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Mr Keith Wong  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Mr Wong,

**Establishment Subcommittee**

**Follow-up to the meeting on 5 February 2018**

We consulted the Establishment Subcommittee of the Legislative Council (LegCo) on 5 February 2018 on the proposed retention of the three supernumerary directorate posts in the Airport Expansion Project Coordination Office under the Transport Branch of the Transport and Housing Bureau. Members enquired about the composition of the Steering Committee on Three-Runway System and North Commercial District (Steering Committee) and the items that had been discussed at the Steering Committee, the major recommendations of the funding plan for the Three-Runway System (3RS), and the expected time of announcement of the Hong Kong International Airport (HKIA) Master Plan 2035. I am authorised to reply as below.

The Steering Committee chaired by the Financial Secretary was established in 2014 to oversee the implementation of the 3RS project and North Commercial District at a broad, strategic level. It comprises representatives of

the senior management of the relevant bureaux<sup>1</sup> and the Airport Authority Hong Kong (AAHK). Since its establishment, a total of five meetings have been held to provide high-level steer and advice on the development and implementation of the 3RS and the Northern Commercial District at the policy level, including monitoring the works progress of the 3RS, and overseeing AAHK in the formulation and implementation of its financial arrangement plan and detailed funding plan. In particular, AAHK was requested to pay heed to the management of financial risks and to maximise the issuance size of green bonds, so as to tie in with the Government's initiatives to promote the development of green finance. The Steering Committee has also given advice on AAHK's public engagement plan for the 3RS and encouraged AAHK to actively promote the 3RS to the public.

As part of the financial arrangement, AAHK engaged the Hong Kong and Shanghai Banking Corporation as its financial consultant in December 2016 to study the detailed plan for raising the fund of HK\$69 billion. Apart from analysing different financing structures and identifying appropriate financial instruments, the study also recommended the use of different financial instruments (in relation to timing, size, tenor, etc.) that would enable AAHK to finance the 3RS project in the most optimal manner. The detailed funding plan was completed in September 2017 and has been uploaded onto the website of AAHK<sup>2</sup>. It was discussed at the meeting of the LegCo Subcommittee to Follow Up Issues Relating to the Three-runway System at the Hong Kong International Airport in the same month.

In gist, the detailed funding plan can be divided into three parts, namely preparatory work (through to the end of the first half of 2018/19 financial year), near-term funding activities (from the second half of 2018/19 financial year to 2019/20 financial year) and medium-term funding activities (from 2020/21 financial year to the completion of the 3RS project). Financial instruments include commercial bank loans (HK\$20 billion to HK\$30 billion), institutional bonds (HK\$23 billion to HK\$33 billion United States Dollar institutional bonds (including green bonds), HK\$7 billion to HK\$10 billion Hong Kong Dollar institutional bonds) and retail bonds (HK\$5 billion). AAHK has also signed a revolving credit facility to provide liquidity and loans to be drawn on a temporary basis. AAHK will continue to assess the financial risks and take mitigation measures when necessary. The financial consultant has reiterated in this detailed funding plan that AAHK does not require any form of

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<sup>1</sup> The Steering Committee involves government representatives from Development Bureau, Environment Bureau, Financial Services and the Treasury Bureau, Commerce and Economic Development Bureau, and Transport and Housing Bureau. Depending on the issues to be discussed, the secretariat will invite other relevant B/Ds to attend the meetings for discussion.

<sup>2</sup> <https://www.threerunwaysystem.com/en/information/publications/3rs-detailed-funding-plan/3rs-detailed-funding-plan-report/>

financial backing or guarantee from the Government in the financing of the 3RS project.

To formulate its development strategies and business plans, AAHK from time to time develops the HKIA Master Plan to make recommendations and provide directions on the future long term development of the HKIA. The AAHK is currently preparing its next Master Plan i.e. the Master Plan 2035, and endeavours to release it within this year.

Yours sincerely,

[Signed]

(Charvis Li)  
for Secretary for Transport and Housing