

Speech by STH at 2019 China Civil Aviation Development Forum in Beijing (English only) (with photo)

Following is the speech by the Secretary for Transport and Housing, Mr Frank Chan Fan, at the 2019 China Civil Aviation Development Forum hosted by the Civil Aviation Administration of China (CAAC) in Beijing today (May 16):

CAAC Administrator Mr Feng (CAAC Administrator Mr Feng Zhenglin), distinguished guests, and friends of the civil aviation community,

Good afternoon. It is my great pleasure to be here today to share with you our experience and vision in "smart" aviation from the perspective of value creation.

At the time when humanity has created reality in the virtual world, the blue planet earth that we live in has started to shrink. Nowadays, people remain connected through mobile devices when they are actually thousands of miles apart. Physically, they can get together in time of need because air travel is affordable and commonplace these days.

Over the years, many airports have transformed from an infrastructure for transfer of passengers and cargoes into an economic engine for growth and development, be it for a city or for a country.

Take Hong Kong as an example. The direct, indirect and associated economic contributions of the Hong Kong International Airport have come up to five per cent of Hong Kong's GDP (Gross Domestic Product). And that's why, every major city airport has to work tirelessly to make sure its operation is safe, smart and sustainable.

The Hong Kong International Airport commenced operation in 1998. Since then, it has won over 70 international awards of all kinds. It was once a city airport and is evolving into an airport city in the years to come.

As pronounced in February this year, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area comprises nine cities within the Pearl River Delta, plus Hong Kong and Macao. The Hong Kong International Airport is going to be an airport city not just for Hong Kong, but also for the Greater Bay Area and beyond.

The Greater Bay Area, as I have just mentioned, comprises altogether 11 cities. Yet, compared to Hong Kong where we have a population of only 7.3 million, the Greater Bay Area has a total population of over 70 million which is nearly 10 times that of Hong Kong. In terms of GDP, it has a combined GDP of US\$1.5 trillion, which is four times that of Hong Kong.

The Greater Bay Area initiative gives all the 11 cities, particularly Hong Kong, a wide portfolio of opportunities and challenges for collaboration

and mutual benefits. As you might be aware, two mega transport infrastructures have commenced operation late last year. The Guangzhou-Shenzhen-Hong Kong Express Rail Link that connects Hong Kong to Guangzhou within 48 minutes by high-speed trains and the Hong Kong-Zhuhai-Macao Bridge that links Zhuhai to Hong Kong by vehicular transport within 45 minutes give us ample opportunities to collaborate with cities in the Mainland.

If we take a closer look, we would realise how much we have done in the past and how much more we need to do in the years to come. We have set up check-in counters and waiting lounges to enable passengers from the Mainland to check in at town centres, ferry terminals and even provide limousine services. This is how we reach out to our customers and passengers at locations where they find convenient, not just convenient for ourselves but also for the others. That's the way we provide services and treat our customers. As of now, we have over a dozen of town check-in centres, including nine at ferry terminals. We are going to have more in the years to come. With the Intermodal Transfer Terminal in place in 2022, passengers come to Hong Kong via the Hong Kong-Zhuhai-Macao Bridge will not need to clear the immigration when they cross the boundary. Actually, they will be virtually inside the airport because with bonded vehicles and bonded bridge, they would come to the airport directly from the Mainland without repeating clearance with the customs and immigration. And that's how we are enriching our catchment at the far end and the back end. And that's how we are going to make use of the two mega transport infrastructures in future. As you might have noticed that even at the airport, we have the SkyPier that takes care of 2.6 million passengers every year. It is not a small number for a transit facility. We have two runways but we manage to let go 68 air traffic movements every hour. It's by itself a legend I must say.

So what are we going to do with such a demand for services? As of today, Hong Kong is the third busiest international airport, and we take care of 74 million passengers in 2018.

How about cargo? Hong Kong handles more than five million tonnes of cargoes every year and has been the busiest cargo airport for ninth consecutive years. We have been making progress every year as you can see, from 1.65 to 5.1 million tonnes since 1998. It's not an easy job but I must say that it is even more difficult if we are going to make any incremental improvement without investing for future. So what are we going to do? We are going to build for the future. We are investing some US\$20 billion to build the three-runway system. By year 2030, we will be able to handle a hundred million passengers, nine million tonnes of cargoes. By then we will be able to handle 102 air traffic movements every hour, and that comes up to 620 000 aircraft movements every year. As we are, the Hong Kong International Airport will remain one of the busiest international airports in the world.

In terms of cargo handling, we focus on high value-added cargoes and transshipment, because transshipment accounts for about 25 per cent of our air cargoes. We also look for growth in the area of e-commerce. E-commerce has been a very strong contender in business, because it cuts short the logistics chain, brings the products and produce directly from manufacturers and producers to the consumers. So what we are going to do? We have

developed our airport into centres of excellence, as accredited by IATA (International Air Transport Association), for handling pharmaceutical products as well as perishable produce because these two categories of products command a very high premium. We are planning our infrastructure to bring in more e-commerce. Alibaba is committed to building a high-end logistics centre next to the airport, and that will bring in another 1.7 million tonnes of cargo by the time it's completed.

Aviation is of course about connectivity. I must say that the Hong Kong International Airport is situated very strategically not by intent but by geography. Within five hours' flight time, we will reach over half of the world's population; and within four hours' time, we will reach most of the Asian business centres around the region. As of today, we have over 220 flight destinations, of which about 50 are within the Mainland. By the time when we have 102 air traffic movements per hour, we might either increase the number of frequencies to existing destinations or expand the coverage to have more destinations, and these give us another level to grow.

In terms of technology, we have to make it smart like many speakers have shared with us today. On the particular case of Hong Kong, we have made use of smart technology to overcome our constraints in land mass.

With the exciting development in 5G and internet of things, we try to link things up. We use analytic tools to predict the behaviour of customers and their activities at the airport.

When we talk about airport city, what does it mean? It means a lot to us because airport is no longer a place for transfer of passengers and cargoes. It has another meaning apart from the economic engine. It's going to be a destination by itself where you can spend a day or two, or three, to go shopping, dining, enjoying entertainment and relaxing because we have a few tourist attractions around the airport like the Hong Kong Disneyland.

As you can see here, we are also having the AsiaWorld Expo next to the airport that enabled 300 major conferences and exhibitions to be held over there in the past year. The patronage has come up to 4 million a year. We are going to build the SkyCity where we have got a cluster of hotels, retail outlets, dining areas, and infotainment activities. We are going to develop the top side of the Hong Kong-Zhuhai-Macao Bridge. Then, we are going to put in more facilities over there. Together with the airport, the tourist attractions nearby and the new facilities that we are going to put in, the Hong Kong International Airport would become a destination on its own. People would just go there to spend a few hours or a few days, and that's the vision we have in mind.

Let's illustrate how our vision of airport city is about – it's about experience; it's about convenience; it's about customer satisfaction; it's about a place where you can do most of the things when you are away from home, and maybe a home away from home too, because we are going to treat you really well. There is a saying that a picture worth's more than a thousand words and a video is probably much better. Now, I am going to show you a video that illustrates what an airport city is all about.

In closing, I would like to leave a note that, no matter what we are going to do with airport planning, development, operation and maintenance, and no matter how smart an airport is, it is important to think and act from the perspective of value creation for all the stakeholders concerned, including our partners across the globe.

Thank you.

