

**For discussion on
7 December 2004**

Legislative Council Panel on Economic Services

Expression of Interest on the Lantau Logistics Park

Purpose

This paper briefs Members on the Administration's plan to conduct an Expression of Interest (EOI) exercise on the Lantau Logistics Park (LLP) project. A copy of the draft EOI document is at **Appendix** for Members' information.

Background

2. The former Port and Maritime Board commissioned a consultancy study at the end of 2000 to develop a Competitive Strategy and Master Plan for Hong Kong to maintain its position as the preferred international and regional transportation and logistics hub. The development of value added logistics parks was identified as one of the key initiatives to maintain and enhance Hong Kong's logistics competitiveness.

3. The Chief Executive announced in the 2003 Policy Address that a modern Logistics Park would be built on North Lantau Island as a designated facility for the provision of one-stop integrated logistics services. In February 2004, the Lantau Development Task Force (LDTF) chaired by the Financial Secretary directed that the project should be pursued expeditiously.

The EOI Document: Our Vision of the LLP

4. To ensure that the LLP meets the expectations and practical needs of the industry, we plan to conduct an EOI exercise before the end of 2004 to seek industry views on the operational characteristics and planning parameters of the LLP.

5. The draft EOI document has been drawn up on the basis of the findings of a recently completed Scoping Study which defined the operational characteristics and planning parameters of the LLP. As set out in the document, we envisage that -

(a) Location

The LLP will be built on a reclaimed site at Siu Ho Wan currently on the north shore of Lantau Island. It will be directly accessible from the North Lantau Highway, which links the Hong Kong International Airport with the Kwai Chung container port and downtown Hong Kong. With the proximity of the site to the proposed Hong Kong landing point of the Hong Kong-Zhuhai-Macao Bridge, the LLP will be strategically situated to take advantage of the opportunities presented by links to the Pearl River Delta region.

(b) Scope of Activities

In order to foster service integration, the LLP will embrace the full range of logistics services – from conventional transportation and freight forwarding activities, to value-added services such as labelling, returns management, pick and pack operations, etc. The LLP will provide a purpose-built operating environment for the efficient delivery of individually customized and integrated services.

(c) Site Size

On the basis of the demand forecast for additional Gross Floor Area (GFA) required by freight forwarding logistics in Hong Kong, the LLP will provide approximately 600,000 square metres of GFA. Taking into account the average net plot ratio of 1.5 and the overall net to gross site area ratio of 0.55, a 72 hectare (ha) site will need to be reclaimed to yield approximately 40 ha net lettable land.

6. The Scoping Study Consultants will present their key findings at the Panel Meeting.

Consultation

7. The Hong Kong Logistics Development Council (LOGSCOUNCIL) supports the EOI exercise, and we have consulted members through the LLP Subgroup on the detailed contents of the draft EOI document.

Way Forward

8. To canvass views from potential LLP users particularly the small and medium sized enterprises, we will distribute the EOI document to nearly 3,600 logistics companies (including those which provide third party logistics, freight forwarding, warehousing and courier services) and invite them to share their views on the proposed planning parameters of the project. Interested parties may also download the EOI document from www.logisticshk.gov.hk and submit their views. The deadline for the submission of returns is 28 February 2005, and the outcome will be reported to the LDTF, the LOGSCOUNCIL and to members of this Panel.

9. In parallel, we are proceeding with preparatory work associated with the detailed engineering feasibility study for the project. This will cover various impact assessment studies (including environmental and traffic) which are essential to fulfill the statutory requirements for subsequent reclamation and zoning of the site.

10. Based on current planning forecasts, the earliest date the site can be formed and the basic infrastructural works completed is 2009.

Advice Sought

11. Members are invited to note and comment on the plan to conduct an EOI exercise on the LLP project.

Economic Development and Labour Bureau
30 November 2004

**Invitation for Expressions of Interest and
comment on the proposed planning parameters
for the Lantau Logistics Park**

1 PURPOSE

1.1 The Economic Development and Labour Bureau of the Hong Kong Special Administrative Region Government invites interested parties to express their views on the proposed planning parameters for, and activities to be undertaken, in the future Lantau Logistics Park (LLP).

2 INTRODUCTION

2.1 In the 2003 Policy Address, the Chief Executive announced plans to construct a modern Logistics Park on North Lantau to strengthen Hong Kong's position as a leading transportation and logistics hub. This was the outcome of a number of consultancy studies which culminated in a recommendation to develop a logistics park at Siu Ho Wan, in North Lantau.

2.2 Consultants have recently completed a Scoping Study on the project for the Civil Engineering and Development Department. The study findings form the basis for this invitation for views.

2.3 By facilitating the construction of the LLP, the Government aims to boost Hong Kong's transport and logistics capabilities and to consolidate its role as a leading hub. With the Pearl River Delta being one of the most important manufacturing centres in the world today, the LLP is well-situated to take advantage of this. Its development will bring significant long-term benefits to this important pillar of the local economy.

2.4 The LLP will provide a purpose built operating environment for logistics service providers. Crucially, it will serve as a focus for the development of value-added services, the demand for which is expected to grow substantially in the next decade. It will also be connected to the Hong Kong International Airport (Airport), the Kwai Chung container port and road networks.

3 SITE LOCATION

3.1 The site is on the seaward side of the North Lantau Highway to the north and north-east of the Siu Ho Wan Mass Transit Railway depot as shown at the **Annex**.

- 3.2 The site will be well served by land, air and sea transportation. It is ideally located being within minutes of the Airport, the future Hong Kong landing point of the Hong Kong-Zhuhai-Macao Bridge and the Kwai Chung container terminals. Together, these will ensure the quick and efficient transit of cargo to destinations around the world as well as providing opportunities for value added logistical activities.

4 PROPOSED PLANNING CONSIDERATIONS

4.1 PARK SIZE

- 4.1.1 It is proposed to form a site of about 72 hectares on reclamation. The LLP will provide a business-park environment for modern logistics activities with supporting facilities, high quality landscape and well designed open spaces, including a waterfront promenade.
- 4.1.2 The size of the site reflects the forecast demand as summarized in para 4.1.6. The volume of international trade passing through HK will largely determine demand for HK's logistics services. As such, it is necessary to examine future demand forecasts.
- 4.1.3 Total container throughput of the port is expected to increase from 19.1 million Twenty-foot Equivalent Units (TEUs) in 2002 to 40.2 million in 2020, according to the Port Cargo Forecasts conducted by this Bureau. A recent Airport Authority study forecasts cargo volumes at the Airport to rise from 2.48 million tonnes in 2002 to 5.97 million by 2020.
- 4.1.4 It is necessary to offset the increase in demand for maritime and air freight service by the fact that some of the additional demand is expected to be met by existing logistics premises and facilities.
- 4.1.5 The nature of the logistics industry is changing. The development of new third party logistics services (3PL), which requires more space than relatively conventional activities for example freight consolidation, will increase demand for logistics facilities. Moreover, it is expected that the outsourcing of transport, logistics and value added services will increase as Pearl River Delta manufacturers exploit the cost reductions available through outsourcing. Given the relatively low penetration of 3PL services in Hong Kong and South China when compared to Europe and North America, and with the opening up of the logistics industry to international competition through various international and free trade agreements including the Closer Economic Partnership Arrangement with the Mainland, it is

reasonable to forecast substantial growth in service demand in this area.

- 4.1.6 According to current plans, the LLP will provide approximately 600,000 square metres of Gross Floor Area (GFA) for logistics purposes. On the basis of the demand forecast for freight forwarding logistics in Hong Kong, the space requirement is expected to rise from 1.1 million to between 2.4 million and 3.2 million square metres GFA between 2002 and 2020. In other words, new demand would lie in the range of 1.3 million to 2.1 million square metres of which, 0.6 million would be provided in the LLP with the remaining met by other logistics facilities.
- 4.1.7 The size of the site also takes account of a number of factors including plot ratio and overall Net to Gross Ratio in the LLP.
- 4.1.8 Most logistics companies prefer to work out of a single storey building although the adjacent office space is often in a multi-storey facility. Taking reference from the Hong Kong Planning Standards and Guidelines as they apply to Industrial Estates, the permissible plot ratio is 2.5 although the average achieved is 1.15. Hence, using overseas experience, it is proposed that an average net plot ratio of 1.5 be adopted for the LLP. It is anticipated that the average net plot ratio will not exceed 1.8. However, with set backs from site boundaries and the need to provide for vehicle movements, the net achieved plot ratio for some similar facilities overseas is typically below 0.5.
- 4.1.9 Using overseas examples of similar logistics parks and the Hong Kong Industrial Estates operation, an overall net to gross ratio of land use in the LLP of 55% would appear reasonable for initial planning purposes.
- 4.1.10 On this basis, the net lettable land area within LLP is estimated to be approximately 40 hectares.
- 4.1.11 The Airport Height Restrictions allow for a building height ranging from 80-100 metres increasing eastwards but a uniform 40 metres restriction is envisaged throughout the LLP. The row of the logistics centre nearest to the waterfront is proposed to have a lower height restriction of between 25 and 30 metres for aesthetic reasons.

4.2 LOT SIZES

4.2.1 The LLP will provide a purpose designed environment for different sized logistics companies. Initial thinking is that the smallest site required is likely to be 1 hectare with the largest around 10 hectares. A 5,000 square metre lot size has been used as a preliminary Planning Module but a flexible approach could be adopted if individual lessees require odd sized lots.

4.3 ACTIVITIES ENVISAGED IN THE LLP

4.3.1 In addition to traditional freight forwarding, storage and warehousing of goods, value added logistics activities (especially those that cannot normally be carried out efficiently in existing logistics facilities in Hong Kong) could be accommodated. Examples include returns management, system integration, raw materials management, pick and pack operations, quality control, customs documentation and consultancy, postponed assembly, labelling, repacking, call centre management services etc.

4.3.2 The LLP site is expected to attract a wide range of product sectors including garments, consumer electronics, pharmaceuticals, foodstuffs, retail etc.

4.4 COMMON FACILITIES TO BE PROVIDED IN THE LLP

4.4.1 In addition to the provision of basic infrastructure such as water supply, sewage treatment facilities and utility services, certain shared facilities could be made available. These could include a marine cargo handling area, a range of catering facilities, landscaped open space and waterfront promenade, visitor parking and public transport interchange.

4.4.2 Multi-tenanted office accommodation would need to be provided for common support services including banks, insurance and accounting firms etc.

4.4.3 Given the need for LLP operators to be fully integrated with their suppliers, end consignees, transport providers and IT systems, it is essential for the LLP to offer the most up-to-date IT infrastructure. These would need to include broadband connections to the Digital Trade and Transportation Network (DTTN) System, help and network operation centres etc.

4.4.4 A shuttle bus service may be considered within the LLP linking individual facilities and the public transport interchange.

4.4.5 The LLP would need to be a secure fenced area with restricted access. As such, an on-site Customs facility might be provided to facilitate cargo flows through the Airport, container terminals and land boundary control points. Compliance checking and streamlined services could be made available within the LLP, which could also be a bonded area for other customs' purposes.

4.5 LEASE/SALE OF SITES

4.5.1 Logistics companies will have a range of options open to them.

4.5.1.1 Firstly, to build their own facility designed to meet specific operational needs with the possibility, of introducing third parties to finance and own these facilities.

4.5.1.2 Secondly, leasing space in newly constructed multi-tenanted buildings which would be particularly attractive, to Small and Medium Enterprises (SMEs).

4.5.1.3 And thirdly, in time, purchasing or leasing either in whole or in part, an existing building.

4.5.2 The LLP could make available multi-tenanted facilities, suitable for SMEs and new entrants. These facilities would need to be custom designed and complement the expertise, technologies and processes needed to optimize the handling of materials, information, processes and products. Such an approach would also enable SMEs to minimize their capital outlay on facilities and systems.

4.5.3 For example, facilities could be designed to offer the latest racking and shelving systems, conveyors, sorting systems, labeling, bar coding etc. In addition, individual zones within buildings could be configured for security and temperature sensitive purposes.

4.6 PARKING AND LOADING/UNLOADING FACILITIES

4.6.1 Loading/unloading bays as well as queuing and parking facilities would need to be provided within each site. Sufficient on-site manoeuvring and parking spaces would be required to ensure that vehicles entering each site do not queue outside individual site boundaries.

4.7 TRANSPORT AND ACCESS

- 4.7.1 It is proposed that the LLP will have its own marine cargo facility which would facilitate tenants to receive and dispatch goods to and from the Mainland. However, restrictions would need to apply to the length, displaced weight and draught of vessels using this facility.
- 4.7.2 The LLP may be connected to the North Lantau Highway, via a proposed elevated roundabout at Siu Ho Wan, and hence, to the Airport and downtown HK. The feasibility of this proposed connection will be investigated taking account of the connection at Tai Ho proposed under the Hong Kong-Zhuhai-Macao Bridge project.
- 4.7.3 It is envisaged that the planned Hong Kong-Zhuhai-Macao Bridge will land at Northwest Lantau and will likely connect to the North Lantau Highway at Tai Ho, although consideration will need to be given to interchange spacing along the North Lantau Highway and the accesses of other proposed nearby developments.

4.8 PROJECT FINANCING

- 4.8.1 The Government will consider this issue at a later stage.

5 TIMEFRAME

- 5.1 The Government is working to a timetable which if successfully implemented, would see the reclamation and site infrastructure works completed in 2009.
- 5.2 Following the submission of the Scoping Study, work is proceeding on a detailed Feasibility Study including the environmental impact assessment required under the Environmental Impact Assessment Ordinance, and Consultants are being appointed. The Study by planning and engineering Consultants is expected to be completed by the beginning of 2006.
- 5.3 In parallel, a public consultation exercise will be conducted.

6 DEADLINE FOR SUBMISSION OF VIEWS

- 6.1 Your views on the proposed approach and details outlined above are invited. In addition, an indication on a non-committal basis as to whether your organization is likely to operate in the LLP and the extent and nature of the operation, would be most welcome. Responses should be sent in writing to –

The Project Co-ordinator's Office
Economic Development and Labour Bureau
Government Secretariat
2/F East Wing
Central Government Offices
Lower Albert Road
Central
Hong Kong

to reach him on or before **28 February 2005**.

Replies may also be faxed to 2523 1973 or e-mailed to robiningill@edlb.gov.hk

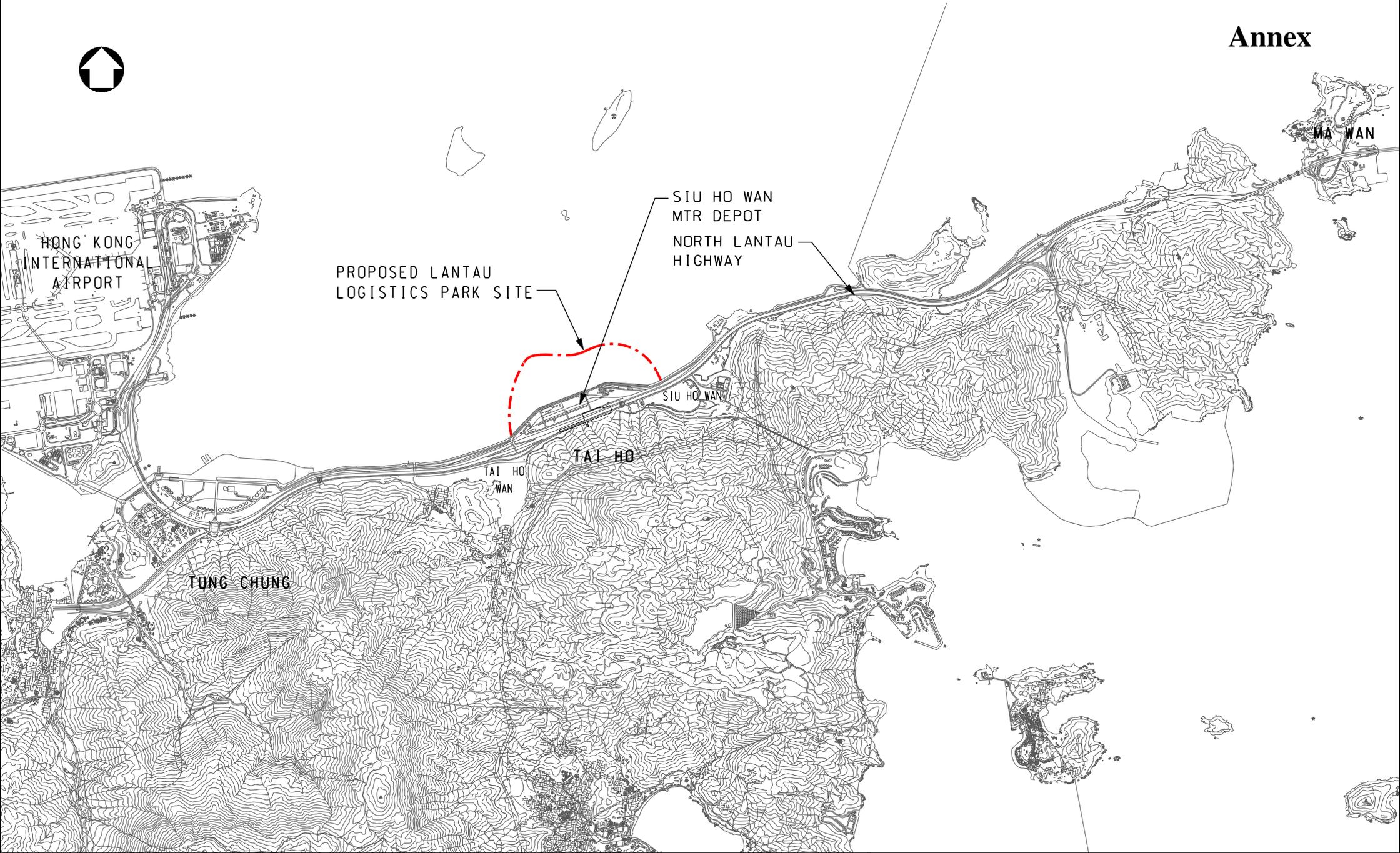
7 DISCLAIMER

7.1 Whilst the information in this Invitation for Expression of Interest and Comments (Invitation) has been prepared in good faith, it does not claim to be comprehensive or have been independently verified. Neither the Government nor any of its officers, agents or advisers accepts any responsibility or liability as to or in relation to the adequacy, accuracy or completeness of the information contained in this Invitation, or any other written or oral information which is, has been or will be provided or made available to any respondent to this Invitation (Respondent); nor do they make any representation, statement or warranty, express or implied, with respect to such information or to the information on which this Invitation is based. Any liability in respect of any such information or inaccuracy in this Invitation or omission therefrom is expressly disclaimed. In particular, no representation or warranty is given as to the achievement or reasonableness of any future projections, estimates, prospects or returns contained in this Invitation. Nothing in this Invitation nor in any other written or oral information which is, has been or will be provided or made available to any Respondent should be relied on as a representation, statement or warranty as to the intentions, policy or action in future of the Government, its officers or agents.

7.2 This Invitation is not intended to provide the basis of any investment decision. Respondents shall not construe the contents of this Invitation or any communication by or on behalf of the Government, or any of its officers, agents or advisers, as financial, legal, tax or other advice. Each Respondent should consult its own professional advisers as to the financial, legal, tax or other matters concerning the development of the LLP.

- 7.3 This Invitation shall not be construed as committing the Government to proceed with the development or construction of the LLP. Nor is the Government obliged to adhere to the proposed planning considerations and timeframe as set out above, which merely represent in broad outline the Government's present thinking on the LLP project.
- 7.4 Without prejudice to para 7.1, the Government will not accept any responsibility or liability whatsoever in respect of any statement contained in this Invitation nor in any of the submissions received.
- 7.5 There is no commitment on the part of the Government to adopt any of the views or proposals received as a result of this Invitation.
- 7.6 Each Respondent shall be solely responsible for the fees, costs and expenses incurred in preparing and submitting his response to this Invitation. The Government will under no circumstances be liable to any Respondent for any such fees, costs or expenses.
- 7.7 The submission of a response by a Respondent shall be taken to be an acceptance of the terms of this Invitation.

**Economic Development and Labour Bureau
The Government of the Hong Kong Special Administrative Region
December 2004**



LOCATION PLAN FOR PROPOSED LANTAU LOGISTICS PARK

Scale 1:40 000