

立法會

Legislative Council

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(These minutes have been seen
by the Administration and
Airport Authority Hong Kong)

Ref: CB4/HS/2/16

Subcommittee to Follow Up Issues Relating to the Three-runway System at the Hong Kong International Airport

Minutes of the second meeting held on Monday, 5 December 2016, at 4:30 pm in Conference Room 1 of the Legislative Council Complex

Members present : Hon WONG Ting-kwong, SBS, JP (Chairman)
Hon Jeremy TAM Man-ho (Deputy Chairman)
Hon LEUNG Yiu-chung
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon CHAN Kin-por, BBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon Michael TIEN Puk-sun, BBS, JP
Hon Frankie YICK Chi-ming, JP
Hon YIU Si-wing, BBS
Dr Hon KWOK Ka-ki
Dr Hon Elizabeth QUAT, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHU Hoi-dick
Hon Holden CHOW Ho-ding
Hon Wilson OR Chong-shing, MH
Hon Tanya CHAN
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Dr Hon YIU Chung-yim
Dr Hon LAU Siu-lai

Members absent : Hon Abraham SHEK Lai-him, GBS, JP
Hon Steven HO Chun-yin, BBS
Hon Dennis KWOK Wing-hang

Public Officers attending : Agenda item II

Transport and Housing Bureau

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

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

Mr Wallace LAU
Deputy Secretary for Transport and Housing
(Transport) 4

Airport Authority Hong Kong

Mr Fred LAM, JP
Chief Executive Officer

Mr Wilson FUNG
Executive Director, Corporate Development

Mr Kevin POOLE
Executive Director, Third Runway

Clerk in attendance : Ms Shirley CHAN
Chief Council Secretary (4)5

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

Ms Lauren LI
Council Secretary (4)5

Ms Zoe TONG
Legislative Assistant (4)5

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(4)175/16-17 — Minutes of meeting held on 11 November 2016)

The minutes of the meeting held on 11 November 2016 were confirmed.

II. Meeting with the Administration and Airport Authority Hong Kong

(LC Paper No. CB(4)197/16-17(01) — Administration's paper on the overview, scope and progress update of the three-runway system development

LC Paper No. CB(4)197/16-17(02) — Paper on issues relating to the development of the three-runway system at the Hong Kong International Airport prepared by the Legislative Council Secretariat (Background brief))

Other relevant paper

(LC Paper No. CB(4)177/16-17(01) — Joint submission from People's Aviation Watch, Greenpeace, The Conservancy Association, Save Lantau Alliance, Greeners Action and Hong Kong Dolphin Conservation Society requesting the Administration to provide information on the financial arrangements of the three-runway system (Chinese version only))

Discussion

2. The Subcommittee deliberated (index of proceedings attached at **Annex**).

Follow-up action to be taken by the Administration/ Airport Authority Hong Kong

3. The Administration/ Airport Authority Hong Kong was requested to provide information on the ratios of dividends paid by Airport Authority Hong Kong in recent years to its profits after tax for the year concerned.

Action

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)397/16-17(01) on 6 January 2017.)

III. Any other business

Date of next meeting and discussion items

4. The Chairman advised that the next meeting of the Subcommittee would be held on Tuesday, 7 February 2017 at 2:30 pm to discuss the following items:

- (a) Cost and financial arrangement plan of the three-runway system; and
- (b) Manpower plan and development in relation to the three-runway system development.

5. There being no other business, the meeting ended at 6:27 pm.

Council Business Division 4
Legislative Council Secretariat
3 February 2017

**Proceedings of the second meeting of
the Subcommittee to Follow Up Issues Relating to the Three-runway System at
the Hong Kong International Airport
on Monday, 5 December 2016, at 4:30 pm
in Conference Room 1 of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
Agenda item I – Confirmation of minutes of meeting			
000151 – 000232	Chairman	Confirmation of minutes of meeting	
Agenda item II – Meeting with the Administration and Airport Authority Hong Kong			
000233 – 000439	Chairman	Opening remarks	
000440 – 001045	Chairman Administration	Opening remarks by the Secretary for Transport and Housing [LC Paper No. CB(4)254/16-17(01)]	
001046 – 003322	Chairman Airport Authority Hong Kong ("AAHK") Dr KWOK Ka-ki	Briefing by AAHK on the overview, scope and progress update of the three-runway system ("3RS") project at the Hong Kong International Airport ("HKIA") with the aid of powerpoint presentation [LC Paper No. CB(4)259/16-17(01)]	
003323 – 004433	Chairman Mr Michael TIEN Mr YIU Si-wing Administration AAHK	<p>Referring to the glitches with the new air traffic management system ("ATMS") and noting that air traffic would become heavier once 3RS was commissioned, Mr Michael TIEN enquired if the Administration had set a deadline for replacing the new ATMS before the commissioning of 3RS in 2024 in the event that the performance of the new ATMS was still unsatisfactory by then.</p> <p>Mr YIU Si-wing expressed a similar concern. He enquired if AAHK had proactively approached the Administration to find out if the glitches with the new ATMS would affect the operation of HKIA upon the commissioning of 3RS, and whether AAHK had assessed the impact of such glitches on the operation of HKIA during the peak travel seasons and formulated contingency measures.</p> <p>Quoting the advice from the Civil Aviation Department ("CAD") that the glitches did not constitute any safety issue, the Administration advised that teething problems were common in airports worldwide upon the introduction of a new ATMS.</p> <p>AAHK advised that it had maintained close contact with CAD regarding the new ATMS which had had no impact on the operation of HKIA so far. It was confident that the new ATMS could handle the increase in air traffic during the peak travel seasons.</p>	

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		The Chairman informed members that matters relating to the new ATMS would be discussed at the meeting of the Panel on Economic Development on 13 December 2016.	
004434 – 005001	Chairman Ms Tanya CHAN Dr KWOK Ka-ki Administration AAHK	<p>Ms Tanya CHAN expressed concern about the Administration's arrangement for granting the Airport North Commercial District ("NCD") to AAHK at a nominal premium for commercial development, which might be tantamount to helping AAHK finance the 3RS project with the value of the land concerned. She queried if the development of NCD would deviate from the purposes of AAHK as provided under section 5 of the Airport Authority Ordinance (Cap. 483) ("AAO"). She also questioned if the new NCD development would compete with the AsiaWorld Expo in the vicinity for business opportunities.</p> <p>Sharing similar views, Dr KWOK Ka-ki pointed out that the Government should not have waived the land premium for the NCD site.</p> <p>The Administration advised that AAHK was a statutory body wholly owned by the Government. AAHK was required under AAO to conduct its business according to prudent commercial principles. The development of NCD would enhance the attractiveness and competitiveness of HKIA as a global aviation hub and help enhance travellers' experience by pursuing the "aerotropolis" concept.</p> <p>AAHK advised that the lease modification had not increased airport's total floor area. It had only helped enhance AAHK's flexibility in developing the area concerned.</p>	
005002 – 005508	Chairman Dr KWOK Ka-ki Administration AAHK	<p>Dr KWOK Ka-ki expressed dissatisfaction that the 3RS construction contracts were awarded without the approval of the Legislative Council ("LegCo"). He also expressed concern about cost overrun of the 3RS project. To facilitate members' monitoring, he requested the Administration/AAHK to provide information on the terms of the construction contracts.</p> <p>AAHK advised that the contract terms could not be disclosed due to confidentiality clauses, and that disclosing such information would affect other 3RS contracts to be awarded in future.</p>	

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		<p>Dr KWOK was not convinced that AAHK was able to self-finance the 3RS project. He was of the view that the revenues generated by the levy of the Airport Construction Fee ("ACF") and the retention of distributable profits were public money.</p> <p>In response, the Administration advised that AAHK had the statutory power under AAO to determine the amount of charges and fees related to the operation of HKIA and decide whether or not dividend would be declared and the amount to be declared (if any) in the respective financial year.</p>	
005509 – 010022	Chairman Dr CHENG Chung-tai Administration AAHK	<p>Dr CHENG Chung-tai enquired about –</p> <ul style="list-style-type: none"> (a) the Government's role and responsibilities in monitoring the financing arrangement of 3RS; (b) availability of an express provision stating that the Government would not cover the cost of 3RS if AAHK ran into a deficit; (c) responsibilities of the Government in case of an air accident at HKIA caused by the unresolved problems relating to the new ATMS or airspace; and (d) the schedule for raising third party debts from the market for financing the 3RS project. <p>In response, the Administration advised that –</p> <ul style="list-style-type: none"> (a) the Government had no plan to bear any cost overrun of the 3RS project; (b) the Airport Expansion Project Coordination Office under the Transport and Housing Bureau was established to monitor and coordinate matters related to the 3RS project. AAHK's work in relation to 3RS would also be monitored by the AAHK Board, comprising Government officials and members appointed by the Government. The high-level Steering Committee on 3RS and NCD chaired by the Financial Secretary also provided steer and advice regarding the implementation of 3RS; and (c) as the administrator of civil aviation, the Government was responsible for air accidents happened at HKIA if caused by issues relating to the ATMS. 	

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		AAHK advised that as mentioned in previous LegCo meetings to discuss the 3RS financial arrangement, there was no plan for AAHK to apply for funding from the Government for the construction of 3RS.	
010023 – 010542	Chairman Ir Dr LO Wai-kwok AAHK	<p>Noting that the reclamation area of the 3RS project would cover a large area, and that the composition of the seabed concerned was complicated, Ir Dr LO Wai-kwok enquired about details of the tests on the use of deep cement mixing ("DCM") method. He also enquired if the assessment of reclamation works of 3RS had taken into account the possibility of having consolidation problems encountered in the construction of Kansai International Airport, which also used DCM technique for ground improvement.</p> <p>AAHK advised that two sets of trial on environmental impacts and engineering aspects had been conducted respectively in the past few years as regards DCM, a land formation technique which had not been used in Hong Kong before. Both sets of trial were very successful. It also clarified that the consolidation problems encountered in the construction of Kansai International Airport were unrelated to DCM.</p> <p>Ir Dr LO suggested that AAHK could share the experience of using DCM with the relevant division of the Hong Kong Institution of Engineers in future.</p>	
010543 – 011218	Chairman Deputy Chairman Administration AAHK	<p>Noting that \$56 billion out of the total estimated cost of \$141.5 billion for constructing 3RS was earmarked for the reclamation works, and that 100 million cubic meters of marine sand was estimated to be used for such works, the Deputy Chairman enquired about the initial estimate of the price of marine sand per cubic meter back in 2014.</p> <p>AAHK advised that it was inappropriate to disclose the estimated price in question as it might encourage potential tenderers to maximize their profits in submitting tender proposals.</p> <p>The Deputy Chairman disagreed with the explanation since the tender exercise for purchasing marine sand should have been completed. He pointed out that the price of marine sand had fluctuated a lot in the past few years. The discrepancy between the estimated price and the actual cost of marine sand would have implications on the overall cost of the 3RS project. He maintained that AAHK should provide such information to facilitate members' consideration on whether the estimated price of marine sand was reasonable.</p>	

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		AAHK advised that the successful tender price for purchasing marine sand was lower than the estimated budget, and that professional quantity surveyors from AAHK and independent monitoring and verification consultant appointed by the Administration were deployed to ensure the budget estimates were reasonable.	
011219 – 011727	Chairman Dr YIU Chung-yim Administration AAHK	<p>Dr YIU Chung-yim enquired –</p> <ul style="list-style-type: none"> (a) about the financial guarantees required as regards AAHK's financing arrangements for 3RS; (b) if the NCD development would form part of the financial guarantee arrangement of raising the \$69 billion fund from the market; (c) if the Government would receive any dividends from the profits of the NCD development; (d) how the profits made from the joint venture of AAHK and the developers in developing NCD would be calculated; (e) whether the joint venture mentioned in (d) above was in accordance with the relevant Government guidelines; and (f) whether carving out the NCD area from the original land lease of the airport and putting the area under a new lease was in accordance with the established rules and regulations, in particular, the restriction on alienation clause of the original land lease. <p>The Administration advised that AAHK had duly completed the relevant land lease modification procedures in relation to the NCD development. Profits generated from the NCD development would belong to AAHK, which was a statutory body wholly owned by the Government.</p> <p>AAHK advised that –</p> <ul style="list-style-type: none"> (a) according to the study on the financial arrangement for 3RS conducted by AAHK's financial advisor, there was no request for the Government to enter into any form of contractual support for AAHK or to provide guarantees to lenders or creditors of AAHK and AAHK could obtain the borrowings from the market leveraging on its credit rating; 	

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		<p>(b) the profits generated from the NCD development would not contribute to the financing arrangements of the 3RS project;</p> <p>(c) the Government would not have a share of any profits generated from the NCD development since NCD would be an asset of AAHK;</p> <p>(d) joint venture between AAHK and the developers for the development of NCD was not expected. Developers would be expected to pay rentals to AAHK and be solely responsible for the construction and capital costs of the facilities in NCD; and</p> <p>(e) the mechanism for determining the level of rentals charged by AAHK was yet to be decided.</p>	
011728 – 012341	Chairman Mr CHU Hoi-dick AAHK Administration	<p>Mr CHU Hoi-dick enquired about –</p> <p>(a) AAHK's schedule in announcing details of the financing plan to raise funds from the market;</p> <p>(b) whether the Government's foregoing its dividends from AAHK was tantamount to funding the 3RS project; and</p> <p>(c) how AAHK was going to repay the loans concerned.</p> <p>In response, AAHK advised that –</p> <p>(a) The Hongkong and Shanghai Banking Corporation Limited had been appointed as the financial consultant to study the detailed financing arrangement for the 3RS project. The consultancy was expected to be completed by mid-2017;</p> <p>(b) fund raising for the project was expected to be required by around the fourth quarter of 2017;</p> <p>(c) the ACF collection would remain in effect until all borrowings related to the 3RS project were fully repaid. The charging levels of ACF would be maintained throughout the collection period; and</p> <p>(d) AAHK's profits after the completion of 3RS would also be deployed for the repayment of loans. Dividend payments would be expected</p>	

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		<p>to resume upon completion of 3RS, subject to the AAHK Board's decision, including the actual amount of dividend payout.</p> <p>The Administration clarified that the retention of distributable profits by AAHK did not imply that the Government would ultimately bear the cost of the 3RS project.</p>	
012342 – 012856	Chairman Mr Holden CHOW AAHK	<p>Mr Holden CHOW enquired about measures to ensure the delivery of the 3RS project would be within the expected time and budget.</p> <p>AAHK advised that –</p> <ul style="list-style-type: none"> (a) unique and unnecessarily complicated designs which might easily lead to cost overrun were to be avoided; (b) relevant analysis on the components required for certain construction works were conducted before the tender exercise to minimize the possibility of cost overrun; and (c) a dedicated office for project management was set up in AAHK to ensure proper cost control and change control. An independent consultant had also been employed by AAHK to conduct risk management assessments. 	
012857 – 013424	Chairman Mr LEUNG Yiu-chung Administration AAHK	<p>Mr LEUNG Yiu-chung cast doubt on the Government's affirmation that it would not bear any cost overrun of the 3RS project. He also opined that there was a lack of public consultation before levying ACF. He enquired –</p> <ul style="list-style-type: none"> (a) whether the charging levels of ACF would remain unchanged even if there was cost overrun in future; and (b) about the Administration's views on and its role in the collection of ACF. <p>The Administration replied that the financial arrangement plan for the 3RS project had been confirmed to be feasible by AAHK's financial consultant. As regards ACF, AAHK had taken into account the Government's advice and the feedback from consultation with key stakeholders, including the travel industry.</p>	

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		AAHK advised that it had adopted the "user-pay" principle in the collection of ACF, and that about 70% of the passengers paying ACF were non-Hong Kong residents.	
013425 – 013935	Chairman Mr HUI Chi-fung Administration AAHK	<p>Mr HUI Chi-fung enquired –</p> <ul style="list-style-type: none"> (a) about the estimated amount that Hong Kong taxpayers had to contribute to ACF; (b) about the legal basis for levying ACF under AAO; and (c) if AAHK could pledge not to raise the charging levels of ACF even though there was cost overrun. <p>The Administration advised that the court had ruled that AAHK had the power under AAO to collect ACF.</p> <p>AAHK advised that the proportion of Hong Kong to non-Hong Kong residents contributing to ACF was around 30% to 70%. AAHK reiterated that it had no plan to raise the charging levels of ACF throughout the collection period.</p>	
013936 – 014754	Chairman Dr Elizabeth QUAT Administration AAHK	<p>Concerning that the 3RS project might be further delayed by the judicial review cases, Dr Elizabeth QUAT enquired about –</p> <ul style="list-style-type: none"> (a) the impact of the judicial review cases arising from the 3RS project on the overall project cost and schedule; (b) details of the SKYCITY business plan; and (c) updates on the impact of 3RS construction works on water quality. <p>AAHK advised that –</p> <ul style="list-style-type: none"> (a) according to previous estimation, a one year delay in implementing the 3RS project would increase the project cost by \$7 billion; (b) drafting of a business plan regarding the SKYCITY development was in progress; and (c) the environmental monitoring data related to the construction works of 3RS had been uploaded onto a dedicated website. So far, the construction works had no adverse impact on water quality. 	

Time marker	Speaker	Subject(s)	Action required
		<p>Dr QUAT urged AAHK to conduct an updated estimation on the cost of delay in the 3RS project for public reference. She also requested AAHK to provide the Subcommittee with the business plan of the SKYCITY development in due course.</p> <p>The Chairman advised that matters relating to the development of NCD and SKYCITY should more appropriately be followed up by the Panel on Economic Development.</p>	
014755 – 015104	Chairman Ms Tanya CHAN Administration AAHK	<p>Ms Tanya CHAN sought information related to the ratio of dividends paid by AAHK to its profits after tax.</p> <p>In response to Ms CHAN's enquiry, AAHK explained its plan to optimise revenues and retain all distributable profits until the commissioning of 3RS in 2024.</p> <p>Concerning that the Government might have to ultimately bear the cost overrun of the 3RS project by foregoing dividends from AAHK, Ms CHAN enquired whether AAHK would resume its dividend payments to the Government if AAHK was not facing a deficit after 2024. AAHK advised that the decision would be made by the Board of AAHK in accordance with AAO.</p>	The Administration/AAHK to follow up as per paragraph 3 of the minutes
015105 – 015405	Chairman Deputy Chairman Administration	<p>To facilitate members' monitoring, the Deputy Chairman stressed the need for the Administration/AAHK to provide updated information on the cost of the 3RS project, including cost overrun, if any. The Administration would consider how best to provide such information to members.</p> <p>Noting that the traffic handled by HKIA had increased from 240 000 air traffic movements ("ATMs") per annum in 1999 to 630 000 ATMs per annum in 2015 (i.e. a 2.5-time increase), while the number of air traffic controllers only increased from 219 to 291 during the same period (i.e. a 30% increase), the Deputy Chairman considered that there was a shortage of air traffic controllers. He urged the Administration to formulate corresponding manpower plan in relation to the increase in air traffic upon the commissioning of 3RS. The Administration replied that suitable arrangement would be made to address the matter.</p>	

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015406 – 015818	Chairman Mr CHU Hoi-dick Administration	<p>Mr CHU Hoi-dick opined that dividends from AAHK to the Government were an important source of revenue for the Government. He said that by foregoing the said dividends the Government was in a way funding the 3RS project.</p> <p>Mr CHU also requested the Administration to provide information on the detailed arrangement regarding the management and use of the Pearl River Delta ("PRD") airspace, especially on matters relating to the "Pearl River Delta Region Air Traffic Management Planning and Implementation Plan (Version 2.0)" ("the 2007 Plan") and the communication among the civil aviation authorities in Hong Kong, Mainland China and Macao ("the trio").</p> <p>The Administration advised that as the 2007 Plan was a government-to-government agreement, the full content of which should be kept confidential. To keep the public informed of the discussion, press releases had been issued from time to time to announce major developments in the discussion of the management and use of the PRD airspace among the trio.</p> <p>The Chairman said that issues relating to the airspace management in relation to the 3RS implementation would be discussed at the Subcommittee meeting in June 2017.</p>	
Agenda item III – Any other business			
015819 – 015901	Chairman	Date of next meeting	