# DEBT PLAN CUTS FEES FOR HONG KONG AIRPORT RUNWAY

**News / Airports / Routes**


**Departing and transiting travelers will from next year pay HK$70 to HK$180 as an airport construction fee depending on flight class and distance the Airport Authority said as it unveiled its funding proposal for the HK$141.5 billion third runway.**

The adjustment came after the initial proposal of a uniform HK$180 fee was criticized as too high.

To compensate for the fee reduction, the authority will increase its borrowing by 30 percent to HK$69 billion, from HK$53 billion.

This means debt will account for about half of the overall construction budget, up from the previous 38 percent.

The authority's triple-A credit rating may be affected by the increase.

Under the new plan, short-haul passengers in economy class will fork out HK$90, while for short-haul travelers in first or business class and long-haul economy passengers it will be HK$160.

 

It's HK$180 for long-haul passengers in first or business class and HK$70 for transit economy passengers.

"We've heard the views of the tourism and aviation industries and we understand their concerns ... especially for short-haul economy-class passengers. They usually buy cheap tickets ... and are sensitive to price," said the authority's chief executive, Fred Lam Tin-fuk.

For long-haul business-class passengers, the HK$180 should not make a dent on a ticket costing HK$10,000 or more, he added.

About 70 percent of departing travelers will pay HK$90 or less, Lam said.

Even with those fees, Hong Kong International Airport's charges will only rank 45th out of 56 airports.

The fees will remain in effect until the authority pays off all debt which may be by 2031.

Airlines will be charged higher landing fees, which will revert back to the year 2000 level before these were reduced by 15 percent.

The authority is also considering issuing retail and Islamic bonds, but gave no details.

It is understood that the authority has reserved 15 percent of contingency for the building of the runway.

Upon completion of the project in 2023, the authority should resume paying the government dividends from the operational surplus. In case of a delay, it will continue to receive the fees and postpone paying dividends.

The authority deemed it would be worth issuing retail bonds despite their shorter maturity and higher interest rates to involve the public.

Cathay Pacific welcomed the tiered and reduced fees.

"More important, the travel needs of transit passengers are also taken into consideration to help maintain HKIA's competitiveness as a hub," a spokeswoman said.

Tourism-sector lawmaker Yiu Si- wing also supported the new plan.

But Green Sense chief executive Roy Tam Hoi-pong said the bonds will be a "toxic product" to investors, because the third runway is still facing three judicial reviews concerning the Executive Council decision, environmental impact assessment report, and Town Planning Board decision.

Economist Andy Kwan Cheuk-chiu said a retail bond may be popular in the time of a volatile stock market. The interest rate for a 10-year bond may reach 2.5-3 percent a year, slightly higher than the benchmark U.S. 10-year Treasury bonds based on its triple-A rating.

The authority can lock in the low interest rate the sooner it raises the debt, he said.

 

The latest report by rating agency Standard & Poor's in March on the third runway funding said the debt may weaken the authority's standalone credit profile. But analyst Joe Poon said since the government will almost certainly support the authority if it is financially distressed, its rating will be unaffected.

Terence Chong Tai-leung, an economist and a Transport Advisory Committee member, said it is important to control construction costs, as seen in the delays and increasing budget for the building of the Guangzhou-Shenzhen- Hong Kong Express Rail Link.

**30 SEPTEMBER 2015**

**SOURCE: THE STANDARD**
**ARTICLE LINK:**
https://50skyshades.com/index.php/news/airports-routes/debt-plan-cuts-fees-for-hong-kong-airport-runway