



"Henry Chan"

To: <airportcomments@edlb.gov.hk>
CC:
Subject: Feedback to AA Privitisation
 Urgent Return Receipt

14/02/2005 19:21

Dear Sir/Madam,

Please find below comments, questions and consideration for the HK SAR Government before going ahead with partial privitisation of AA.

EDLB commented that HKIA already operates under a lean structure and the new company has no intention to lay off staff after privitisation. Well, what is the definition of lean structure? How can the public be assured that Airport authority is already operating efficiently? Has there been any benchmarking with other airports of equal size? Assuming the AA is not efficient, privitisation will lead to disproportional pressure on airline operators and shops in HKIA to generate those target returns.

It is incorrect to value HKIA alone without consideration for the dynamic competition within the Pearl River Delta Aiport System and to a wider extent, the competition among regional airports in South East Asia. To achieve target rate of return on the original investment. HKIA will invariably raise price on landing, parking, terminal charges, rental of shops or introducing new charges or a combination of all of the above. Much to the detriment of the tourism industry as shops will close down and even if the shops stay, the prices of those goods will go up. The overall attractiveness of HKIA as a hub and shopping haven becomes eroded. Needless to say airlines, especially budget airlines will look for bases elsewhere such as the heavily under used Zhuhai, or the fast growing Shenzhen airport, and how about Macau?

The Government failed to inform the public that partial privitisation shall lead to a handful of investors realising what the consultation paper called preservation of taxpayer investment of HK\$30.7 billion. Not every tax payer in HK shall benefit from such privitisation.

A suggestion to EDLB is that intangible assets such as slots at HKIA and usage of certain gates should not be overlooked. Those are valuable assets and can generate reasonable return to AA if those are allocated based on demand and supply principle.

Lastly, I'd strongly recommend the HK SAR Government to answer these questions before privitising AA:

- 1) Is HKIA competitive against PRD and SE Asia regional airports?
- 2) Is there new sources of revenue such as slot allocation, preferetnial use of gates?
- 3) Ensure the public understands only a handful of investors, including the Government shall benefit from the privitisation.
- 4) How can the AA prove to the public that it is currently operating efficiently and adhering to commercial principles?

Yours Faithfully,

Henry Chan (HK Taxpayer)
