

Immediate Release

## **Business Aviation (BA) an Important Facilitator for MNCs in Hong Kong**

### ***Government urged to facilitate BA development to maintain HK's position as international aviation hub of Asia***

[Hong Kong 3 October 2017] Hong Kong should strengthen business aviation (BA) development if it is to maintain its leading position as an international aviation hub of Asia and to compete well against neighbouring cities in attracting multi-national corporations (MNCs) to set up regional offices in the territory, according to an economic impact study on the BA sector.

The study, headed by Dr. Simon So of ASA Projects Ltd. and Professor Waiman Cheung of the Chinese University of Hong Kong, aims to provide an overview of the BA sector in Hong Kong, its economic contributions as well as potential for future growth. It was commissioned by the Hong Kong Business Aviation Centre (HKBAC), the fixed-base operator (FBO) at the Hong Kong International Airport (HKIA).

Entitled “Economic Impact of the Hong Kong Business Aviation Sector”, the study refers to overseas researches which showed that the majority of the top companies listed in the world’s leading publications including “Fortune”, “Forbes” and “Business Week” utilized business aviation, which is one of the tools in maintaining productivity and global competitiveness.

Significant findings in the Phase 1 report of the study published today show correlation between business performance and the use of business aircraft among top performing companies. Some data even demonstrate that business aircraft users substantially out-performed non-users in growing their business.

In Hong Kong, at least 65 of the top 100 Hong Kong listed companies utilize business aviation. Of these, more than 50% (35 companies) are Hong Kong-based companies while 40% (26 companies) are headquartered in the Chinese Mainland, the rest are based elsewhere. The combined market capitalization of the 65 companies totaled HK\$13.7 trillion.

To illustrate how business aviation powers businesses, the report cited a couple of case studies of MNCs basing their regional headquarters in Hong Kong and utilizing business aircraft in their regional travels for sourcing and business development purposes.

Leading companies tend to set up their regional headquarters at locations with established infrastructure and good connectivity as this can facilitate their management and decision making more effectively. Often, the senior management of these leading companies would travel by business aircraft. In 2015, in a network of 234 cities worldwide covered by BA, although Airport Authority statistics show that the network of commercial airlines reached 208 destinations, the study reveals that as many as 171 of the cities, which were mainly 3-tier remote cities that did not have commercial flights as an alternative, illustrating the importance of BA to support international businessmen to travel to the airports that are not commercially viable for commercial airlines to fly to. Any inconvenience and inflexibility presented in an international businessman's travels may harm his/her management effectiveness and decision making and in the long term the relevant company may move its headquarters elsewhere.

In regard to the nature of flights, the study finds that the majority of BA flights were for business purposes, as opposed to leisure flights, according to the observation of players in the industry.

The report also looks into the regional development of BA. It notes that the Chinese Mainland has prioritized the long-term development of business aviation in both its 12<sup>th</sup> and 13<sup>th</sup> Five Year Plan. Shanghai's second business aviation base is underway. In the Guangdong Province alone, Guangzhou, Zhuhai and Shenzhen are all keen on developing the BA sector. Competition is also coming from Singapore and Malaysia, where investments are being made heavily to develop the sector, sometimes with substantial government subsidy.

Against this backdrop, the BA sector in Hong Kong is facing physical constraints in its development. Reflecting the corresponding economic development, business aircraft movement has recorded strong growth in the past two decades since its inception, at 16% of CAGR (compound average growth rate) from 2000 to 2015, to about 9,500 movements a year. However, the number of annual movements dropped to about 7,500 in 2016 due to the HKIA already reaching its capacity and

any additional capacity which may be provided could only be marginal. The situation is expected to continue until the commissioning of the 3-runway system in 2024.

In summary, this study, together with numerous earlier studies conducted outside of Hong Kong, has confirmed that the productivity and efficiency gains from business aviation translate into tangible and quantifiable benefits for companies, shareholders, employment and the local economy. All these help sustain Hong Kong as a premium and comprehensive aviation hub and underline our image of a sophisticated and cosmopolitan city.

Commenting on the current situation and the initial findings of the study, HKBAC's Director of Administration and Business Development Ms. Sheree Cheung said, "Hong Kong should try our best to maintain the hard-earned leading position as an international aviation hub of Asia. Business aviation is an integral part of the broader aviation sector and its development deserves to be facilitated and supported. As indicated in the study report, Hong Kong faces fierce competition in the region and must be proactive and innovative in meeting our challenges lest we'd lag behind."

HKBAC has been maintaining a dialogue with relevant authorities, especially the Civil Aviation Department and the Airport Authority, on evolving issues. Measures have been introduced in consultation with industry stakeholders e.g. more night slots have been available for quieter aircraft in light of the demand and capacity constraints. However, more is needed to reinforce Hong Kong's international image and position as a business hub.



Photo 1: (From left to right) Dr. Simon Su of ASA Projects Ltd., Professor Waiman Cheung of the Chinese University of Hong Kong and Ms. Sheree Cheung, Director of Administration and Business Development of the Hong Kong Business Aviation Centre

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