

**Summary of Views Expressed at
the Fourth Meeting of
the Committee on Economic Development and
Economic Cooperation with the Mainland
of the Commission on Strategic Development
held on 12 June 2006**

The Chairman welcomed Members to the meeting.

Matters Arising from the Last Meeting

2. The Chairman reported that the Secretariat had issued the relevant extract (paragraphs 5 to 7 and 9) of the summary of views of the second meeting of this Committee on development of creative industry to Members of the Executive Committee on 9 June. Also, the Government Economist had prepared an information paper on the assessment on the performance and prospects for a number of selected creative industries (advertising, design and software) (Paper Ref: CSD/EDC/4/2006). The Secretariat had distributed the information paper on 8 June for Members' information. Members were welcome to forward their comments on the paper, if any, to the Secretariat. The Secretariat would distribute the relevant comments to Members for reference.

**High value-added logistics
(Paper Ref: CSD/EDC/5/2006)**

Logistics in Hong Kong

3. Members generally agreed that Hong Kong possessed certain competitive edges which favoured the development of trading and logistics industries. These edges included our free port, advanced and efficient infrastructures, the rule of law and our sophisticated regulatory systems of international standard. Members however noted that Hong Kong was facing keen competition from neighboring Mainland cities. The challenges posed by the new Baiyun Airport in Guangzhou and the

continued port development in Yantian and Shenzhen were real and imminent.

4. In order to enhance our competitiveness, some Members considered that Hong Kong should continue to upgrade our physical infrastructures such as the early construction of the Hong Kong-Macao-Zhuhai Bridge, the Container Terminal 10 and the logistics park in Lantau. Adequate and suitable land sites should also be identified for port-related activities. Members urged the Government to continue discussion with the Mainland authorities with a view to simplifying the existing customs procedures and relaxing cumbersome regulations related to the operation of the logistics industries. The recent relaxation of the “one-truck-one-driver” and “four-up-four-down” regulations were moving towards the right direction.

High value-added logistics

5. Members generally agreed that the future of Hong Kong’s logistics industries would be on high value-added logistics services. With the rapid expansion of global sourcing and increasing specialization in production, there was a worldwide demand for reliable, efficient and high value-added logistics. Hong Kong’s position as an international financial and trading centre and the rapid development of offshore trade activities would provide the added advantages for its development of high value-added logistics as well as virtual logistics services.

6. Members noted that Hong Kong had been very successful in providing professional supply-chain management. In view of the high operating costs, some Members opined that Hong Kong should not compete with other cities purely on cost. Instead, Hong Kong should continue to enhance its efficiency on providing high value-added logistics services.

7. A Member suggested that comprehensive studies on the development of high value-added logistics should be conducted to identify the opportunities and challenges facing the logistics industry in Hong Kong.

Strategic Measures to Enhance the Competitiveness of Hong Kong's Logistics Industries

Provision of Incentives

8. In the face of keen competition from neighbouring Mainland cities and other cities in Southeast Asia, some Members suggested the Government consider providing tax incentives or other preferential concessions to encourage the existing major distribution, procurement and packaging centres to retain their operations in Hong Kong, so as to maintain Hong Kong's position as an international maritime centre.

Lowering the Cost

9. Some Members proposed that the Government should continue its efforts in discussing with the relevant Mainland authorities on ways to improve the efficiency of the trucking industry and to lower the transportation costs. Specific measures included to explore the feasibility of further extension of operating hours of selected border control points, to simplify the customs procedures in the Mainland, and to lower the licence fees for Hong Kong cross-boundary trucks. Consideration should also be given to relaxing the admission of Mainland truck drivers for transportation of cargos direct to Hong Kong. However, it was noted that such move would have implications on the employment of local truck drivers.

River Trade Cargo

10. A Member supported that there was good potential for the river trade cargo services to develop further along the western part of the Pearl River, which had shown considerable growth in the past years.

Strengthening Physical Infrastructures

11. Some Members considered that the development of freight rail to link up Hong Kong's port and the inner part of the Mainland could be a long term option to extend our logistics business. Separately, a Member

suggested developing a freight rail to connect the Hong Kong International Airport with major Mainland ports to enhance the flexibility and efficiency of Hong Kong's logistics services. It was however noted that at present Hong Kong did not have the cost advantage in providing freight rail services for various reasons, including high transport cost, double-handling, lack of demand, etc.

12. In view of the increase in the demand on air freight service, a Member anticipated that the capacity of Hong Kong International Airport would soon be saturated. He suggested that the third airport runway should be constructed in order to cater for future demand.

Provision of Training

13. To facilitate the development of high value-added logistics in Hong Kong, Members highlighted the importance of nurturing talents and professionals in this field. While Members noted that relevant courses and programmes on management and technologies of logistics services were being provided by local tertiary institutions, they considered it necessary to strengthen relevant training to ensure that employees were well-equipped for the latest development of the industry. In addition, training should be provided to frontline workers of the industry to help them acquire the latest information and automation technology related to logistics in order to meet the operational requirement of high value-added logistics services.

Others

14. A Member suggested that the Government should consider strengthening the economic cooperation with neighbouring countries and cities through free trade agreements. Hong Kong should closely monitor the development of regional cooperation initiatives to avoid the possibility of being marginalised.

15. The Financial Secretary made the following comments:

- (a) Members generally considered that logistics services

were important to the development of Hong Kong's economy. The percentage share of logistics in Hong Kong's GDP increased from 4.2% in 1999 to 5.4% in 2004. Hong Kong was facing intensive price competition and improved efficiency of the ports in the Pearl River Delta. Moreover, the main sources of goods were outside Hong Kong. To maintain our competitiveness, Hong Kong's logistics industry should move towards higher value-added supply-chain management operations.

- (b) Hong Kong's strength in professional supply-chain management, inter-modal connectivity and efficiency made our economy a logistics hub in Asia. In view of the increasing demand in speed, efficiency, reliability and transparency in logistics flow, Hong Kong was actively developing high value-added logistics, including e-logistics.
- (c) The planning of the logistics park on Lantau Island was underway and stakeholders had been consulted. The scale of the proposed park would be able to cater for the long term development of the industry.
- (d) In view of the high cost for land resumption and relatively short distance between Hong Kong and the manufacturing base in the Pearl River Delta, a freight rail system might not be a cost-effective solution at the moment.
- (e) On promoting Hong Kong as a regional logistics hub and an international maritime centre, Members had put forth a number of proposed measures which included:
 - Increasing the cost competitiveness of land transportation, port and air freight;
 - Enhancing the local and cross-boundary transport

and logistics-related infrastructure;

- Developing e-logistics and strengthening Hong Kong as the prime logistics information centre;
- Strengthening the training of employees in the logistics sector and provision of courses in tertiary education institutions;
- Simplifying Mainland's customs procedures and extending selected customs points operating hours;
- Providing tax incentives; and
- Strengthening economic cooperation with neighbouring countries and cities, including possibly negotiating free trade agreements with countries concerned, as appropriate.

16. The Chairman welcomed Members to submit further views in writing after the meeting to the Secretariat for circulation to other Members for reference. The Secretariat would prepare a summary of views expressed at the meeting, which would then be forwarded to relevant policy bureaux and departments for consideration and follow-up action as appropriate.

17. The attendance list is attached.

Secretariat to the Commission on Strategic Development
July 2006

策略發展委員會
經濟發展及與內地經濟合作委員會第四次會議
2006年6月12日

Fourth Meeting of
the Committee on Economic Development and
Economic Cooperation with the Mainland
of the Commission on Strategic Development
12 June 2006

出席人士

Attendance List

主席 :

Chairman :

The Financial Secretary

財政司司長

官方委員 :

Official Members :

Head, Central Policy Unit

中央政策組首席顧問

非官方委員 :

Non-Official Members :

Dr CHAN Man-hung, J.P.

陳萬雄博士, J.P.

Mr CHAN Mo-po, Paul

陳茂波先生

Mr CHAN Yu-ling, Abraham

陳宇齡先生

Mr CHANG Ka-mun

張家敏先生

Ms CHIANG Lai-wan, Ann

蔣麗芸女士

Mr CHUNG Chi-ping, Roy, J.P.

鍾志平先生, J.P.

Mr FUNG Hau-chung, Andrew

馮孝忠先生

Dr HUI Cheuk-kuen, Desmond

許焯權博士

Mr HUI Ho-ming, Herbert, J.P.

許浩明先生, J.P.

Mr LAU Siu-hong, Freeman

劉小康先生

Prof LIU Pak-wai, S.B.S.

廖柏偉教授, S.B.S.

Mr LO Wing-hung, B.B.S.

盧永雄先生, B.B.S.

Dr LUK Tei, Lewis

陸地博士

Prof LUNG Ping-yee, David, S.B.S., J.P.

龍炳頤教授, S.B.S., J.P.

Mr MOK, Charles P.
Mr NG Hak-kim, Eddie, J.P.
Mr NG See-yuen, B.B.S., J.P.
Mrs NGAN NG Yu-ying, Katherine
Mr TAM Wai-ho, Samson
Mr WONG Ho-ming, Augustine
Prof YEUNG Yue-man, S.B.S., J.P.
Mrs YUEN SO Siu-mai, Betty
Prof YUEN TSANG Woon-ki, Angelina, J.P.
Dr ZEMAN, Allan, G.B.S., J.P.

莫乃光先生
吳克儉先生, J.P.
吳思遠先生, B.B.S., J.P.
顏吳餘英女士
譚偉豪先生
黃浩明先生
楊汝萬教授, S.B.S., J.P.
阮蘇少湄女士
阮曾媛琪教授, J.P.
盛智文博士, G.B.S., J.P.

列席

In Attendance

Mr. KWOK Kwok-chuen, B.B.S., J.P.
Government Economist

政府經濟顧問
郭國全先生, B.B.S., J.P.

Miss Tse Siu-wa, Janice
Deputy Secretary for Economic Development and
Labour (Economic Development) 3

經濟發展及勞工局副秘書長
(經濟發展) 3
謝小華女士

因事未能出席

Apologies

官方委員 :
Official Members :

Director, Chief Executive's Office

行政長官辦公室主任

非官方委員 :
Non-Official Members :

Prof CHAN Ka-keung
Prof CHEN Kwan-yiu, Edward, G.B.S., J.P.
Mr CHOI Koon-shum, Jonathan, J.P.
Mr CHUI Yik-chiu, Vincent
Prof ENRIGHT, Michael John

陳家強教授
陳坤耀教授, G.B.S., J.P.
蔡冠深先生, J.P.
徐亦釗先生
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Mr FENG Xiaozeng

Ms LO Kai-yin

The Hon LEUNG Kwan-yuen, Andrew, S.B.S., J.P.

Mr LIU Changle, J.P.

Mr MA Fung-kwok, S.B.S., J.P.

Prof SIT Fung-shuen, Victor

Mr WAN Sui-lun, Raymond

Ms WONG Ying-kay, Ada, J.P.

Prof WONG Yue-chim, Richard, S.B.S., J.P.

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