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Panel on Economic Development Meeting on 7 May 2024

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 of the Panel on Economic Development (“the Panel”) 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.

3. Commenced in August 2016, the construction of 3RS comprises different components, including the formation of about 650 hectares of land; construction of the Third Runway,¹ taxiways and aprons; expansion of the existing Terminal 2 (“T2”); provisions of a new automated people mover system and a high-speed baggage handling system; modification of the Centre Runway; and construction of airport support infrastructure, utilities and facilities.

¹ The Third Runway was designated as the North Runway in February 2022, whilst the former North Runway was re-designated as the Centre Runway in December 2021. For the sake of clarity, “the Third Runway” will be adopted throughout this paper unless otherwise specified.

4. 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.

5. 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 Panel(s) of LegCo. AAHK has since then provided the progress update of the 3RS project to the Panel on a regular basis. The Panel was last briefed by the Administration and AAHK on the latest development of the 3RS project at the meeting on 10 July 2023.

6. At the Panel meeting on 10 July 2023, AAHK advised that the Third Runway had been officially commissioned on 25 November 2022. The construction works progressed steadily on all fronts with the target to complete 3RS in 2024. It was AAHK’s target to deliver the 3RS project within the budget of HK\$141.5 billion, which would continue to be funded through three sources, including retaining its operating surplus; collecting the airport construction fee; and raising funds from the market. To better understand the latest development and operations of HKIA, the Panel visited HKIA on 11 July 2023 and received a briefing by representatives of AAHK on the aforesaid matters.

Previous discussions

7. The major views and concerns expressed by Members on matters relating to the developments of 3RS are summarized in the ensuing paragraphs.

Financial performance

8. In its last update on the developments of 3RS provided to the Panel in 2023, AAHK advised that the external borrowings for the 3RS project had been largely completed. It also advised that the total executed external financing, as at the date of reporting, was about HKD115 billion at an overall borrowing cost of around 3% per annum.

9. Noting that AAHK would, among other things, issue HKD 5 billion retail bond to allow participation of the general public in the 3RS project, some Members were concerned that the increase in leverage might affect

AAHK's total debt-to-capital ratio and future financing, and thus urged AAHK to exercise prudence. AAHK was also enquired when the total debt-to-capital ratio was expected to come down to a more reasonable level, and whether there was a fallback plan if the target passenger throughput was not achieved within the anticipated time frame.

10. AAHK responded that the settlement of its debts had been deferred due to the impact of the three-year COVID-19 epidemic. However, as the epidemic subsided and cash flow increased, AAHK was confident in the medium- to long-term recovery of the aviation industry and its current financial capacity, and believed that its debt burden would gradually reduce.

Airport operations

11. In response to Members' concerns about the transition from the original Two-Runway System to the Interim Two-Runway System upon the commissioning of the Third Runway in 2022 and closure of the Centre Runway for reconfiguration, AAHK had previously advised the Panel that a series of on-site familiarizations, operational trials and drills had been organized. Both AAHK and the Civil Aviation Department ("CAD") had worked collaboratively with local and global aviation communities on the preparatory work for commissioning of the Third Runway, which included issuing an Aeronautical Information Publication Supplement in January 2022, completing flight check for the Third Runway in April 2022 and conducting an aircraft crash and rescue exercise in May 2022.

12. In the information paper issued by AAHK in November 2022, Members noted that with the substantial completion of the Third Runway in late May 2022, AAHK had obtained a renewed aerodrome licence from CAD to prepare for operation of the Third Runway and associated taxiway system. The new Integrated Airport Centre² of HKIA had also commenced operation in June 2022. After successful completion of a series of pre-operation drills conducted in June 2022, the Third Runway commenced operation familiarization on 8 July 2022. The Centre Runway was closed forthwith for reconfiguration as required under the project. After more than four months of familiarization period, the Third Runway was formally commissioned for operation with effect from 25 November 2022.

² The new Integrated Airport Centre is the command, coordination and control centre of the airport. It is equipped with enhanced technology to support the 24-hour real-time airport operations and to facilitate better responsiveness to emergency situations.

13. At the Panel meeting on 10 July 2023, Members enquired about the measures taken to ensure a smooth transition to the new system upon completion of HKIA's Centre Runway reconfiguration by the end of 2024, the impact of longer taxiing time for arriving aircraft under the Interim Two-Runway System and the potential saturation of the system before the full commissioning of 3RS.

14. AAHK advised that, with reference to the experience gained from the commissioning of the Third Runway in 2022, it had initiated a 24-month period of operational preparation for the reopening of the Centre Runway and concurrent operation of three runways at the end of 2024 and would coordinate with airlines to ensure adequate preparation. The Panel noted that the increase of four minutes in taxiing time remained reasonable compared to other major international airports, and the existing facilities were expected to be sufficient to cope with the resumption of passenger traffic.

Cooperation with neighbouring airports

15. Members enquired about the collaboration of HKIA with other airports in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA"), AAHK's plans for post-pandemic development of HKIA and strategies to sustain Hong Kong's position as an international aviation hub amid competition from airports in GBA.

16. The Administration responded that the 3RS project would enable Hong Kong to seize the opportunities arising from the National 14th Five-Year Plan and the development of GBA. Besides, AAHK had invested in technologies and innovations to increase HKIA's efficiency and established the Hong Kong International Aviation Academy. The Administration would explore measures in enhancing the connectivity between HKIA and cities in GBA, including co-location arrangement at HKIA.

17. An enquiry was raised as to whether there was any regular mechanism for cooperation with neighbouring airports in Shenzhen, Guangzhou or Zhuhai, particularly any concrete cooperation measures following signing of the memorandum of understanding between AAHK and the Zhuhai airport in 2023. AAHK advised that a coordination mechanism had been in place between HKIA and the neighbouring airports for air traffic management to further enhance operational efficiency.

Construction and environmental impact

18. Members raised concern about the potential adverse impact of the construction of 3RS project and the designation of the proposed North Lantau Marine Park near the Third Runway on the navigation of vessels at waters to the north of the Third Runway. They suggested that the Administration/AAHK should conduct a water depth analysis in the vicinity and formulate corresponding measures to assist the affected vessel owners. In response, the Administration advised that AAHK had conducted surveys at the waters concerned since 2017. The survey completed in early June 2022 indicated no significant changes in the water depths.

19. Some Members considered the Fisheries Enhancement Fund insufficient to support the sustainable development of the local fishing industry which had been greatly affected by the construction of the 3RS project. The Administration responded that it, as well as AAHK, would monitor the impact of the 3RS-related construction works on local fishermen and provide necessary assistance to them.

Latest development

20. At the meeting on 7 May 2024, AAHK will provide the Panel an update on the developments of the 3RS project.

Relevant papers

21. A list of relevant papers can be found in **Appendix**.

Appendix

List of relevant papers

Committee	Date of meeting	Paper
House Committee	17 June 2016	Report of the Subcommittee to Follow Up Issues Relating to the Three-runway System at the Hong Kong International Airport
	17 November 2017	Report of the Subcommittee to Follow Up Issues Relating to the Three-runway System at the Hong Kong International Airport
Panel on Economic Development	22 June 2020	Agenda Item II: Update on the development of the three-runway system at Hong Kong International Airport Minutes Follow-up paper
	31 December 2020*	Airport Authority Hong Kong's information paper on update on the development of the three-runway system at the Hong Kong International Airport
	26 April 2021	Agenda Item III: Update on the development of the Three-Runway System at Hong Kong International Airport Minutes

Committee	Date of meeting	Paper
	27 October 2021*	<u>Airport Authority Hong Kong's information paper on update on the development of the three-runway system at the Hong Kong International Airport</u>
	23 May 2022	<u>Agenda</u> Item III: Update on the development of the Three-Runway System at the Hong Kong International Airport <u>Minutes</u>
	30 November 2022*	<u>Airport Authority Hong Kong's information paper on update on the development of the three-runway system at the Hong Kong International Airport</u>
	10 July 2023	<u>Agenda</u> Item IV: Update on the Development of the Three-Runway System at the Hong Kong International Airport <u>Minutes</u> <u>Follow-up paper</u>
	18 December 2023*	<u>Airport Authority Hong Kong's information paper on update on the development of the three-runway system at the Hong Kong International Airport</u>

* Issue date

Council meeting	Paper
23 October 2019	Question 22 : The Hong Kong International Airport
24 February 2021	Question 8 : Three-runway system
2 June 2021	Question 12 : Financial situation of the Airport Authority Hong Kong

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