



新世界旅遊銷售代理有限公司
New World Travel (GSA) Ltd

19 May 2005

Economic Development and Labour Bureau
2/F Main Wing
Central Government Offices
Lower Albert Road
Central
Hong Kong

Dear Sir,

Re: Comments on Airport Privatization

I write to express my humble views on the proposed privatization of the HK Airport Authority.

Where is the urgency and necessity in privatizing the airport? HK's fiscal deficit is diminishing. In fact there was a fiscal surplus recorded lately. The efficiency of HK Airport is second to none and has won many international awards because of this. It is doubtful if privatizing it will bring its efficiency up further.

Privatization is not desirable in terms of HK's employment and competitiveness. HK International Airport is unlike other public assets such as the MTR, KCR, Cross Harbour Tunnels, or franchises like HK Electric and CLP, which are domestic in nature. In contrast, the Airport drives HK's international competitiveness. In fact, HK's airport handles a lot more traffic, both passenger and cargo than domestic demand, by creating efficient transit capability. In the process jobs and opportunities are created especially to the tourism and logistics industries. By privatizing it we are putting a piece of asset designed for HK's competitiveness into the hands of a profit seeding organization, and build in unnecessary conflict of interests.

It is dangerous to put a bet on the possibility of a profit making organization recognizing the overall well being of Hong Kong, by willfully constraining its profit objectives. In the case of the Eastern Cross Harbour Tunnel, traffic dropped by 20% after it raised its prices by 67%. Its gain is well over 30%. With reduced traffic this company can reduce costs too in terms of labour and maintenance. The net result is a hefty increase in profit, which this company has been seeking. Should the HK Airport be privatized, similar problems will recur.



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Privatization of the airport will very likely drive increase in prices to airlines and tenants. It will reduce HK's competitiveness comparing to airports like Shenzhen, Guangzhou, Singapore, Macau, Bangkok and Seoul, to name a few of our competitors. Who will be responsible for the loss in foreign exchange, disappearance of jobs in the tourism and logistics industries, if HK Airport prices itself out of competition?

The alternative of having a control mechanism will not work either. A control mechanism, no matter how good it was when they were first conceived, does not normally stand the test of time. The unmanageable price increase by the Eastern Cross Harbour Tunnel, the disputes in the Electricity Companies' tariff and guaranteed profits are just two vivid examples of failure in control mechanisms. On the other hand, it is extremely expensive to reverse a decision. HK paid a great deal of Public money in buying back the telephone monopoly from HK Telecom just a few years ago.

Even if privatization is a must, it is unwise to privatize the airport now. The airport is at a development stage. Further facilities such as exhibition centre, recreational facilities, and multi-modal logistics hardware are yet to be complete. These facilities will without doubt generate more opportunities and profits. Isn't better to wait till the airport has arrived at a mature stage, when it can be sold for a much higher price? The recent litigation on the privatization of some of HK Housing Authority's assets can repeat itself, if the airport is privatized prematurely.

In closing, to serve the interests of the Public, may I offer the view that there is indeed no urgency in privatizing, the airport at this time. HK will benefit much more by maintaining the airport as self-financed and publicly owned.

Thank you for kind attention.

For and on behalf of
New World Travel (GSA) Ltd

Ronnie Yuen Ka Chai
Director and CEO

Immediate Past Chairman of TIC

