

Economic Development & Labour Bureau,  
Hong Kong SAR Government,  
Central Government Offices,  
2<sup>nd</sup> Floor, Main Wing,  
Lower Albert Road, Central,  
Hong Kong

Attn: Mr Howard Lee

Dear Mr Lee,

In the light of recent debates in the press and the Chinese University of Hong Kong's study on the subject, I am writing in a personal capacity – simply as a citizen of Hong Kong – to state my reservations to the proposed privatisation of HKIA at this point in time.

The airport is an important public asset of Hong Kong. All the region's major cities are improving their own airports' competitiveness in order to take over our position as the leading aviation hub, a position key to Hong Kong's prosperity and economic development. Our primary objective should be to make HKIA more competitive and ensure its long term benefits to HK – an IPO in the immediate future would not achieve this objective.

Firstly, an IPO would create a conflict between profit oriented investors and the general interests of Hong Kong. The investors who own part of the airport would demand the maximum return on their investment; the airport would be forced to forsake long term objectives of maximizing the benefits to Hong Kong as a whole, and undertake expedient measures to boost the short term results. Any investors' strategy would be purely and necessarily profit oriented.

Secondly, it is misleading to argue – as some do – that the IPO will solve the problem of the budget deficit. As Financial Secretary Henry Tang acknowledged, structural deficit problems – if they exist – cannot be solved by a one-off sale of the family silver. In fact the amount of income

generated by listing the airport at this point in time would be limited; one could argue that selling more of MTRC would generate more income for Hong Kong. (It is worth emphasizing that the MTR is an internal service function, whereas the airport allows Hong Kong to compete internationally.)

Thirdly, there is no practical need for an IPO. Sufficient access to capital already exists, and efficiency can be enhanced by further improvements to governance and management.

Fourthly, a major motivation behind privatisation is to pursue new efficiency gains. This is right and justifiable in situations where the utility in question is burdened by excessive governmental interference or over-manning, but this is not the case at HKIA. The airport and Airport Authority is youthful, efficient and well-run along commercial principles; if efficiency gains have been identified they could be implemented now – it is difficult to believe that privatisation would suddenly reveal new opportunities.

Fifthly, an airport is both a monopoly and an infrastructure project, the business model for which specifies heavy investment at the initial stage, so that real benefits can be realised at the more mature stages. HKIA, our only airport, is practically new. If for some reason it has to be privatised, would it not be sensible to wait until it is more fully utilised, when its value as a business will be higher and its value to Hong Kong better understood?

I hope that adequate and prudent consideration will be put into this matter, about which I feel very strongly. An IPO of HKIA should not be considered until the reasons for it are fully justified, and the conditions for listing favourable – some years away yet. I depend on you to ensure that the interests of Hong Kong as a whole will be put above all other interests.

With kind regard and best wishes



PHILIP N L CHEN

Copy Ms Sandra Lee, EDLB