

22nd December 2009

The Honourable Donald TSANG Yam Kuen, GBM, JP
Chief Executive
The Government of the Hong Kong Special Administrative Region
Government House
Hong Kong

Dear Mr. Tsang,

Latest developments in logistics in Hong Kong

We refer to the administration's paper on the latest developments in tourism and logistics in Hong Kong vis-à-vis the Pearl River Delta Region (PRD), and the areas of cooperation with the PRD Region in the implementation of the Outline of the Plan for the Reform and Development of the PRD (2008-2020). Being a professional institution in the logistics industry, we feel obliged to express our views as follows:

Importance of the logistics industry in Hong Kong

Logistics is one of the Four Key industries in the Hong Kong economy, and is the driving force of the Hong Kong economic growth. The content of the administration's paper barely mentions the logistics industry. Most of the cooperation and coordination policies between Hong Kong and Shenzhen are not related to the logistics industry. There is also a lack of overall logistics policies for government departments and industry operators to follow. It is important for the HKSAR Government to lead the various industries by drawing up sustainable development strategies in order to benefit all Hong Kong citizens and even the economy in South China.

Current situation in Hong Kong

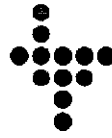
The manufacturing base is shifting to the western part of the PRD, which increases the distance between Hong Kong and the cargo origin and brings longer transportation times and costs for cross-boundary freight transport activities. Hong Kong, as a port of export, is becoming less attractive when compared to other cities in the PRD.

Unify and optimize the customs clearance procedure at the border

In order to increase the efficiency and minimize the operating cost for cross-border logistics services, it is suggested that the HKSAR Government should help to speed up the process of setting up the co-location of customs and immigration checkpoints and enhance integration of customs clearance system interfaces with the Shenzhen Customs. Together with the professional logistics operators and advanced efficient logistics infrastructure and facilities, this could definitely help to simplify the import, export and re-export procedures and thus attract shippers and logistics services providers to choose Hong Kong as a preferred re-export port.

Long term development for the Hong Kong transport system including the airport network

In view of the strategic transportation infrastructure projects currently being undertaken, it is timely for the HK Government to consider undertaking a new Comprehensive



Transport Study (the fourth) to examine the integrated strategic transportation plan and road map, both locally as well as with the rest of the mainland. It would also be necessary to have hassle free transfer between the local transportation system and the cross boundary transportation systems. This would certainly help Government in putting forward new strategic transportation infrastructure projects. The building of a third runway at HKIA could definitely make Hong Kong a bigger international hub for passengers and cargo, and would send a strong signal to China and the world that Hong Kong's excellent location as a regional hub is incomparable with hubs in the PRD.

Develop an ordinance for trans-shipment operations

Hong Kong is currently using the Cap 60 Import and Export Ordinance to guide import, export and trans-shipment operations. Over 80% of shipments involve trans-shipment cargo, and the existing ordinance requires these operations to be separated as import and re-export. This requires extra resources on documentation and cargo handling. It is suggested that the Hong Kong SAR should develop a trans-shipment ordinance to unify the documentation. This could help Hong Kong to strengthen its role as a trans-shipment hub in the PRD region.

To conclude, the logistics development in Hong Kong should be supply-driven instead of demand-driven. We should learn from previous experience that late action in some logistics and infrastructure projects, which brought irreversible costs to the logistics industry and Hong Kong economy, and immediately act to maintain the competitiveness of the logistics industry. We support all policies that bring benefits to the logistics industry and the Hong Kong economy.

Both HAFFA and CILTHK are hoping that the Government will make every effort, through whatever means available, to address our concerns. This, we believe, is crucial to enhancing our competitiveness as an international and regional logistics hub. Should you require any clarification on the above, kindly contact the undersigned or Ms. Harriet Leung of CILTHK at Tel: 3114-8033.

Thank you very much for your kind attention. Look forward to hearing from you soon.

Yours sincerely,



Peter Wong
HAFFA Chairman

Yours sincerely,



Ir Prof. WONG Sze-chun
CILTHK President

cc: Ms. Eva Cheng - Secretary for Transport and Housing
The Hon. Miriam Lau - Legislative Councillor (Transport Constituency)