  
Hon Paul TSE Wai-chun, JP  
Hon Albert CHAN Wai-yip  
Hon James TIEN Pei-chun, GBS, JP  
Hon Steven HO Chun-yin  
Hon Frankie YICK Chi-ming  
Hon YIU Si-wing  
Hon Charles Peter MOK, JP  
Hon CHAN Han-pan, JP  
Hon Kenneth LEUNG  
Hon Dennis KWOK  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Dr Hon Fernando CHEUNG Chiu-hung  
Hon SIN Chung-kai, SBS, JP  
Dr Hon Elizabeth QUAT, JP  
Hon TANG Ka-piu, JP  
Dr Hon CHIANG Lai-wan, JP

**Members attending** : Hon LEE Cheuk-yan  
Hon James TO Kun-sun  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon WONG Kwok-hing, BBS, MH  
Hon Cyd HO Sau-lan, JP  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Hon WU Chi-wai, MH  
Hon Gary FAN Kwok-wai  
Hon MA Fung-kwok, SBS, JP  
Dr Hon Kenneth CHAN Ka-lok  
Dr Hon KWOK Ka-ki  
Hon Tony TSE Wai-chuen, BBS

**Member absent** : Hon CHUNG Kwok-pan (Deputy Chairman)

**Public Officers attending** : Agenda item IV

Professor Anthony CHEUNG, GBS, JP  
Secretary for Transport and Housing

Mr Andy CHAN  
Deputy Secretary for Transport and Housing  
(Transport)<sup>2</sup>

Ms Doris CHOW  
Assistant Director of Lands (Regional 1)

Agenda item V

Transport and Housing Bureau

Professor Anthony CHEUNG, GBS, JP  
Secretary for Transport and Housing

Mr Joseph LAI, JP  
Permanent Secretary for Transport and Housing  
(Transport)

Mr Andy YAU, JP  
Head (Airport Expansion Project Coordination Office)

Civil Aviation Department

Mr Norman LO, AE, JP  
Director-General of Civil Aviation

Mr Raymond LI  
Assistant Director-General of Civil Aviation  
(Air Traffic Management)

Mr Samuel NG  
Acting Senior Evaluation Officer (1)

**Attendance by invitation** : Agenda Item V

Airport Authority Hong Kong

Mr Fred LAM, JP  
Chief Executive Officer

Mr Wilson FUNG  
Executive Director, Corporate Development

Mr Peter LEE  
General Manager, Environment (Projects)

**Clerk in attendance :** Ms Debbie YAU  
Chief Council Secretary (4)5

**Staff in attendance :** Ms Shirley TAM  
Senior Council Secretary (4)5

Miss Mandy NG  
Council Secretary (4)5

Ms Zoe TONG  
Legislative Assistant (4)5

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Action

**I. Confirmation of minutes of meeting**

(LC Paper No. CB(4)649/14-15 - Minutes of meeting held on 2 February 2015)

The minutes of the meeting held on 2 February 2015 were confirmed.

**II. Information paper(s) issued since the last meeting**

(LC Paper No. CB(4)570/14-15(01) - Press release on Competition Policy Advisory Group publishes 2013-2014 report

LC Paper No. CB(4)605/14-15(01) - Administration's paper on tables and graphs showing the import and retail prices of major oil products from February 2013 to January 2015)

2. Members noted the above papers issued since the last regular meeting.

**III. Items for discussion at the next meeting**

(LC Paper No. CB(4)650/14-15(01) - List of outstanding items for discussion

LC Paper No. CB(4)650/14-15(02) - List of follow-up actions)

3. Members agreed to discuss the items on "Guidelines and document prepared by the Competition Commission as required under the Competition Ordinance" and "Prices of auto-fuel and domestic liquefied petroleum gas" at the next regular meeting scheduled for Monday, 27 April 2015.

#### **IV. Long-term arrangements for the operation of the peak tramway**

(LC Paper No. CB(4)650/14-15(03) - Administration's paper on long-term arrangements of the peak tramway operation

LC Paper No. CB(4)650/14-15(04) - Paper on the peak tramway prepared by the Legislative Council Secretariat (background brief))

#### Presentation by the Administration

4. At the invitation of the Chairman, Secretary for Transport and Housing ("STH") briefed members on the long-term arrangements of the peak tramway operation. The Administration planned to submit a bill ("the Bill") to the Legislative Council ("LegCo") in May 2015 to amend the Peak Tramway Ordinance (Cap. 265) ("the Ordinance") so as to provide the legal basis for granting of future operating right commencing on and after 1 January 2016. The details of the proposal were set out in the Administration's paper (LC Paper No. CB(4)650/14-15(03)). Members noted that a bills committee might be formed to scrutinize the Bill ("the Bills Committee").

#### Discussion

##### *Exit mechanism*

5. As the Peak Tramways Company, Limited ("PTC") was the current operator and owned the land of the two peak tramway termini as well as other assets essential to peak tramway operation, Mr Tony TSE expressed worry about the bargaining power of the Administration in the discussion with the company. In reply, STH remarked that the Bill would put in place an exit mechanism to allow the entry of a new operator when needed. If it turned out that the Government and PTC could not agree on the terms of the 10-year operating right commencing 2016, the Government, upon the passage of the Bill, would grant the operating right to a new operator through tendering in accordance with the exit mechanism.

6. STH added that, under the proposed exit mechanism, the Government would mandate PTC to lease the terminus sites and related premises, and to sell other assets, such as the tramcars, to the new operator. The new operator should pay rent for the terminus sites and related premises and pay a sum for the other assets to PTC. Any disputes about the rent/sum under such mandatory

lease/sale arrangements would be subject to arbitration or referred to the Lands Tribunal. He reiterated that the objective of putting in place the mandatory lease/sale arrangements was to enable the new operator to gain access to the assets essential to peak tramway operation if the circumstances so warranted and to minimize the risk of service disruption.

7. On the exit mechanism in the Bill, Mr CHAN Kam-lam, Mr Paul TSE, Dr Kenneth CHAN, Mr SIN Chung-kai and Mr Tony TSE expressed concerns about the legal framework of the mandatory lease/sale arrangements. Dr Kenneth CHAN enquired whether the mandatory lease/sale arrangements would be in compliance with Article 105 of the Basic Law which sought to protect the right of individuals and legal persons to property and to compensate for lawful deprivation of their property. Mr SIN Chung-kai expressed worry that the proposed mandatory lease might also be subject to judicial review in the future.

8. In response, STH advised that, the legislative intent of the proposed exit mechanism was to address the concerns of LegCo that the present Ordinance would only allow granting operating right to the same operator perpetually. He assured members that the proposed legislative amendments and their implications with reference to the Basic Law had duly been cleared with the Department of Justice ("DoJ"). To ease members' concerns about legal issues of the exit mechanism, such as the decisions of arbitration might be subject to possible legal challenges, STH said that counsel of DoJ stood ready to further elaborate on the relevant legal issues at the forthcoming Bills Committee meeting(s) if needed.

9. Deputy Secretary for Transport and Housing (Transport)2 ("DSTH(Transport)2") further explained that, since the last amendment of the Ordinance in 2013, the Administration had studied the long-term arrangements for the peak tramway operation and prepared for the proposed legislative amendments. DSTH(Transport)2 pointed out that DoJ had studied the provisions relating to mandatory lease of terminus sites and related premises, and mandatory sale of assets arrangements. DoJ had confirmed that both arrangements were in compliance with the Basic Law.

10. In the light of the Administration's responses, Dr Kenneth CHAN considered that the Administration should be prudent to examine the potential legal issues involved in the proposed exit mechanism and not to make the relevant provisions being misinterpreted again. Citing the similar nature of Ngong Ping 360, Dr CHAN opined that the Administration could draw reference from it in respect of the legal basis of regulation. Mr SIN Chung-kai called on the Administration to provide the Bills Committee with DoJ's advice in detail.

11. Regarding the disposal of the terminus sites when changing operator, Mr CHAN Kam-lam considered that mandatory sale of the lands in question to the new operator or the Government was a better arrangement than mandatory lease. Mr CHAN also enquired whether it would be feasible to build another tramway to the Peak as an alternative to solve the present problem as well as to introduce competition.

12. STH advised that the peak tramway had been in operation since 1888 and it was first built by PTC for the purposes of serving its hotel at the Peak and providing public transport service between the areas concerned. It was not feasible to construct another tramway nowadays. He also said that mandatory sale of the terminus sites would involve a hefty sum which might become an insurmountable barrier for the new operator to enter the market.

13. Mr Paul TSE opined that it was more straightforward for the Government purchasing the terminus sites from PTC and leasing it to the new operator. In response, DSTH(Transport)2 explained that what was needed was for the new operator to gain access to the land and related premises (in addition to assets) essential to the operation of the peak tramway, so that the risk of service disruption when the operating right needed to change hands could be minimized. In this connection, the proposed mandatory lease arrangement could already achieve this purpose. The Government, when negotiating with PTC on the terms of the new operating right commencing in 2016, would thrash out the details to ensure as far as possible that there would be a smooth transition from one operator to another. As for the suggestion to mandate PTC to sell the terminus sites to the Government through other legal instrument such as the Lands Resumption Ordinance (Cap. 124), it would be undesirable to do so because it might involve significant amount of public funds. Instead, with the proposed exit mechanism in place in the Ordinance, the mandatory lease/sale arrangements could already be clearly set out with respect to the operating right for a smooth handover when necessary.

14. In response to Mr Paul TSE's query on the land value of two terminus sites owned by PTC, Assistant Director of Lands (Regional 1) advised that the Lands Department did not conduct assessment on the value of a piece of land without a cause. In view of it, Mr Paul TSE called on the Administration to prepare for contingency measures in case there were unexpected issues arising from the discussion with PTC.

15. Mr SIN Chung-kai opined that unlike the handover of franchised bus services with depots on government sites and bus fleets as tangible income-generating assets, the case of peak tramway was more complicated with

the two terminus sites owned by PTC whilst tram track constructed on government land. He was of the view that there was no incentive for PTC leasing its termini and related premises and selling other assets to the new operator.

16. In response, STH emphasized that the Administration had the experience to handle change of operator of public transport modes, such as franchised bus services. When the Administration engaged PTC to discuss the continued provision of peak tramway service by the company for a 10-year period commencing 2016, terms including the arrangements relating to premium, commitments with respect to peak tramway service, and the detailed arrangements of the exit mechanism would be provided on the new agreement.

17. Noting that the operating right of the peak tramway service was granted and then extended on a 10-year basis, the Chairman considered that the grant and extension should be carried out in a right timing to stimulate investment incentive. In reply, STH said that upon being granted the 10-year operating right commencing 2016, PTC aimed at submitting an application to the Government for a 10-year extension in 2016 alongside the submission of the upgrading plan with proven feasibility.

18. Mr Paul TSE enquired about the consequences if the Bill was not passed by LegCo. In reply, STH explained that, the interim operating right granted to PTC would lapse automatically on 31 December 2015. If the Bill was not passed by then, there would be a risk of service disruption of peak tramway service and the Administration had to introduce another set of legislative amendments to provide for a one-off operating right to PTC for an interim term for LegCo's approval.

#### *Safety and service performance*

19. As a Member returned from Hong Kong geographical constituency, Mr WONG Kwok-hing expressed concerns on the queuing and waiting arrangement at the termini of the peak tramway. While the Administration considered that the peak tramway services were satisfactory, Mr WONG said that passengers were unhappy with the long queues at the two termini where they had to wait for a long time without any shelters and suffered when the weather conditions were not good. The Chairman also pointed out that many coaches parked near the Garden Road Terminus where the traffic was quite busy, and hence posed safety issues to the passengers and pedestrians in the area.

20. In reply, STH advised that safety of all transport modes was always the top priority of the Administration. While the Electrical and Mechanical



Services Department would continue to conduct regular inspections on the safety performance of the peak tramway, PTC had a good track record in operating the tramway system over the years without causing any major incident. Notwithstanding this, the Administration was aware of the dissatisfaction of stakeholders about the queuing and waiting arrangements at the two termini of the peak tramway. PTC had indicated to the Government its plan to enhance the peak tramway system and improve its existing facilities. The entire plan cost about \$600 million, the key features of which included substantial improvement of the two termini to expand the holding capacity and improve the waiting environment. Once the extension of its operating right was confirmed, the upgrading plan would be implemented in phases. STH reiterated that when the Administration engaged PTC for discussion on the continued provision of peak tramway service, it would also exchange views with PTC on the feasibility of its upgrading plan.

21. Regarding to the future upgrading plan of PTC, Mr YIU Si-wing suggested raising the roof height of Garden Road Terminus to accommodate more passengers in waiting. DSTH(Transport)2 advised that PTC had undertaken various measures to improve the queuing and waiting arrangements with the assistance of Government departments concerned. For instance, when traffic conditions permitted, PTC staff would divert the queue at the Garden Road Terminus to the covered area in the opposite side of the road near the Hong Kong Squash Centre. According to PTC's proposed upgrading plan, the Garden Road Terminus would be expanded with its platform extended uphill, so that the indoor area for queuing would significantly be enlarged in the future. Sharing Mr YIU's view, Mr Frankie YICK also asked if the Administration could offer assistance to PTC to install a marquee on government land near the Peak Terminus as a temporary enhancement measure to provide shelter to passengers waiting to board the tramcar. STH remarked that the Administration would certainly provide assistance to PTC if needed, with a view to easing the queuing and waiting at the peak tramway termini.

22. In reply to Mr WONG Kwok-hing, the Chairman advised that a site visit to better understand PTC's current operation and its future upgrading plan was being arranged and Members would be informed of the details in due course.

*(Post meeting note: A visit to the Garden Road Terminus of PTC has been conducted on 9 April 2015.)*

*Fare regulation and policy responsibility*

23. Given the operating right of the peak tramway could last for 20 years, Mr WONG Kwok-hing considered that fares of PTC should be subject to certain extent of regulation in order to keep its profits at reasonable level. Mr Tony TSE also enquired whether the exit mechanism would be triggered on grounds of unreasonable fares set by PTC.

24. STH explained that fares of the peak tramway were de-regulated since 1980s as it had become a tourist and recreationally facility rather than a mode of public transport. Under the existing public transport policy, even the fares of non-franchised bus services were not regulated. The Administration considered it more appropriate for market forces to decide the peak tramway fares. STH pointed out that the amount of the premium payable for the operating right was assessed based on, inter alia, past profits generated from the peak tramway service. Nevertheless, members of the Bills Committee might invite PTC to further discuss the issue at its forthcoming meetings.

25. Noting that PTC had paid a premium of \$25 million to the Government to extend its operating right for two years in 2013, Mr TANG Ka-piu enquired about the mechanism in determining the amount of premium, such as whether the premium would be subject to regular review. Mr TANG also considered that to enable members to assess the proposal of granting the operating right to PTC, the Administration should provide more relevant figures, such as PTC's profits and its premium payable to the Government in the past years, and the economic benefits brought by peak tramway to Hong Kong.

26. In reply, STH advised that PTC was required to pay a non-refundable lump sum full market premium before commencement of its operating right in the past. The Administration, including the Lands Department, was reviewing the previous practice of charging premium in one go and would appoint a financial consultant to advise the best way to charge the premium in future.

27. Mr TANG Ka-piu urged PTC to offer free rides for elderly people and persons with disabilities. STH undertook to reflect Mr TANG's view to PTC and he believed that PTC had taken note of the views in the community.

28. Mr YIU Si-wing considered that, as the peak tramway had evolved from a form of public transport to a tourism facility with 99% of its passengers being tourists, the Administration should take the opportunity to change the policy bureau responsible for overseeing the operation of the facility from the Transport and Housing Bureau to Commerce and Economic Development Bureau without further delay. In reply, STH advised that relevant

bureaux/departments had already prepared for internal handover arrangements and would act accordingly once the Bill proposing to change the definition of "Secretary" from "STH" to the "Secretary for Commerce and Economic Development" was passed.

*Conclusion*

29. The Chairman concluded that members supported the Administration to take forward the legislative amendments and to engage PTC for discussion on the continued provision of peak tramway service for a 10-year period commencing 1 January 2016.

**V. Updates on the development of the Three-Runway System at Hong Kong International Airport**

(LC Paper No. CB(4)650/14-15(05) - Administration's paper on updates on the development of the Three-Runway System at Hong Kong International Airport

LC Paper No. CB(4)650/14-15(06) - Paper on the development of the Three-Runway System at the Hong Kong International Airport prepared by the Legislative Council Secretariat (background brief)

LC Paper No. IN06/14 - 15 - Information note on "Development of the Hong Kong International Airport" prepared by the Research Office of the Legislative Council Secretariat

LC Paper No. CRM563/14-15(01) - A sample of 1 027 similar submissions sent via email to the Secretariat on the development of the three-runway system (Restricted to members only)

File Ref.: THB(T) CR2/582/08 - Legislative Council Brief on Hong Kong International Airport Three-Runway System)

30. Upon consultation whether the item should be discussed or removed from the agenda as the discussion paper was not received by the due date, members agreed that the item should be discussed as arranged.

Declaration of interests

31. The Chairman declared that he was a member of the Executive Council and a director of the Board of the Airport Authority Hong Kong ("AAHK"). Mr Frankie YICK and Mr CHAN Kam-lam also declared that they were directors of the Board of AAHK.

Presentation by the Administration and the Airport Authority Hong Kong

32. At the invitation of the Chairman, Secretary for Transport and Housing ("STH") briefed members of the latest development of the three-runway system ("3RS") project. STH also sought members' support for extending the three supernumerary directorate posts in the Airport Expansion Project Coordination Office ("AEPCO") under Transport and Housing Bureau ("THB") in light of the Government's affirmation of the need for the 3RS project.

*(Post-meeting note: The speaking note of STH (Chinese version only) was issued to all Members vide LC Paper No. CB(4)692/14-15(01) on 24 March 2015.)*

33. With the aid of power-point presentation, Mr Fred LAM, Chief Executive Officer of AAHK outlined the need of the 3RS project and introduced its major works and financial arrangement.

*(Post-meeting note: The power-point presentation material provided by AAHK (Chinese version only) was issued to all Members vide LC Paper No. CB(4)694/14-15 on 23 March 2015.)*

Discussion

*The need of 3RS*

34. Mr James TIEN relayed the support of the Liberal Party for the 3RS project given that the two-runway system ("2RS") would soon reach saturation

and the project would bring enormous economic benefits of additional \$455 billion to Hong Kong.

35. Mr Frankie YICK and Mr YIU Si-wing relayed the support of the transport and logistics sector and the tourism industry respectively for the 3RS project. Mr YICK opined that the 3RS project could enable Hong Kong to build on its strength to capture the economic benefits arising from the global markets turning to the Asian region as well as the rapid development of e-commerce in the Mainland. Mr YIU considered that the 3RS project could create a lot of job opportunities for the tourism industry.

36. Dr Elizabeth QUAT and Mr Christopher CHEUNG expressed support for the 3RS project as it could consolidate the competitiveness of Hong Kong and avoid it being losing out in the regional competition by sustaining the development of various industries. Mr CHAN Kin-por considered that the project was of paramount important for Hong Kong's development. He recalled that there were also a lot of oppositions to the construction of HKIA at Chek Lap Kok and it was beyond his imagination if HKIA had not been constructed.

37. Mr Gary FAN expressed the opposition of Neo Democrats to the 3RS project given the matter of "airspace constraint" remained unresolved, and the proposed financial arrangement for the project was an attempt to bypass the Legislative Council ("LegCo").

38. Mr Alan LEONG relayed the opposition of the Civic Party on the 3RS project as its financial arrangement, which should be subject to further reviews, had bypassed LegCo undermining its constitutional power and responsibility to approve the project, the concerns on environmental impacts were not fully addressed, and the availability of airspace yet to be settled by the measures of the Pearl River Delta ("PRD") Region Air Traffic Management Planning and Implementation Plan (Version 2.0) drawn up in 2007 ("the 2007 PRD Airspace Plan") was uncertain. Mr Albert CHAN also opposed to the construction of 3RS.

39. Dr Fernando CHEUNG expressed doubts on the need of the 3RS project given that Guangzhou, Shenzhen, Zhuhai and Macao were expanding/had already expanded their airports and absorbed the air traffic growth. According to his understanding, the cost-effectiveness of the third runway of the Guanzhou Baiyun airport was very low and thus rendered it to become a "white elephant". Mr Gary FAN also noted that upon the completion of its third runway, the Guangzhou Baiyun airport only increased 10 air traffic movements ("ATMs") each day, which was less than one-third of the expected increase, due to the congested airspace.

40. Dr Fernando CHEUNG requested the Administration to publish all the consultancy reports and internal studies relating to 3RS with relevant figures to show that this project was needy and cost-effective having regard to regional competitions. In response, STH advised that there had been wide public consultation and discussion on the development options for the HKIA when the HKIA Master Plan 2030 ("MP2030") was published in 2011. He added that it was also stated in MP2030 that there would still be significant unfulfilled air traffic demand for the PRD region even after taking into account the expansion plans of all the airports in the PRD region. Hence, the development of various airports in the PRD region was not a zero-sum game.

41. Mr LEE Cheuk-yan expressed doubts on the need of 3RS as the Government had been diverting passengers from HKIA to neighboring airports with the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") and Hong Kong-Zhuhai-Macao Bridge ("HZMB"), undermining the overall strategic planning and development of HKIA as a regional aviation hub. Dr KWOK Ka-ki and Mr MA Fung-kwok echoed the view. Mr MA opined that short-haul passengers might choose to take XRL to reach the Mainland destinations overnight, which might reduce aircraft movements at HKIA.

42. STH recalled that there was a similar discussion about the need of the HKIA at Chek Lap Kok in the early 1990s, and pointed out that Hong Kong might not attain its current competitiveness if HKIA had not been commissioned in 1998. He further advised that in considering the 3RS project with respect to the air traffic demand forecast of HKIA, AAHK had taken into account the commissioning of XRL and HZMB which would in fact enlarge the catchment area of the HKIA and help bring more air passengers and cargo from neighbouring places to HKIA. Mr Fred LAM of AAHK added that out of the 33 new air routes set up by HKIA over the past three years, only three were Mainland routes, which helped show that the 3RS project was not implemented for the Mainland market alone.

43. Mr Andrew LEUNG expressed concern that upon saturation of 2RS without the construction of the third runway in time, aircrafts would be diverted to neighbouring airports, and hence undermining HKIA's position as an aviation hub. He enquired about the projected economic loss resulting from such situation.

44. STH advised that in the absence of 3RS, the capacity constraint of the existing 2RS at HKIA would limit its growth in respect of aircraft movements and new flight destinations. Such would result in significant economic benefits

foregone for Hong Kong as a whole, with Hong Kong's overall competitiveness as an international business and trading centre as well as aviation hub being severely compromised.

*Use of PRD airspace*

45. Mr Andrew LEUNG pointed out that the public was very concerned about whether 3RS would become a "white elephant" project, and urged the Administration to explain clearly if 3RS could achieve the maximum capacity of 102 ATMs per hour without being affected by the constraint on the use of airspace in the PRD region. Dr CHIANG Lai-wan shared a similar view.

46. STH explained that according to previous consultancy studies, the maximum capacity of the existing 2RS was confirmed to be 68 ATMs per hour. The airspace in Hong Kong was not yet fully utilized, but the runway capacity could not be increased without the construction of another runway. He added that 3RS, premised on the full implementation of the 2007 PRD Airspace Plan, would be able to handle 102 ATMs per hour (i.e. 620 000 ATMs per annum) ultimately.

47. STH further advised that the 2007 PRD Airspace Plan was agreed by the tripartite working group ("TWG"), comprising the Civil Aviation Administration of China ("CAAC"), the Civil Aviation Department ("CAD") of Hong Kong and the Civil Aviation Authority of Macao ("CAAM") to improve the airspace structure and air traffic control ("ATC") arrangements in the PRD region to optimize the use of airspace and enhance safety of the five airports in the PRD regions. The Plan clearly stipulated the short, medium and long term optimization targets and measures to be achieved and implemented before 2020.

48. Highlighting the solemn vow of the former STH in undertaking the proposed co-location arrangements at the Hong Kong section of XRL but the matter was still under exploration, Mr Gary FAN expressed doubt on the Government's capability to reach consensus with the Mainland authorities on airspace usage in the PRD region. Mr Christopher CHEUNG expressed similar doubt that the project might become another "white elephant" similar to the XRL case.

49. STH said that he was confident that under the coordination of CAAC, TWG would implement measures and achieve the targets set out in the 2007 PRD Airspace Plan. While understanding the public's concern about the use of PRD airspace, he stressed that it would not be pragmatic and beneficial to Hong Kong if 3RS would be implemented only after all targets and measures had been achieved and implemented under the Plan by 2020. As regards the XRL case,

STH said that the respective authorities of the Mainland and Hong Kong were working closely on the implementation of the co-location arrangements of XRL.

50. Dr KWOK Ka-ki drew members' attention that three northern tracks out of the six departure flight tracks set out in the 1992 New Airport Master Plan ("the 1992 NAMP") had not been duly put to use due to airspace constraints. He said that if measures could be implemented to remove the airspace constraints immediately to resume the normal function of the three northern tracks, the maximum capacity of 2RS would be increased to over 80 ATMs per hour (or 500 000 ATMs per year) without the need to waste money on constructing 3RS.

51. STH explained that the 1992 NAMP commissioned by the Provisional Airport Authority in the early 1990s for HKIA was a preliminary study which had not taken into account various factors such as the geographic location and surrounding terrain of HKIA, and other limitations that would constrain runway capacity. He added that expanding the capacity from 68 ATMs under 2RS to 102 ATMs under 3RS would involve mainly the use of Hong Kong's own airspace, and the rearrangement on the use of PRD airspace under the 2007 PRD Airspace Plan.

Admin 52. Addressing Mr WONG Ting-kwong's concerns about the runway capacity of overseas airports under 2RS and safety issues, STH explained that runway capacity of an airport was determined by a host of factors, including the geographic location and surrounding terrain. As the circumstances and constraints faced by different airports around the world were not entirely the same, the runway capacity of airports with the same number of runways could vary. STH agreed to provide information on the number of ATMs per hour in overseas airports with 2RS.

53. Noting that MP2030 Study had stated three factors affecting the runway capacity of HKIA, namely the terrain constraint surrounding HKIA, congested airspace and its management and fleet mix at HKIA, Mr WU Chi-wai enquired about their respective weightings. Director-General of Civil Aviation ("DGCA") responded that the factor of terrain constraint was the crucial factor limiting the 2RS capacity at HKIA.

54. Dr Elizabeth QUAT enquired about the ways to sustain the competitiveness of HKIA before the commissioning of 3RS. Mr Fred LAM of AAHK advised that in light of the imminent early saturation of 2RS a few years ahead of the original forecast in MP2030, AAHK had been undertaking various facilities upgrading and expansion plans, for example, the \$2.5-billion West Apron Expansion Project which was just completed in 2014 for increasing the



number of aircraft parking stands at HKIA, and the Midfield Development Project at \$10 billion which was expected to be completed in 2015 to cater for an additional 10 million passengers. AAHK also planned to upgrade and expand the existing Terminal 1 for accommodating the growing passenger and cargo demand in the interim. Mr LAM added that AAHK would also explore with CAD to increase the number of aircraft movements from 68 ATMs per hour under 2RS, such as encouraging airlines to use quieter aircraft to fly at night time intervals notwithstanding flight movement was capped at night.

55. Mr WU Chi-wai enquired whether CAAC and TWG could advance the implementation of the measures under the 2007 PRD Airspace Plan following the confirmed implementation of 3RS, so that the 2RS capacity could be enhanced early. Dr Kenneth CHAN expressed doubts that airspace constraint might not be resolved by the time of commissioning 3RS.

56. DGCA advised that the 2RS capacity would not be increased much even with the PRD airspace constraint resolved since surrounding terrain remained the major constraint to 2RS capacity. STH added that in 2008, a United Kingdom-based aviation consultancy, National Air Traffic Services, was commissioned by AAHK to evaluate the practical maximum capacity of 2RS under different possible modes of operation. Having regard to the factors such as geographic location and surrounding terrain of HKIA, it was found that the practical maximum capacity of HKIA under 2RS was 68 ATMs per hour. The number of aircraft movements would not be increased without the third runway, although using more wide-bodied aircraft would increase the number of passengers and volume of cargoes handled at HKIA. In reply to the Chairman on the expected time of reaching the 102 ATMs per hour after the commissioning of 3RS, Mr Fred LAM of AAHK replied that the maximum capacity would be achieved gradually by 2032 along the rising demand.

57. Mr Frankie YICK requested the Administration to find a better way to dispel the concerns about the problem of "air wall" constraint. DGCA explained that "air wall" should more precisely be referred to the ATC arrangement between Hong Kong and the Mainland ATC units to fix a minimum altitude (15 700 feet) and location for handover of flights between them, i.e. "the transfer of control point", which sought to facilitate the efficiency of ATC. He stressed that such arrangement was not relevant to runway capacity which was determined by the time interval and space separation required between successive runway movements. DGCA added that under the 2007 PRD Airspace Plan drawn up in accordance with the objectives of achieving joint airspace planning, use of common standards and harmonized flight procedure design for air traffic in the PRD region, the handover altitude had been lowered/relaxed from 15 700 feet to 12 800 feet for non-peak hours at

night (i.e. 1 am to 7 am) a few years ago. CAD would continue to explore the feasibility of extending the applicable period for the lowered handover altitude. Under the 2007 PRD Airspace Plan, the airspace was designed with 3RS in place whereby the concept of "air wall" would no longer exist.

58. Noting that the northern airspace of HKIA overlapped with that of the Shenzhen airport and hence reduced the number of aircraft movements at HKIA, Mr SIN Chung-kai doubted whether and, if yes, when the Shenzhen authorities would open its airspace for Hong Kong's use so that the expected maximum capacity of 3RS could be achieved.

59. DGCA advised that some short-term measures under the 2007 PRD Airspace Plan had already been implemented, such as the addition of entry points between Hong Kong and the Mainland airspace and new peripheral air routes in the PRD area, and there had been press statements released jointly or independently by the three sides of TWG on the implementation. CAD had been engaging the Mainland authorities in taking forward the long-term measures, such as the airspace structure and the management of operational standards and procedures as agreed under the 2007 PRD Airspace Plan. He added that with the meticulous evaluation of fast-time simulation tests previously conducted jointly by three sides of TWG, including the participation of the Shenzhen authorities, CAD was confident that the target capacity of 3RS could be achieved based on the principles of joint airspace planning, use of common standards and harmonized flight procedure design set by TWG.

60. Mr TANG Ka-piu pointed out that the public was of grave concern about the 3RS capacity having regard to the comments and concerns of the former Government directors. Noting STH's view that the former directors might not have the required details to make the comments, Mr Gary FAN invited the current DGCA to discuss openly with the former directors on the technical aspects of the project.

61. Mr Alan LEONG enquired whether the arrangement between the Hong Kong and the Mainland ATC units for handover of flights between them straddling across the Flight Information Region ("FIR") of Hong Kong contravened Article 130 of the Basic Law which read as –

The Hong Kong Special Administrative Region shall be responsible on its own for matters of routine business and technical management of civil aviation, including the management of airports, the provision of air traffic services within the flight information region of the Hong Kong Special Administrative Region, and the discharge of other

responsibilities allocated to it under the regional air navigation procedures of the International Civil Aviation Organization ("ICAO").

62. DGCA pointed out that Hong Kong's FIR, as assigned by the ICAO for provision of air traffic services, exceeded its territorial size, covering a total area of 276 000 square kilometres ("km"), extending 600 km over the South China Sea, 400 km to each of east and west of Hong Kong, and beyond the territorial water boundary between Hong Kong and the Mainland. The airspace in PRD region was managed with flexibility in accordance with the principle of "one country, two systems" and the relevant ICAO provisions. Whenever unexpected circumstances arose, for example, under adverse weather condition, ATC units of the Mainland and Hong Kong would communicate and coordinate to allow the aircraft concerned to operate in each other's airspace as necessary to ensure flight safety. He added that under the 2007 PRD Airspace Plan, the three sides agreed to, instead of setting out concrete and clear "boundaries" for respective airspace, adopt the concept of "shared" use of airspace through better coordination to bring optimal benefits to all the airports in the PRD region. In response to Mr Alan LEONG's further enquiry, DGCA undertook to seek legal advice whether the airspace management arrangements were in compliant with Article 130 of the Basic Law.

Admin

*HKIA and PRD airports*

63. Mr YIU Si-wing asked about the cooperation among HKIA and other airports in the PRD region. The Chairman and Mr YIU Si-wing relayed that public concern that Shenzhen airport opposed to the construction of 3RS in considering the airspace constraints. Mr Christopher CHEUNG referred to the media report that Shenzhen would provide the required cooperation to 3RS in respect of the use of PRD airspace.

64. STH advised that in addition to taking part in the management of the Zhuhai airport, AAHK had signed a memorandum of understanding with Shenzhen airport which enabled facilitation measures for passengers from both sides, and taken part in the management of the Zhuhai airport. He did not consider it appropriate for him to comment on the said media report. He added that to implement the 2007 PRD Airspace Plan which was formulated by the TWG, the three sides would continue to work closely on technical solutions to optimize the use of PRD airspace and meet the operational needs of all sides, thereby achieving mutual gains. He stressed that the Plan was not drawn up for Hong Kong alone.

65. Mr MA Fung-kwok enquired about the expected difficulties which might arise in respect of the PRD airspace arrangement after 2020. STH advised that

while the 2007 PRD Airspace Plan stipulated the short, medium and long term optimization targets and measures to be achieved and implemented by 2020, these measures would be able to serve the demand beyond 2020.

*Disclosing the 2007 PRD Airspace Plan*

66. Mr TANG Ka-piu enquired if the Administration would, given that the Chief Executive in Council had endorsed the 3RS project, disclose more information about the implementation progress of the 2007 PRD Airspace Plan and the work of TWG. Mr Kenneth LEUNG urged the Administration to provide more details of the progress of the measures implementation under the Plan from now to 2020. Dr Kenneth CHAN and Dr CHIANG Lai-wan shared similar concerns.

67. STH explained that the Administration had difficulties in disclosing the 2007 PRD Airspace Plan which contained a lot of confidential and highly sensitive information involving the three parties of TWG. Noting the public concern about the 3RS project and their eagerness to know more about the 2007 PRD Airspace Plan, he undertook to explore the feasibility to disclose more information to the public as appropriate. He stressed that the 2007 PRD Airspace Plan was drawn up by TWG under the leadership of CAAC to rationalize the use of airspace in the PRD region and straighten out the overall airspace arrangement. He assured members that the Plan was endorsed after a long time of discussion and a number of fast-time simulation tests had been conducted.

68. Mr SIN Chung-kai requested the Administration to consider making a joint announcement with the Central Government about the 2007 PRD Airspace Plan as well as their support of the 3RS project. Mr CHAN Han-pan made a similar request. They considered that this arrangement could help address public's grave concerns over the feasibility of achieving the target maximum capacity of 102 ATMs per hour under 3RS.

69. STH stressed that some of the Central Government's officials, including Mr Li Jia-xiang, the Administrator of CAAC, had indicated their full support for the implementation of 3RS to reinforce Hong Kong's position as an international aviation hub. STH added that the three sides would continue to convene meetings to discuss further on implementation of the measures under the Plan.

*Latest design of 3RS*

70. Mr WONG Ting-kwong noted with concern that the latest design of 3RS was different from the one set out in MP2030 published in 2011 in which the double Y-shape design of the third runway concourse was replaced by a single Y-shape design, reducing 46% of parking stands to only 57 stands.

71. Mr Fred LAM of AAHK explained that one of the objectives set out in MP2030 for HKIA was to cater for an additional 30 million passengers per annum which could be met by the latest design of a single Y-shaped third runway concourse. He stressed that the single Y-shape concourse was not smaller than the previous double Y-shape design.

72. In reply to the Chairman's enquiry, STH explained that the number of parking stands would not affect runway capacity (i.e. the practical maximum ATMs per hour), which was determined by a host of factors, including the geographic location, surrounding terrain as well as the time interval and space separation between successive runway movements. On overnight parking, Mr Fred LAM of AAHK advised that parking slots at HKIA had been increasing which would only enhance runway efficiency but not capacity.

73. Mr MA Fung-kwok advised that as he noted from expansion projects of other airports, the increase of aircraft movements due to the addition of a third runway was around 30% to 40%, instead of 50% as now proposed by AAHK. Mr Fred LAM of AAHK explained that the 102 ATMs target of 3RS was evaluated by a number of simulations, which represented an increase of 50% from 68 ATMs.

74. Given the proposed third runway would be constructed in parallel to the existing two runways, Mr MA Fung-kwok was concerned that aircrafts landing and taking off at one runway might straddle across other runways, and hence affecting 3RS efficiency. Mr Fred LAM of AAHK explained that the runway in the middle under 3RS would be lengthened to provide wrap-around taxiways at both ends for aircrafts to move across the middle runway.

75. Mr Albert CHAN expressed concern that the third runway could only accommodate landing of aircrafts flying from the west and hence, in his opinion, it only functioned as one-fourth of a normal runway. STH disagreed with Mr CHAN's view.

*Project costs and financial arrangement*

76. Members noted that the 3RS project involved a capital investment of around \$141.5 billion in money-of-the-day ("MOD") prices and AAHK would self-finance the project through reducing the capital cost and adopting a "joint contribution" principle to maximize revenue. The latter included suspending the declaration of dividends for 10 years from 2014-2015 to 2023-2024, upward adjustment of airport charges (including landing, parking and terminal building charges payable by airlines) and an introduction of an Airport Construction Fee ("ACF") of \$180 per departing passenger (with exemption for transit passengers).

77. Mr WONG Kwok-hing and Dr Elizabeth QUAT considered the 3RS should be implemented as early as possible to avoid escalation of construction cost over further project delay. In response to Mr WONG Kwok-hing's enquiry about this project being affected by filibustering, STH agreed that while AAHK's self-financing proposal would not require LegCo's funding approval for the capital cost of the third runway, the Government would need to seek LegCo's funding approval on a number of new government facilities required for the smooth and effective operation of 3RS, such as a new ATC tower, fire stations, a police station, additional immigration and customs facilities, etc. in due course.

78. Dr CHIANG Lai-wan and Dr KWOK Ka-ki expressed concern about 3RS's sky-high project price of \$141.5 billion. Dr KWOK Ka-ki pointed out that according to his understanding, the Guangzhou Baiyun airport only spent about \$10 billion for its third runway, while Shenzhen airport spent \$20 billion for constructing an additional terminal and runway.

79. In response to Dr CHIANG Lai-wan's worry that the financial burden would have to be shouldered by taxpayers, STH advised that the Government considered that AAHK's proposal to self-finance the project by retaining profits earned and external borrowing was overall reasonable and practicable given AAHK's robust revenue performance in the past and the continued growth in revenue projected for future years. Its adoption of the "joint contribution" principle that users of HKIA should contribute to the cost of 3RS was more equitable than direct Government funding out of general revenue.

80. Mr Gary FAN considered that the cost of the 3RS project, under the so-called "joint contribution" principle, was actually borne by the Government to which AAHK would stop paying the dividends (\$5.3 billion in 2014) for 10 years, and the public who would be charged of ACF when departing HKIA.

81. Mr YIU Si-wing was pleased to note that the Administration and AAHK had agreed to take on board the views of the tourism industry to lower the level of the proposed ACF with a view to maintaining HKIA's competitiveness among its neighbouring competitors. He requested AAHK to implement the proposed adjustment of the airport charges by about 15% in phases. He also asked the Administration to devise a mechanism to control the adjustment of ACF and airport charges.

Admin

82. Mr MA Fung-kwok expressed worry that the proposed ACF might drive away HKIA passengers who might change to use the neighbouring airports.

83. Mr James TIEN expressed concern that each passenger departing through HKIA was now required to pay an air passenger departure tax ("APDT") of \$120 and it was unfair to charge them ACF on top of APDT. STH noted members' views and advised that AAHK would review ACF further.

*Alternative proposal on financial arrangements*

84. Dr LAM Tai-fai suggested that instead of imposing the controversial ACF and increasing airport charges, AAHK might extend the suspension of dividends declaration from 10 years to, say, 15 or 20 years in order to finance the project. Mr Fred LAM of AAHK pointed out that according to AAHK's financial consultant, the major concern of the financial arrangement was the initial cash flow. Nevertheless, Dr LAM's suggestion would be an option to be considered.

85. Mr Kenneth LEUNG suggested that AAHK could replace a large proportion of borrowing by the issue of local bonds and the rest by new types of bond, such as Islamic bonds to boost the bond market. The Chairman invited AAHK to consider Mr LEUNG's suggestion. Mr CHAN Kin-por also suggested the issue of a retail bond product similar to the inflation-linked retail bond with a specified interest to finance the project, as he considered that such product would be welcomed by the public and its financial cost would be lower than that of borrowing from bank.

86. Mr WONG Kwok-hing enquired if the Administration would consider the "core fund" established under the Mandatory Provident Fund and include a similar fund for the 3RS project.

87. STH responded that AAHK had been considering the issuance of bonds as one of the options to finance the project. Mr Fred LAM of AAHK added that AAHK had been exploring the adoption of a multi-pronged approach to raise funds to finance the 3RS project, including the issue of private bonds, local

retail bonds as well as Islamic bonds. It would further assess the financial arrangement and hence the cash flow over the eight years of construction, and the final package would be announced in due course.

88. Mr Christopher CHEUNG enquired if the Administration would consider privatizing AAHK through listing on the Hong Kong Stock Exchange so that the risks of the 3RS project would be borne by the market to alleviate the concerns of the public. STH replied that the Government had no intention to privatize AAHK.

*Project risks*

89. In reply to Mr Paul TSE's enquiry, Mr Fred LAM of AAHK responded that the estimated increase of construction cost per year of project delay was about \$7 billion.

90. Dr LAM Tai-fai supported the 3RS project and considered that it should be implemented without further delay for timely completion within the agreed budget. Noting that AAHK undertook to bear all relevant responsibilities, Dr LAM enquired if the Administration would draw on the Future Fund to finance the project if its cost was overrun.

91. Mr Fred LAM of AAHK responded that in anticipation of possible project slippage during the eight years of construction causing delay and cost overrun, AAHK had conducted a risk assessment and some stress tests to ensure its financial viability in delivering the project and containing the cost within the agreed budget.

92. Mr Dennis KWOK expressed grave concern that the paper of the Administration and AAHK was silent about the risk of the 3RS project with sky-high cost of \$141.5 billion in MOD. He noted that Annex C of the paper (LC Paper No. CB(4)650/14-15(05)) stated that –

"[t]he Government's independent financial consultant has vetted and evaluated AAHK's proposal ... The consultant agreed that AAHK's proposal is generally in order ... the consultant also agreed that there should not be difficulties for AAHK to raise sufficient funds from the market under reasonable terms and conditions to bridge the funding gap",

Mr KWOK raised the following doubts and concerns: (a) the basis of the consultant's evaluation; (b) the consequences if funds was not sufficiently raised from the market; (c) the definition of reasonable terms and conditions and



whether the Administration would eventually be required to take up all the responsibilities; (d) how far the bonds market would be affected if the project encountered any hiccups; (e) what the contingency plan was; (f) what would happen if AAHK was unable to pay its debts and (g) whether the bonds would ultimately be required to be absorbed by the Exchange Fund to sustain the project and hence the public would bear the overall responsibility. Dr CHIANG Lai-wan echoed Mr Dennis KWOK's concern on the outcomes if AAHK's debts were not repaid.

93. STH advised that the AAHK's consultant had assessed the risks from different angles. Mr Fred LAM of AAHK supplemented that AAHK engaged a financial consultant to vet and validate independently the financial analysis and financial arrangement proposals compiled by AAHK, including its revenue performance, credit rating and borrowing capacity. He pointed out that the proposed lowering of ACF from \$180 would in fact affect the borrowing capacity of AAHK and its financial consultant would reassess the implication and the room for increasing credit facilities. It would aim to complete the assessment in about two months' time.

*Public concern on bypassing the Legislative Council*

94. Mr CHAN Han-pan supported the AAHK's proposal to self-finance the 3RS project as it had undertaken to exercise due diligence in managing the delivery of the project. However, he relayed the public concern that the said arrangement was designed to bypass LegCo. Mr Gary FAN shared a similar concern.

95. STH explained that the Administration was very mindful of the scrutiny and role played by the LegCo and had no intention to bypass it on any issues relating to the 3RS project. Although the self-finance proposal put forth by AAHK would require no funding approval from LegCo, AAHK as well as the Administration would report to and brief LegCo on progress update of 3RS whenever necessary.

96. Ms Cyd HO expressed concern that the proposed financial arrangement of 3RS, which attempted to bypass LegCo, served as a bad precedence in the management of public finance. She also expressed concern whether it was necessary to amend the legislation before AAHK could withhold the dividends.

97. Mr James TIEN expressed concern about AAHK's proposal to retain all profits earned from 2014-2015 onwards until the full commissioning of 3RS in 2023-2024 without declaring dividends, which would substantially reduce the General Revenue. He highlighted that pursuant to Article 64 of the Basic Law,

the Government of the Hong Kong Special Administrative Region shall obtain approval from LegCo for taxation and public expenditure. The proposal would undermine the power of LegCo to monitor the use of public funds. Mr LEE Cheuk-yan shared similar views. Mr Albert CHAN also enquired about the mandate based on which AAHK made the proposed financial arrangement for 3RS.

98. STH said he understood that Mr Albert CHAN had also written to the Financial Secretary to raise the same concern and assured that a formal reply would be provided in due course. As regards the legality of AAHK's financial arrangement proposal for the 3RS, he said that according to the Airport Authority Ordinance (Cap. 483) AAHK was empowered to act to enable it to operate and develop HKIA, including making the necessary financial arrangements for airport expansion, and declaring or otherwise dividends with explanations. He explained further that without declaring dividends, AAHK could reinvest the money to bring about more benefits for the shareholder in the long run. He further explained that AAHK's current financial arrangement proposal did not require any form of Government guarantee and hence no resolution had to be passed by the LegCo in this respect.

*(Post-meeting note: Mr Albert CHAN's letter and the Administration's response were issued to Members vide LC Paper Nos. CB(4)934/14-15(01) and (02) respectively on 21 May 2015.)*

99. Noting that AAHK was empowered to self-finance the project without the need to seek LegCo's approval, Dr Kenneth CHAN considered that the Administration should adopt a prudent manner having regard to the interests of the public. He added that the proposal of not declaring dividends might undermine and the Government's ability to achieve fiscal balance as required under the Basic Law.

100. STH reiterated that both the Administration and AAHK had adopted a prudent manner in planning the project. As AAHK would raise debt to bridge the funding gap, the market could help assess whether the 3RS project would provide a sound business case and would be financially viable.

101. Mr Dennis KWOK and Dr Fernando CHEUNG urged the Administration to undertake to work closely with LegCo in addressing their concerns. Mr KWOK suggested setting up a subcommittee to follow up issues relating to the 3RS development. STH undertook to work closely with the subcommittee if it would be set up.

*Environmental concerns*

102. Mr Albert CHAN considered that the project would cause catastrophic impacts on Chinese White Dolphins which might disappear in the waters of Hong Kong and bring further pollutions to residents of Tung Chung.

103. Mr Steven HO expressed support for the 3RS project but was concerned about the implications of the projects on the fisheries trade which would certainly be affected the most due to sea reclamation and marine works. Highlighting the little amount of the ex-gratia allowance payable previously for the trade to compensate on their loss due to marine works, he enquired about the measures to be adopted to help the trade.

104. Mr Peter LEE of AAHK, General Manager, Environment (Projects) advised that to support the sustainable development of the fisheries industry, AAHK suggested that a Fisheries Enhancement Strategy ("FES") with Fisheries Enhancement Fund should be initiated. It was proposed that FES, associated management arrangements, funding amounts and fund allocation mechanisms should be established prior to commencement of the related marine works of the project. AAHK would continue to engage with a range of fisheries stakeholder groups so that their concerns and suggestions on fisheries enhancement measures could be taken into consideration where appropriate during the formulation of FES and during its implementation.

105. Mr TANG Ka-piu pointed out that HKIA's development was currently stuck in a bottleneck due to runway capacity constraint. He considered that the public suggestion of terrain removal of two peaks in the Tai Yam Teng and Fa Peng Teng areas of northeast Lantau Island was, similar to land reclamation, not environmental-friendly. He opined that that the environmental issues due to the project could be addressed by the mitigation measures committed under the EIA.

*Other issues*

106. Noting that 3RS would create direct employment of around 141 000 jobs as well as indirect and induced employment of 199 000 jobs, Mr TANG Ka-piu asked about the number of construction workers required for the project. Mr Paul TSE also asked about the manpower plan given that the policy on the importation of foreign labour was now more stringent.

107. Mr Fred LAM of AAHK concurred that the issue of construction workers was indeed a real risk of the project. While the initial work of land reclamation would mainly be machine operation, manual construction would

approach peak in early 2019 when the terminal was built, requiring about 10 000 workers working concurrently.

108. Noting that there were two applications for grant of leave for judicial review had been filed to court to quash the decision of the Director of Environmental Protection to approve the Environmental Impact Assessment Report and grant the Environmental Permit for the 3RS project, Dr CHIANG Lai-wan expressed concern that this might lead to delay on taking forward the project. STH pointed out that any further development with regard to the JR cases, such as when the Court hearings would be arranged, would inevitably have implications on the 3RS project.

109. Mr CHAN Kam-lam pointed out that there was a general consensus on the need of the 3RS project, although there were also quite some concerns about the "air wall" constraint and use of PRD airspace and suggestions of delaying the project until, for example, 2RS reached saturation, the construction cost lowered and/or the environmental issues being addressed. He considered that the concerns and suggestions were raised by people who did not have the required information to assess the situation. He urged the Government and AAHK to step up promotion and publicity about 3RS among the general public by providing more updated and detailed information to enhance their knowledge about the project.

110. STH replied that the Government and AAHK would step up their communication with the public on this project. In this connection, the Administration planned to establish a consultative committee to enable major stakeholders to monitor the 3RS project, including its environmental impacts, work progress and economic benefits. He highlighted that, with reference to overseas experience, it was not uncommon for governments that rolled out major airport development or expansion projects to face diversified views/immense public attention in the communities concerned. He added that it was the duty of the Government to explain to the general public the difficulties and challenges faced by it in relation to the 3RS project.

111. Mr Steven HO called on the Administration/AAHK to share with the concerned public on the breakdown of the project cost, and the rationale for its exorbitantly high cost.

112. Given Mainland visitors might choose not to come to Hong Kong due to the recent protests, Mr Paul TSE asked whether the projected number of passengers/transit passengers using HKIA should be adjusted accordingly. Mr Fred LAM of AAHK advised that the majority of passengers currently using HKIA were coming from overseas, with only about 20% of them were Mainlanders, and this trend would likely continue.

113. Mr Kenneth LEUNG expressed concern about the capability of CAD's ATC system on managing 3RS. STH concurred with Mr LEUNG about the importance of ATC system to complement the implementation of 3RS and CAD was bringing in a new ATC system designed with the latest technology to cater for growth of air traffic in future. Mr LEUNG also considered that to develop Hong Kong into an aviation hub, it was essential to develop other related industries, such as aircraft broking/chartering and maintenance, on which the Administration should provide more information. The Chairman invited AAHK to assess the feasibilities of the above suggestions.

114. The Chairman asked if AAHK had identified any sources of marine sand for the reclamation works so as to take advantage of the favourable exchange rate. Mr Fred LAM of AAHK replied that AAHK was also concerned about the procurement of marine sand at a reasonable cost. It had identified some suppliers pending further negotiations following the project implementation.

Motion moved by Hon Dennis KWOK

115. Mr Dennis KWOK proposed the following motion –

"本委員會要求在立法會成立小組委員會繼續跟進與香港國際機場三跑道系統有關事宜。"

(Translation)

"That this Panel requests a subcommittee be set up under the Legislative Council to continue to follow up issues relating to the three-runway system at the Hong Kong International Airport."

116. The Chairman ruled that the proposed motion was directly related to the agenda item under discussion and members agreed that the motion should be dealt with at the meeting. The Chairman invited members' views on the motion.

117. Members who spoke on the motion raised diverse opinions whether the subcommittee should be established under the Panel, under two or more panels or under the House Committee ("HC").

118. The Chairman put the motion to vote. All of the members present voted for the motion. As no member claimed a division of the vote, the Chairman declared that the motion was passed.

*(Post-meeting note: The Panel subsequently held a joint meeting with the Panel on Environmental Affairs on 27 April 2015 at which a majority of members who spoke supported the appointment of the proposed subcommittee under HC. HC endorsed at its meeting on 15 May 2015 the appointment of the subcommittee under it and the placement of the Subcommittee on the top of the waiting list of "Subcommittee on policy issues".)*

### Conclusion

119. The Chairman concluded the discussion and invited the Administration and AAHK to take note of members' various concerns raised at the meeting. He noted that members did not raise any objection to the proposed extension of three supernumerary directorate posts in AEPCO under THB. He invited the Administration and AAHK to provide a written response to the list of the follow-up actions arising from the discussion at the meeting.

*(Post-meeting note: The Administration's response was issued to Members vide LC Paper No. CB(4)863/14-15(01) on 24 April 2015.)*

### **VII. Any other business**

120. There being no other business, the meeting ended at 1:00 pm.

Council Business Division 4  
Legislative Council Secretariat  
12 June 2015