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$15b airport tax windfall for SAR

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THE Airport Authority could help raise up to $15.5 billion in tax revenue for the Special Administrative Region government by the year 2010, according to the business plan prepared by the Provisional Airport Authority (PAA).

With a massive dividend payment of $56.2 billion, the post-1997 government can gross $71 billion from the Chek Lap Kok airport by 2010, against a government equity injection of just $16.6 billion.

The PAA business plan shows that more than 80 per cent of the revenue to be generated by the new airport will come from various sources, including aeronautical charges and commercial activities such as catering concessions.

The remainder would come from real estate development and the passenger terminal charge, which will be levied directly on passengers.

The Government and the PAA have agreed to triple aeronautical charges, in real terms, on the opening of the new airport from the 1989 levels at Kai Tak.

The new charges will still be in line with internationally acceptable levels.

To maintain the new airport's competitiveness in the region, the authority will gradually shift its major sources of revenue from aeronautical charges to commercial activities.

To develop activities such as air cargo handling, aircraft maintenance and engineering, apron handling and refuelling, the authority will encourage competition among licensees and charge market-based licence fees.

On commercial activities, a two-pronged strategy to maximise revenue has been adopted.

The strategy is to provide sufficient space in the passenger terminal building and maximise the value of retailing, office and other commercial space requirements, and to implement advanced retailing business practices.

To maximise returns on the 100 hectares of land available for airport-related activities, an airport business area will be developed to accommodate hotel and office demands.

A "cargo village" will also be built to meet the needs of freight forwarders.

Of the $48.2 billion in capital needed to build the first runway and related facilities, about $35.8 billion will be spent on building the airport passenger terminal, acquisition of equipment, formation of land and provision of utilities.

On completion of the second phase of the project, including the second runway and expanded passenger terminal facilities, in 2010, total capital expenditure will add up to $72.5 billion.

On the current expenditure side, 60 per cent of the operating costs will be for personnel, with an initial staffing level of close to 1,000 people by 1997.