



Mr Chan Fan, Frank JP
Secretary for Transport and Housing
Transport and Housing Bureau

Dear Mr. Frank Chan

Re: Issues and challenges for Logistics industry

Hong Kong Sea Transport and Logistics Association Limited welcome the opportunity to express its comments on the Issues and challenges for Logistics industry as below:-

1 Concerns

1. Greater Bay Area (GBA)

The GBA comprises the co-existence of different types of economies and customs regulatory systems, including HK's One Country, Two Systems, with high potentials for collaboration as well as competition. As such, the challenge of integration and coordination in the GBA cannot be under-estimated, and needs to be put in the right perspectives

1.1) Maritime transport

Safeguarding the competitiveness of Hong Kong as a transshipment hub should be at the top of the priority list. The negative impacts on the port throughput would be huge, if Hong Kong were to share its carbotage status with the Guangzhou and Shenzhen ports.

It is likely that there will be streamlining of the port development of the Guangdong Ports, with China Merchants Port Holdings leading the integration of the terminal operation at the eastern part of the Pearl River Delta (PRD), and that at the western part co-ordinated by the Guangzhou Port Authority. How the resulting efficiency will benefit the long haul carriers and PRD-HK feeder operators need to be holistically assessed.

1.2) Air transport

The operational capacity of the Three Runway System (3RS) will be limited if the Shenzhen and Macao authorities become overly bureaucratic in the usage of their respective air space that overlaps with Hong Kong's. Currently, HKIA has a 55 per cent stake and a long-term management



contract to run Zhuhai Airport. As such, it is worth considering for HKIA to use Zhuhai as a new runway or auxiliary air base and help beef up Hong Kong airport's long-term competitiveness. With the opening of the HK-ZH-Macao Bridge, Zhuhai Airport will be in the best position to provide supplementary and complementary services to Hong Kong. Yet, the feasibility would be subject to resolving issues like air connectivity, logistics support, cost implications and relaxation of rules and regulations between the mainland and Hong Kong

1.3) Land transport

To enhance the flow of goods in Hong Kong. The HK-ZH-M Bridge, supported by the existing and planned cross-border road network, will definitely enhance the landside connection thus resulting in time-place compression. Given the contraction of the relative distances (measured in terms of travel time or cost) between Hong Kong, Zhuhai and Macao, it will motivate the business in Hong Kong to penetrate into the western part of China. However, in order to optimize the use of the facility, the toll charges, with an impact on the travel and logistics costs, will need to be sufficiently affordable and attractive. The co-operation and support of the Zhuhai and Macao authorities in this regard will be crucial.

1.4) Supply Chain management

In promoting co-operation in GBA, the scope should be extended from the logistics to supply chain level, encompassing the flows of goods, trade, capital, information via a platform jointly developed between HK and the municipalities in GBA. Presently, the industry platforms in HK are rather fragmented. There should be efficiency gains through integration, thereby augmenting the supply chain management efficiency.

1.5) Cross-border e-Commerce and logistics

The momentum largely comes from the Mainland side as HK practitioners are apparently unfamiliar with the game and its rules. There is room for win-win if HK can brush up on the knowledge and skillsets to take advantage of the ongoing cross-border e-commerce and logistics business opportunities.

1.6) Cross-border Customs clearance

Cross-border customs clearance efficiency will be negatively affected if Guangdong Customs adopt a lukewarm attitude towards streamlining regulatory procedures which facilitate cargo flows.



1.7) Municipal collaboration

To mitigate parochialism in GBA, the component cities should adopt a mentality of innovation, mutual opening and sharing within the cities in the area when planning developments. There should be a demarcation of functions with each having differentiated roles in promoting the economy within the individual cluster.

Of paramount importance to Hong Kong is to ensure that its free economy status will not be compromised and that it will not be totally and irreversibly integrated into the economic and social environment in GBA in future, with its core competitiveness significantly eroded.

2. Lack of competitiveness of the Hong Kong Port

2.1) Terminal Handling Charges in HK are higher than those in Shenzhen, hamstringing the routing of cargo via HK Port.

2.2) Licensing fees and administrative expenses for cross-border trucking in HK higher than those in Guangdong, discouraging active participation.

3. Supply of land and labor for logistics development

3.1) The perennial shortage of land for sustainable growth of HK's logistics industry and proposals to the HKSAR Government were presented as responses to the Hong Kong 2030++, incl. the Hung Shui Kiu NDA, and Tuen Mun Areas 40 and 46.

3.2) 2016 Manpower Survey Report of Transport and Logistics Industry revealed a workforce of 109,406 as at August 2016, with 85,358 (78.02%) at Technician/Craftsman/Operative Level. The Trucking and Container Haulage sector employed 44,230 people accounted for about 40% of the total workforce. But employees thereat are between 51-60 and over 60 years of age were 26.07% and 5.12% respectively.

3.3) There are currently about 1,300 vacancies in the Trucking and Container Haulage sector. Local people not too keen to enter the industry esp. at the Operative level.

Questions

1. How will THB safeguard the role of Hong Kong in transport and logistics while making suggestions for regional co-operation in air, sea and land transport as well as logistics developments?



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2. Will THB be supportive of the import of foreign labor to fill the gaps apparently unbridgeable by local supply?

It is beyond doubt that Hong Kong would continue to be one of the key players in the GBA. However, Hong Kong's role as the super-connector would face the challenges arising from the erosion of competitiveness of the port and the overspill of business from the HK International Airport (HKIA).

3. In regard to the increasing demand by the logistics industry in Hong Kong for cross-border container truck drivers, whether the authorities will reconsider permitting the logistics industry to import Indonesia and Pakistan drivers through the Supplementary Labor Scheme to alleviate the manpower shortage problem?
4. Whether free training to container truck drivers currently employed for internal movements at the container terminals can be given driving licence tests and allowed to be employed, after passing of the tests, for jobs outside of the container terminals, thereby increase the supply of container truck drivers in HK?

Submitted by
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