

立法會
Legislative Council

LC Paper No. CB(4)824/14-15(01)

Ref : CB4/PL/EDEV+EA

Panel on Economic Development and Panel on Environmental Affairs

**Proposal for appointment of a joint subcommittee to monitor the
implementation of the Three-Runway System
at the Hong Kong International Airport**

Purpose

This paper invites members of the Panel on Economic Development ("EDEV Panel") and Panel on Environmental Affairs ("EA Panel") to endorse a proposal for appointment of a joint subcommittee to monitor the implementation of the three-runway system ("3RS") at the Hong Kong International Airport ("HKIA") ("the Joint Subcommittee").

Background

Development of the three-runway system

2. Following the Government's in-principle approval given for the Airport Authority Hong Kong ("AAHK") to adopt 3RS as the option to expand HKIA, AAHK has accomplished the relevant planning work, namely, the statutory environmental impact assessment ("EIA"), the associated design details, and the financial arrangements for the 3RS project. AAHK submitted its recommendations to the Government in January 2015. After considering the recommendations, the Government, on 17 March 2015, affirmed the need for 3RS for maintaining Hong Kong's competitiveness as a global and regional aviation hub, and for catering to its long-term economic and development needs.

3. According to the relevant Legislative Council ("LegCo") Brief (File Ref.: THB(T) CR2/582/08), the Director of Environmental Protection approved the EIA Report on 7 November 2014 with 18 implementation requirements¹. The Environmental Permit for the 3RS project was granted on the same day. AAHK has indicated that it will kick start its work to fulfill the commitment made in the EIA Report and to comply with the respective requirements stipulated in the EP granted under the EIA Ordinance (Cap. 499).

4. On the basis of the scope as set out in HKIA's Master Plan 2030, the 3RS is planned to cater for an additional 30 million passengers per annum on top of the capacity of the existing HKIA to handle around 70 million passengers. Major works include –

- (a) formation of approximately 650 hectares of land north of the existing airport island by reclamation partly on top of disused contaminated mud pits using non-dredged method with deep cement mixing technique for ground improvement. A huge quantity of marine sand, of some 100 million cubic metres, is expected to be required for the reclamation works;
- (b) construction of the third runway, taxiways and apron;
- (c) construction of the third runway concourse ("TRC") with 57 parking positions upon 3RS commissioning in 2023;
- (d) modification/expansion of the existing Terminal 2 ("T2") and construction of associated road network;
- (e) provision of a new automated people mover system and an integrated maintenance depot;
- (f) provision of a new high-speed baggage handling system serving TRC and T2; and
- (g) construction of airport support infrastructure, utilities and facilities.

¹ All of the requirements have already been covered and committed by AAHK in the EIA Report.

5. AAHK estimates that the revised capital cost for 3RS is around \$84.5 billion (in 2010 prices) or \$141.5 billion in money-of-the-day prices. On revenue, AAHK has proposed the following –

- (a) upward adjustment of airport charges (including landing, parking and terminal building charges payable by airlines);
- (b) introduction of an Airport Construction Fee ("ACF") per departing passenger (with exemption for transit passengers); and
- (c) due increase in retail and advertising revenue, in accordance with the projected increase in traffic and Consumer Price Index.

6. AAHK also plans to retain all profits earned from 2014-2015 onwards until the full commissioning of 3RS in 2023-2024 without declaring dividends.

7. With the above revenue raising measures, after netting off the expected operating and capital expenditure (inclusive of the 3RS project) from 2015-2016 to 2023-2024, AAHK has advised that there will still be a funding gap. According to AAHK's financial consultant, with its current AAA credit rating and 100% ownership by the Government, AAHK should be able to raise sufficient funds from the market to fully bridge the funding gap and the associated debt services charges on its own.

8. AAHK will, taking into account Government's feedback, maximize borrowings from the market with a view to lowering the amount of ACF, and devise an airport charging mechanism to facilitate the most efficient use of HKIA through, for instance, the use of more wide-bodied aircraft.

Members' views and concerns

9. At the EDEV Panel meeting held on 23 March 2015, Members were very concerned that the proposed financial arrangement was an attempt to bypass LegCo. They also expressed grave concerns about the need of the 3RS project vis-à-vis maintaining the status quo, the use and management of airspace in the Pearl River Delta ("PRD") region, the "air wall" constraint, the capacity constraints of HKIA and EIA etc. The Panel passed the following motion moved by Hon Dennis KWOK at the meeting:

"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."

10. In this connection, it is noted that the EA Panel has been following up matters relating to statutory EIA and other environmental impacts arising from the development of the 3RS project.

Joint Subcommittee formed under the EDEV and EA Panels

11. Under Rule 77(9A) of the Rules of Procedure and rule 22(t) of the House Rules, two or more Panels may, if they consider appropriate, appoint joint subcommittees to study any matter of common interest to the relevant Panels and to report to the Panels. As the issues relating to the 3RS project straddle the policy areas of economic development, aviation and environment, which are within the respective purviews of EDEV Panel and EA Panel, it is proposed that a joint subcommittee be set up under the two panels to monitor the implementation of the 3RS project. .

Proposed terms of reference of the Joint Subcommittee

12. The proposed terms of reference ("TOR") of the Joint Subcommittee is as follows –

"To monitor issues relating to the implementation of the Three-Runway System at the Hong Kong International Airport, including 3RS scope and design details, financial arrangement, capacity constraints, environmental impacts, and other related matters."

Proposed work plan

13. The Joint Subcommittee will focus its work on the following areas -

- (a) 3RS scope and the associated design details;
- (b) financial arrangement and the implementation of revenue-raising measures;
- (c) the use and management of airspace in PRD region;
- (d) capacity constraints of HKIA;
- (e) "air wall" constraint; and
- (f) environmental impacts.

Proposed time frame for commencement and completion of work

14. Members exchanged views on the work of a proposed subcommittee at the meetings of the EDEV Panel and House Committee on 23 March and 10 April 2015 respectively. In view of the wide public interest of the 3RS project and the far-reaching implications of its proposed financial arrangements, many Members were of the view that the Joint Subcommittee should be allocated a higher priority over other subcommittee for a vacant slot in order to kick-start its work as early as possible.

15. In accordance with rule 26(c) of the House Rules, the Joint Subcommittee is expected to complete its work within 12 months of its commencement and report to the two Panels. Given that the development of 3RS is a long-term project to be completed by 2023, Members may have to consider the need for continuation of the Joint Subcommittee's work in the next term.

Advice sought

16. Members are invited to consider and endorse the appointment of the Joint Subcommittee under the EDEV and EA Panels with the proposed TOR, work plan and time frame as set out in paragraphs 12 to 15 above.

17. Subject to members' endorsement for a priority slot, the Panels will seek the support of the House Committee for the Joint Subcommittee to be placed on the top of the waiting list of "Subcommittee on policy issues".

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21 April 2015