

**立法會**  
**Legislative Council**

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**Panel on Economic Development**  
**Meeting on 22 June 2020**

**Updated background brief on the development of  
the three-runway system at the Hong Kong International Airport**

**Purpose**

This paper provides background information on the development of the three-runway system ("3RS") at the Hong Kong International Airport ("HKIA"), and summarizes the major views and concerns expressed by Members on the subject in previous discussions.

**Background**

2. In March 2012, the Government approved in principle that the option of expanding into a 3RS be adopted as the future development option for HKIA for planning purpose. The Airport Authority Hong Kong ("AAHK") was asked to proceed with the related planning work, which includes the statutory environmental impact assessment, the associated design details, and the financial arrangement of the project. The Executive Council affirmed the need for the 3RS project at HKIA on 17 March 2015. Thereafter, AAHK has been actively taking forward the project.

3. The construction of 3RS, which commenced in August 2016, comprises different components, including formation of about 650 hectares of land; construction of the Third Runway, taxiways and aprons, and the Third Runway Passenger Building; expansion of the existing Terminal 2; provisions of a new automated people mover system and a high-speed baggage handling system; modification of the existing North Runway; and construction of airport support infrastructure, utilities and facilities. According to AAHK, the construction works will take around eight years to complete. The commissioning of the Third Runway is scheduled for end

2022, after which the existing North Runway will be closed for reconfiguration. The full commissioning of 3RS is targeted in end 2024.

4. Based on AAHK's estimates, the 3RS project is expected to cost around HK\$141.5 billion in money-of-the-day prices. AAHK will fund the project through retaining AAHK's operating surplus (HK\$47 billion); levying an Airport Construction Fee ("ACF") (HK\$26 billion); and borrowing/raising funds from the market (HK\$69 billion). In September 2017, AAHK released the report on the detailed funding study for the 3RS project submitted by The Hongkong and Shanghai Banking Corporation Limited, AAHK's financial adviser. The detailed funding plan has been uploaded onto the website of AAHK.<sup>1</sup>

## **Previous discussions**

### Subcommittees under the House Committee

5. In view of the wide public concern about 3RS and as the issues involved various policy areas, the House Committee ("HC") of the Fifth Legislative Council ("LegCo") and the Sixth LegCo respectively formed a subcommittee to study issues relating to 3RS at HKIA. The two Subcommittees completed their work and submitted a report to HC on 17 June 2016 (LC Paper No. CB(4)1123/15-16) and 10 November 2017 (LC Paper No. CB(4)205/17-18) respectively.

6. To continue monitoring the progress of the 3RS project, the Subcommittee formed under HC of the Sixth LegCo recommended, among others, that issues relating to the 3RS project should continue to be followed up by relevant Panels of LegCo. The Administration/AAHK should provide the progress update of the 3RS project to the Panel on Economic Development ("the Panel") on a half-yearly basis.

### The Panel on Economic Development

7. The Panel was last briefed by the Administration/AAHK on the developments of the 3RS project at its meeting on 29 April 2019. At the meeting on 10 December 2019, members also touched upon relevant matters when they deliberated on the resources proposals relating to the government facilities and equipment to support 3RS at HKIA. On 24 December 2019, AAHK provided an information paper to update members on the developments of the 3RS project (LC Paper No. CB(4)223/19-20(01)). Major views and concerns expressed by members at the recent meetings are summarized in the ensuing paragraphs.

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<sup>1</sup> <https://www.threerunwaysystem.com/media/1754/3rs-detailed-funding-plan-report.pdf>

*Construction progress and project expenditure*

8. Members had all along been concerned about the construction progress and project expenditure of the 3RS project. At the meeting in April 2019, members noted with concern that the challenges associated with supply of fill materials and the inclement weather conditions in 2018 had caused a slippage of 18 weeks in the schedule of reclamation filling for land formation of 3RS. AAHK advised that to minimize the impact of the slippage on the overall programme, AAHK was actively working with the reclamation contractor on multiple fronts to diversify the sources of fill materials while continuing to increase supply. It had also optimized the reclamation design so as to reduce fill demand by, among other things, increasing the use of Deep Cement Mixing ("DCM") works. Upon members' request, AAHK provided after the meeting further information on increased use of DCM, use of public fill in 3RS works, as well as key milestones of 3RS (LC Paper No. CB(4)1062/18-19(01)).

9. As mentioned in AAHK's paper on 24 December 2019, it had always been AAHK's plan to use different types of fill materials from multiple sources, including manufactured sand from the Mainland; suitable fill materials from the public fill reception facilities and other ongoing local infrastructure projects; as well as sand fill from Malaysia and the Philippines. In the past months, the overall fill supply had gained robust momentum through fill sourcing effort on multiple fronts. With the support of the Government and Guangxi authorities, AAHK introduced marine sand supplies from Guangxi in end September 2019. Meanwhile, Guangdong authorities were processing the necessary procedures for marine sand supply. Moreover, manufactured sand supply from Guangdong had climbed to new heights as production accelerated under favourable weather condition. AAHK had fine-tuned the reclamation design by identifying more suitable areas for receipt of public fill. Among the four sorting facilities operated at Tseung Kwan O and Tuen Mun Fill Banks, two operated round-the-clock. With these enhancement measures, the intake of public fill by the 3RS project had seen a notable increase over the past few months.

10. AAHK also advised that over the past few months, the contractor had been able to increase the delivery of manufactured sand from more quarries both in Guangdong and Hainan, in addition to the new sand supply from Guangxi. With an increased fill supply from the Mainland, AAHK anticipated that the overall fill supply would continue to support the completion of the reclamation works.

11. AAHK also explained that as reported to the Panel in April 2019, the challenges associated with the supply of fill materials had caused a slippage in the schedule of reclamation filling in the non-critical areas for land formation. With the implementation of the enhancement measures and more favourable weather in 2019, AAHK had managed to contain the impact within the reclamation filling in non-critical areas (i.e. areas not required for commissioning the Third Runway in 2022). The reclamation filling in critical areas, where time-critical infrastructure and superstructure (e.g. the Third Runway, taxiways, fire station, interim air traffic control tower, etc.) were required to be built on top for commissioning the Third Runway in 2022, was currently progressing on schedule. While the reclamation works continued with a non-critical delay of several months, given the increased and improved fill supply, the latest overall progress provided a reasonable prospect of recovering the delay through the course of the re-phased reclamation filling works going forward and/or subsequent infrastructure and superstructure construction, thereby enabling AAHK to continue proceeding with the target to complete the entire 3RS in 2024.

12. Regarding the project expenditure, AAHK advised in December 2019 that it continued to manage the 3RS project within the budget. The total value of the major contracts awarded (about \$50.2 billion) as at end November 2019 was within the estimated budget. It remained AAHK's target to deliver the 3RS project within the budget of \$141.5 billion.

#### *Financial arrangement*

13. In April 2019, members were updated on the key financial arrangement preparation work in 2018 and the launch of the USD500 million bond due in 2029 with a coupon rate of 3.45% per annum, or approximately HKD4 billion equivalent, under AAHK's Medium Term Note programme on 13 February 2019. On some members' concern about the collection of ACF, AAHK advised that it had started collecting ACF from departing passengers through airlines on tickets issued since 1 August 2016 when 3RS construction works commenced. Details of ACF collected since 2016-2017 are in LC Paper No. CB(4)319/19-20(01).

14. AAHK advised in December 2019 that with reference to the detailed funding plan to raise third-party debts from the market as advised by AAHK's financial advisor, AAHK was planning to issue a 3-year HKD5 billion fixed-coupon retail bond to retail investors within 2019-2020. The plan was to offer the bonds to retail investors who had HKID card through various channels to have broad coverage. AAHK would

coordinate with the Government's retail bond offering programme to ensure that both the timing and the terms of AAHK's programme were appropriate and optimized. Apart from the issuance of the HKD retail bond, over the medium term, AAHK planned to tap the bank loans market and the bond market to provide further sources of funds. To broaden its capital access and to ride on its sustainability achievements, AAHK was preparing the Green Framework such that it could tap Green Financing, e.g. Green Bond, when the time was right. In good time, AAHK would also arrange a HKD10 billion standby revolving facility to act as the backup to the funding exercise as planned. The final details and the timing of the execution of the retail bond and other financing transactions would depend on the funding needs of AAHK, 3RS project progress, and market environment.

#### *Airspace arrangement*

15. Concern about airspace arrangement within the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area") was expressed at the meeting in April 2019. The Administration advised that the Tripartite Working Group ("TWG"), which was set up by the Civil Aviation Administration of China, the Civil Aviation Department and the Civil Aviation Authority of Macao in 2004, would continue to formulate and implement measures to optimize airspace and air traffic management in the Pearl River Delta region, with a view to progressively achieving the ultimate target runway capacity of 102 air traffic movements per hour under 3RS at HKIA. TWG was undertaking fast time simulation work of modeling and simulation of the airspace and air traffic in the Greater Bay Area. It would formulate specific measures to further optimize airspace and air traffic management based on the results of the assessment and analysis.

#### *Labour supply*

16. Noting that the main reclamation contractor's application for importing skilled workers under the Supplementary Labour Scheme ("SLS") was approved by the Labour Department in April 2018, some members urged the relevant authorities to devise measures to accord priority to filling available job vacancies arising from 3RS with local workers. AAHK advised in December 2019 that about 88% of the approved 518 quotas under SLS had been deployed to fill up positions in the specialist marine trades to supplement the workforce, which had helped maintain the progress of reclamation works. To ease the significant shortage of skilled workers in the specialized reclamation trades in the run up to 2021, the main reclamation contractor had submitted a second application under SLS. AAHK advised that it and the main reclamation contractor remained highly

cautious in making use of imported workers, and would keep enhancing its local recruitment and training efforts for meeting the manpower needs of future works.

### **Council questions**

17. At the Council meetings of 4 February, 15 and 22 April 2015, 7 December 2016, 17 May 2017 and 23 October 2019, questions relating to the development and funding proposal of 3RS, fill materials used in 3RS' reclamation works and smart technologies compatible with 3RS were raised by Members. Hyperlinks to the relevant written replies from the Administration are provided in the **Appendix**.

### **Latest development**

18. At the meeting on 22 June 2020, AAHK will provide the Panel an update on the developments of the 3RS project.

### **Relevant papers**

19. A list of relevant papers available on the LegCo Website (<http://www.legco.gov.hk>) is in the **Appendix**.

Council Business Division 4  
Legislative Council Secretariat  
16 June 2020

## List of relevant papers

Issued by	Meeting date/ Issue date	Paper
House Committee	17 June 2016 (Item VI (g))	<a href="#">Report of the Subcommittee to Follow Up Issues Relating to the Three-runway System at the Hong Kong International Airport</a>
	17 November 2017 (Item V (b))	<a href="#">Report of the Subcommittee to Follow Up Issues Relating to the Three-runway System at the Hong Kong International Airport</a>
Panel on Economic Development	29 April 2019 (Item IV)	<a href="#">Airport Authority Hong Kong's paper</a> <a href="#">Letter from Hon Jeremy TAM dated 26 February 2019 (Chinese version only)</a> <a href="#">Email from Hon CHU Hoi-dick dated 1 March 2019 (Chinese version only)</a> <a href="#">Administration's response</a> <a href="#">Letter from Hon WU Chi-wai dated 29 April 2019 (Chinese version only)</a> <a href="#">Letter from Hon Jeremy TAM dated 2 May 2019 (Chinese version only)</a> <a href="#">Administration's follow-up paper</a> <a href="#">Background brief</a> <a href="#">Minutes</a>
	10 December 2019 (Item IV)	<a href="#">Administration's paper</a> <a href="#">Minutes</a>
	27 December 2019	<a href="#">Airport Authority Hong Kong's paper</a>

<b>Issued by</b>	<b>Meeting date/ Issue date</b>	<b>Paper</b>
	27 April 2020 (Item I)	<a href="#"><u>Letter from Hon Jeremy TAM (Chinese version only) Administration's response to Hon Jeremy TAM's letter</u></a>
Council Meeting	4 February 2015	<a href="#"><u>Council question on "Expansion of the Hong Kong International Airport into a three-runway system" raised by Hon Gary FAN</u></a>
	15 April 2015	<a href="#"><u>Council question on "Expansion of the Hong Kong International Airport into a three-runway system" raised by Dr Hon KWOK Ka-ki</u></a>
	22 April 2015	<a href="#"><u>Council question on "Funding proposal for the project to expand the Hong Kong International Airport into a three-runway system" raised by Hon Mrs Regina IP</u></a>
	7 December 2016	<a href="#"><u>Council question on "The project to expand the Hong Kong International Airport into a three-runway system" raised by Hon CHU Hoi-dick</u></a>
	17 May 2017	<a href="#"><u>Council question on "Reclamation works under the project of the expansion of the Hong Kong International Airport into a Three-Runway System" raised by Dr Hon YIU Chung-yim</u></a>
	23 October 2019	<a href="#"><u>Council question on "The Hong Kong International Airport" raised by Hon YIU Si-wing</u></a>