Submission on
“Guangdong-Hong Kong-Macao Greater Bay Area”

Introduction
As revealed by past experiences, cities which are strongly integrated with other cities perform better than cities that are only moderately or weakly integrated with neighboring cities. In addition, a higher degree of functional integration between neighboring cities, apart from cultural and institutional integrations, can override the negative effects of competition and result in diminishing agglomeration shadows. For optimising functional integration, the role of transport policy is of paramount importance.

Taking the successful examples of city clusters like in New York, Tokyo and San Francisco, the Chartered Institute of Logistics and Transport in Hong Kong (CILTHK) supports the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development. The GBA, a logical proposal with co-operation for synergic growth its main goal, will help to boost the economic growth and encourage the social interaction in the area. Yet, the support will be appreciated in terms of recommending measures to 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.

Creation of opportunities
By establishing the GBA, there would result in synergy through better co-ordination and collaboration among the cities concerned. The cities in the GBA would be able to contribute more through their respective specialisation and strength (for example finance, legal, insurance, other professional services, etc. in Hong Kong). The formation of industry clusters would facilitate locational selection by investors. With improved development potential and possible relaxation of CEPA, the region could become more attractive to foreign investment. The opportunities of employment would attract more talents to the region. The economic development would also motivate for development of the high value-added industries.

Current systems
Currently, the systems within the GBA are not “identical” with two different types of economies and different customs regimes co-existing. As such, the integration and coordination in the GBA is neither simple nor straight-forward. There are challenges posed by discrepancies in the systems and governance and there exist competition and conflicts of interest among cities in the region. In order to meet the development, it is necessary to resolve even if not fully the discrepancy in the systems within the GBA.

Prior to the establishment of a co-ordinated approach, cities would develop plans for their own economic developments with little concern about the bigger picture of benefits through concerted development in the Metropolis. In addition, the adoption of a zero-sum game mentality is not uncommon whereby cities treat each other as competitors rather than partners. As a result, there exist problems in cross flows in key areas, problems in coordinating the planning and construction of major infrastructural facilities, problems in similarity of industry structures and excessive competition as well as problems in unaligned functions of cities.
Future strategies
To remove the parochialism, the authorities should adopt a mentality of innovation, mutual opening and sharing within the cities in the area when planning economic future. Under the GBA, its component cities should be subject to a demarcation of functions with each having differentiated roles in promoting the economy within the cluster. Each nurtures its own specialty sub-industries as part of a polycentric system fostering individual and collective competitiveness with the attainment of Pareto optimality as the ultimate aim.

Hong Kong’s competitive advantage
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). 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.

Transshipment
On transport and logistics, safeguarding the competitiveness of Hong Kong as a transshipment hub should be at the top of the priority list. It would be quite alarming to imagine the negative impacts on the port throughput if Hong Kong were to share its carbotage status with the Guangzhou and Shenzhen ports, on the Three Runway System (3RS)'s operational capacity if the Shenzhen and Macao authorities become overly bureaucratic in the usage of their respective air space that overlaps with Hong Kong's and on the cross-border customs clearance efficiency if Guangdong Customs adopts a lukewarm attitude towards streamlining regulatory procedures which facilitate cargo flows.

Maritime transport (freight)
Despite being the world’s busiest container port from 1992 to 2004, Hong Kong as revealed by the World Shipping Council now only stands in the fifth place. It is a major economic pillar that is beginning to weaken with declining container throughput and the loss of its advantage as a shipping hub as the mainland continues to liberalise its trade and shipping policies. That said, it is more strategically prudent for Hong Kong to proactively proposing collaborative developments in the GBA while defending its interest. As far as maritime development is concerned, it is advocated for positioning the Nansha / Chiwan / Mawan / Dachen terminal cluster for Europe and non-Transpacific, and the Yantian terminals for Transpacific trades, using Hong Kong as the platform for handling the related transshipments via barging and trucking. For optimising the integration and co-ordination of the port development in the GBA, there is a need to establish a co-ordinated development plan so as to avoid excessive capacities and in turn wasteful competition.

According to the “Study on the Strategic Development Plan for Hong Kong Port 2030”, Hong Kong Port (HKP) will retain a certain level of market share of the South China cargo base due to, among others, the increasing labour costs and the possible RMB appreciation impacting other South China ports and thus enhancing the cost competitiveness of HKP. Within Hong Kong, the recommendations made by the Study such as those for improving productivity, marketing effort, land supply and maritime education are prudent and should continue to be pursued to optimise its competitiveness.
Air transport

According to the Airports Council International, Hong Kong has been the busiest airport and the eighth busiest airport in terms of cargo traffic and passenger traffic respectively in the last few years. Yet within the GBA, each of the five airports has its own market share and positioning. All of the airports have plans for further development as the GBA is transformed into a more competitive, world-class city cluster. It is hoped that the airports can continue to work together to seize the opportunities ahead, deepen their co-operation and leverage on each other’s strengths to build a strategic co-operation platform. This will help boost the aviation economy of the country, driving the prosperity of the international and domestic aviation market and increasing the pace of change for GBA’s industry structure and economic development thus making greater contributions to the region.

According to the IATA Consulting, there will still be a significant unfulfilled demand for air services in the region both in the medium term up to 2020 and in the long term up to 2030 even with the anticipated increase in the handling capacity of the five airports. Yet, it is likely that the airport expansion in Guangzhou and Shenzhen would intensify the competition in the GBA. Nonetheless, the superior air connectivity of Hong Kong will be difficult to surpass. To reinforce the strategic advantage, Hong Kong should continue to contemplate the negotiation of more bilateral air services agreements. Furthermore, the HKIA should plan and provide the necessary improvement measures in particular the infrastructures in a timely manner.

To maximise the airport handling capacity of the HKIA upon increasing the runway capacity through completion of 3RS, it is necessary to ensure compatibility with other major airports in the neighbourhood in terms of airspace management. This is important in the light of the growing demand arising from the air traffic growth in the region. As a party of the Tripartite Working Group (TWG), Hong Kong should pursue, among others, further collaboration to augment the strength and role of individual airports in the region with an ultimate aim of achieving a more seamless, effective and optimised regional air space management system.

Based on the “Pearl River Delta Region Air Traffic Management Planning and Implementation Plan” drawn up by the TWG, it is possible for HKIA to achieve the eventual target maximum capacity of 102 air traffic movements per hour under the 3RS operation. However, depending on the growth of air traffic, the capacity of HKIA could become saturated thus resulting in spillover of the demand prior to further enhancement of the handling capacity.

Currently, HKIA has a 55 per cent stake and a long-term management contract to run Zhuhai Airport. As such, it is convenient 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 Hong Kong-Zhuhai-Macao (HZM) 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.

To cater for HKIA’s medium to long term growths, there is a need to help training and nurturing pilots, technicians, air traffic controllers and related service workers. In fact, Hong Kong leads in aeronautical engineering and aircraft maintenance and possesses world-class facilities, know-how and workforce. With such a strategic advantage, HKIA’s establishment of a civil aviation academy is in the right direction. Subject to further development, the scope and scale of the academy should be expanded to suit. Apart from satisfying internal demand,
the move could help the exportation of expertise and creation of operational opportunities like the setting up of more aircraft maintenance and engineering centers in the region and other parts of the mainland.

**Hong Kong-Zhuhai-Macao Bridge**

The HZM 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 optimise 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.

**Passenger transport**

In addition, the utilisation of the high speed rail between Hong Kong and Guangzhou, which being more environmental friendly, should be optimised. To reduce the time for fulfilling the immigration and custom requirements, the adoption of the colocation system is strongly supported. In fact, the application of the measures should be introduced at all cross boundary points. Looking ahead, the feasibility of adopting biometric authentication for expediting the process should be explored at an opportune time.

While supporting the rail network to be the backbone of the cross boundary passenger transport network, there is a need to maintain a balanced system offering the travelling public with choices. On such ground, consideration should be given to improve the cross boundary bus services for serving those areas which being outside the catchment of the rail network. The opening of the HZM Bridge presents opportunities for bus services to be introduced to serve the western China. For award of the operating rights, the bus operators in Hong Kong should be given a fair share of the business.

Given the extensive river system and the long coastline spreading across the region, the introduction of more cross boundary ferry services should be contemplated. While ferry services can be more direct, the operations are costly and can be easily subject to competition by land based transport. As such, the ferry network should be carefully planned so as to ensure attractiveness and in turn financial viability.

Currently, the facilities at quite a number of transport interchanges for the cross boundary transport services are not satisfactory. With the improvement in living quality and higher expectation of the travelers, the transport interchanges should be upgraded to more acceptable standards with a view to encouraging intermodal operations. In the interest of passenger convenience, attempt should be made to standardise the smart cards for the payment of transport fares within the GBA.

The Ad Hoc Quota Trial Scheme for Cross Boundary Private Cars was launched in March 2012, but only the first phase of the program had been approved. Currently, only Hong Kong private car owners can drive their cars with five seats or less into the Guangdong via the Shenzhen Bay Port for a stay of not more than seven days. Private cars from Guangdong, other than limited number of vehicles belonging to the Mainland Government and some enterprise units, are not yet allowed to enter Hong Kong. It is the general perception of the Hong Kong people that allowing mainland private cars to enter Hong Kong would increase traffic volume and heighten road safety risks. While there may be a need to
reciprocating but before doing so, a scheme of regulatory and control measures should be worked out to avoid creating an unacceptable impact on the already poor traffic condition in Hong Kong.

**Technology and digitisation**

Technology is changing every aspect of the industry such as cost model, asset productivity and innovative capability for meeting changing expectations. ‘Digital fitness’ will be a prerequisite for success and the winners will be those who understand how to exploit a whole range of new technologies, from data analytics to automation and platform solutions. Those who do not follow will risk obsolescence. Currently some of the industry’s most labour intensive processes are on the way to being fully or partially automated, from warehousing to last-mile delivery. In this connection, the *Technology Voucher Programme (TVP)* introduced by the HK Government is useful in helping the SMEs to explore into using technology to improve their operational capability and should be extended as far as possible.

In addition, the HK Government’s development efforts such as the proposed Trade Single Window and the Innovation and Technology Support Programme (ITSP), among others, are in the right direction. However, with so many technologies competing for management attention and investment, defining a clear digital strategy that can be integrated into the business strategy will be critical. In addition, there is a need to pay attention to the standardisation of the systems and the practicability of the strategies.

**Conclusion**

In conclusion, Hong Kong should strive to enhance co-operation and co-ordination with other cities in the PRD region, leveraging each other’s differentiation and respective strengths under the principle of complementarity and achieving a multi-win situation. However, it is hoped that in the course of formulating the strategies and preparing the development programme for the GBA, the parties concerned should give due consideration to the impacts among various cities with a view to optimizing the synergy. There is a need to make full use of the limited resources available and avoid wasteful competition such as in the transport and logistics field. In this connection, the implementation of strategies should be well phased and timely so as to suit the progressive development of the GBA. As far as Hong Kong is concerned, it is of paramount importance to ensuring that its competitive advantages could be maintained while taking the opportunities to prosper further through the synergy and development arising from the establishment of the GBA.

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