

立法會 *Legislative Council*

LC Paper No. CB(1)394/04-05

Ref : CB1/PL/ES

Panel on Economic Services

Background brief on the proposal to build a modern logistics park in North Lantau

Purpose

This paper sets out the background to the proposal to build a modern logistics park in North Lantau.

Background

2. In May 2000, the former Port and Maritime Board (PMB) set up a committee to consider how the various segments in the supply chain can work more closely together to promote the development of logistics services in Hong Kong. The McClier Corporation was commissioned by the PMB in December 2000 to carry out the “Study to Strengthen Hong Kong’s Role 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. In order to take forward the initiative to promote Hong Kong as a logistics centre, the Administration set up a new Steering Committee on Logistics Development in late 2001. Chaired by the Financial Secretary, the Steering Committee gives direction on accelerating the development of a logistics industry with Hong Kong characteristics. A Logistics Development Council chaired by the Secretary for Economic Development and Labour was also set up to provide a forum for the public and private sectors to discuss and co-ordinate matters concerning the industry and to carry out joint projects.

4. In his 2003 Policy Address, the Chief Executive announced that the Government would facilitate the development of Hong Kong International Airport’s logistics centre and express cargo terminal, and build a modern logistics park on North Lantau. The Government would also enhance Hong Kong’s information connectivity, upgrade the necessary infrastructure, ensure a

smooth flow of cargo between Guangdong and Hong Kong and strive to reduce operating costs. In addition, the Government would promote a closer co-operation with other cities in the Pearl River Delta to develop appropriate standards and division of labour, and expand business opportunities. Feasibility studies on Container Terminal 10 would also be commissioned.

5. In January 2004, the Administration briefed the Panel on, inter alia, the progress of the development of a value added logistics park (VALP) on North Lantau. In order to ensure that the development parameters of the VALP would cater for the practical needs of the industry, the Administration advised that it would consult industry players and the Hong Kong Logistics Development Council on the broad planning parameters for the development of the logistics park.

6. The Panel has all along been concerned about the logistics development in Hong Kong, particularly in the light of the rapid development of logistics facilities in the Mainland and the high unemployment rate in Hong Kong. In order to sustain the competitiveness of Hong Kong's logistics industry and to relieve the unemployment problem in Hong Kong, the Panel urged the Administration to promote vigorously the development of the logistics industry, assist the industry in enhancing the efficiency of the logistics services and extend the sources of cargo. There was also a need to streamline the custom clearance procedures, and speed up the development of cross-boundary transport infrastructure to enhance efficiency and improve connectivity.

7. The Panel was also in support of the Administration's plan to build a VALP on North Lantau. When the Administration briefed the Panel on the progress of the project in January 2004, the Panel urged the Administration to expedite the work with a view to providing a designated facility for handling high value, time critical air cargoes. The development should also cater for the practical needs of the industry. The relevant extract of the minutes of meeting is in **Annex A**.

8. Regarding the Panel's concern about the need to co-ordinate the development of modern transport and container terminal facilities and tourist attractions on Lantau, the Administration advised that recognizing the need for doing so, it had decided in January 2004 to establish the Lantau Development Task Force under the chairmanship of the Financial Secretary to comprehensively co-ordinate the planning and development of these projects and to ensure that the major infrastructural and developmental projects were completed on schedule.

Lantau Development Task Force

9. The key tasks of the Lantau Development Task Force are –
- (a) to provide a planning framework to ensure a balanced and co-ordinated approach for the planned developments in Lantau; and
 - (b) to ensure the timely provision of necessary land and infrastructure for, and delivery of, the planned projects.
10. As a start, the Lantau Development Task Force has drawn up a Concept Plan for Lantau. The concept plan aims to provide a coherent planning framework to meet a diversity of land use needs. In formulating the plan, the Task Force has adopted a balanced and sustainable planning approach integrating both development and conservation needs.
11. The concept plan has initially identified a few key development themes and proposals for community discussion. They include (a) economic infrastructure and tourism proposals, including the VALP on North Lantau to enhance Hong Kong's economic competitiveness, (b) theme attractions based on heritage, local character and natural landscape, (c) maximizing the recreation potential of country parks, and (d) meeting nature conservation needs to achieve balanced planning.
12. Following a briefing conducted on 26 October 2004 for the Panel on Planning, Lands and Works, the Administration launched a three-month public consultation exercise on 29 November 2004 to solicit public views on the concept plan. The public consultation will last until 28 February 2005. Further details of the concept plan can be found in the following web page –

<http://www.info.gov.hk/planning/lantau/en/background/index.html>.

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LC Paper No. CB(1)1016/03-04
(These minutes have been seen
by the Administration)

Ref: CB1/PL/ES/1

Panel on Economic Services

**Minutes of meeting held on
Thursday, 15 January 2004, at 4:30 pm
in the Chamber of the Legislative Council Building**

- Members present** : Hon James TIEN Pei-chun, GBS, JP (Chairman)
Dr Hon LUI Ming-wah, JP (Deputy Chairman)
Hon Kenneth TING Woo-shou, JP
Dr Hon Eric LI Ka-cheung, GBS, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kam-lam, JP
Hon SIN Chung-kai
Hon Howard YOUNG, SBS, JP
Hon LAU Chin-shek, JP
Hon Miriam LAU Kin-ye, JP
Hon CHOY So-yuk
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, JP
Hon Henry WU King-cheong, BBS, JP
- Non-Panel Member attending** : Hon CHAN Yuen-han, JP
- Members absent** : Hon Fred LI Wah-ming, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon LEUNG Fu-wah, MH, JP

**Public Officers
attending**

: Agenda Item IV

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Sandra LEE
Permanent Secretary for Economic Development and
Labour (Economic Development)

Ms Eva CHENG
Commissioner for Tourism

Ms Miranda CHIU
Deputy Secretary for Economic Development and
Labour (Economic Development) 1

Mr Wilson FUNG
Deputy Secretary for Economic Development and
Labour (Economic Development) 2

Mr Raymond FAN
Deputy Secretary for Economic Development and
Labour (Economic Development) 3

Agenda item V

Ms Sandra LEE
Permanent Secretary for Economic Development and
Labour (Economic Development)

Mr Raymond FAN
Deputy Secretary for Economic Development and
Labour (Economic Development) 3

Mr TSUI Shung-yiu
Director of Marine

Mr Roger TUPPER
Deputy Director of Marine

Agenda item VI

Ms Sandra LEE
Permanent Secretary for Economic Development and
Labour (Economic Development)

Mr Wilson FUNG
Deputy Secretary for Economic Development and
Labour (Economic Development) 2

Mr Darryl CHAN
Principal Assistant Secretary for Economic
Development and Labour (Economic Development)

Mr Norman LO
Deputy Director-General of Civil Aviation

Clerk in attendance : Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Ms Debbie YAU
Senior Council Secretary (1)1

Miss Winnie CHENG
Legislative Assistant 5

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IV Policy briefing by the Secretary for Economic Development and Labour on the relevant policy initiatives featuring in the Chief Executive's 2004 Policy Address

(LC Paper No. CB(1)742/03-04(03) - Information paper provided by the Administration)

Logistics and port development

Container terminals

5. Given the rapid development and expansion of the Mainland ports and the increasing competition from the Shenzhen ports, Ms CHAN Yuen-han enquired about the measures taken by the Administration to reinforce the position of Hong Kong as the logistics centre in Southern China. She remarked that as the Guangdong authorities had initiated a number of initiatives to attract new investment on port facilities and customers to make use of their services at low costs, she was worried that Hong Kong would eventually lose out in the

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competition with the Mainland ports. Apart from sea transportation, the development of a new airport in Guangzhou also imposed another threat to Hong Kong.

6. SEDL said that Hong Kong had an edge over other cities in developing the logistics industry in terms of both hardware and software. Notwithstanding, the Administration would not be complacent and would continue to take forward various initiatives to promote the long-term development of the logistics industry.

7. SEDL briefed members on various initiatives taken by the Administration in the past year to strengthen Hong Kong's position as the region's preferred international logistics hub. The implementation of 24-hour cross-boundary clearance and improved customs and immigration procedures had shortened the processing time and brought about an obvious increase in the clearance capacities at land boundary crossings. On the development of the Digital Trade and Transportation Network (DTTN) System, the Administration was discussing with a service provider with a view to concluding an operating agreement for the development and launching of the DTTN system in 2005. In addition, Hong Kong was also actively expanding its transport infrastructure network. The construction of the Shenzhen Western Corridor was scheduled for completion by the end of 2005 whereas a co-ordination group with representatives from the three governments had begun advance work for the Hong Kong-Zhuhai-Macao Bridge. All in all, the Administration would continue to add more facilities and adopt new technologies to facilitate the movements of goods at a lower cost.

8. As regards the relationship between Hong Kong and the Mainland in logistics development, SEDL highlighted that it involved both competition and co-operation. He referred to the Mainland-Hong Kong Logistics Cooperation Study jointly commissioned with the National Development and Reform Commission. The initial findings of the Study had confirmed the need for and strategic importance of cross-boundary cooperation in logistics development. It had also recommended that both sides should continue to build on existing liaison channels and promote the development of logistics pipelines and inland freight villages. In addition to co-operation on land transportation, the Administration also aimed at extending the HKIA's passenger and cargo catchment area through cooperating with other airports in the Pearl River Delta (PRD).

9. Notwithstanding the reply, Ms CHAN Yuen-han pointed out that many of the initiatives mentioned by SEDL were also being undertaken by the Guangdong authorities to promote the port and airport development in the PRD. She therefore saw the need for the Administration to introduce further measures to enhance the competitiveness of the logistics industry in Hong Kong.

10. While expressing that she was not opposing to the development of building more container terminals in Hong Kong, Ms Miriam LAU was

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concerned that it was premature to say that the new container terminals would be built on Lantau as the Hong Kong Port Development Council had yet to examine the findings and recommendations of the Hong Kong Port - Master Plan 2020 which was due for completion in early 2004. As container terminals were fully funded (including the cost of land formation for the terminals), owned and managed by the private sector with no direct or indirect government involvement, she asked if the Administration would alter the present development mode and grant subsidies to the future successful proponents to develop new container terminals.

11. SEDL remarked that in order to raise the competitiveness of Hong Kong in the long term, the Administration would recommend building more container terminals. On the choice of site, Lantau was one of the options being considered by the consultant. Pending the completion of the Hong Kong Port - Master Plan 2020 Study, the Administration would consult the industry players on how to take forward the project. On the mode of development, a decision had yet to be made, pending the results of the Study as well as industry consultation.

12. Mr HUI Cheung-ching cautioned that the Administration should take the latest port cargo forecast into account in deciding whether or not to take forward the construction of new container terminals in Hong Kong so as to ensure the financial viability of the container terminal facilities.

13. SEDL shared Mr HUI's view and pointed out that the study would examine factors such as the market situation in the PRD, past performance in cargo throughput and competition of neighbouring PRD ports in assessing the feasibility of constructing new container terminals.

Terminal handling charges

14. Mr Kenneth TING was gravely concerned that the level of terminal handling charges (THC) in Hong Kong was too high which had effectively eroded the competitiveness of the Hong Kong port. Despite the on-going efforts made by the Administration in the past six years, there had not been any significant progress in lowering the THC. Mr TING therefore called on the Administration to consider introducing legislation to address the matter as was the case for Australia. The Chairman also remarked that in view of the high THC, shippers might choose to import/export their goods through other PRD ports. Ms Miriam LAU also echoed with Mr TING and pointed out that the persistently high THC was a more immediate problem that should be addressed in maintaining the competitiveness of Hong Kong port.

15. Mr Abraham SHEK stated his objection to regulate the THC through legislation as issues relating to THC were essentially a commercial matter involving liner conferences, shippers and container terminal operators. In his view, the high THC was attributable to the high single rate charged by shipping

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lines covering shipping and terminal handling related charges. In fact, Hong Kong port was very efficient. This explained why shippers preferred to ship their goods through Hong Kong port despite its high cost. He called on the Administration to provide further information on the components of THC and the container freight industry so as to facilitate members' understanding of the issue at stake.

16. SEDL said that as the mechanism for determining THC was based on international practice and was a commercial matter between the shippers and the shipping lines, it was inappropriate for the Government to interfere with these commercial arrangements. The Government's role was to facilitate resolution of disagreements through dialogue. The Government would continue to liaise with the parties concerned to encourage them to meet and discuss issues of concern in order to increase the transparency of the mechanism for determining THC. To this end, he had already secured the agreement of the relevant parties to provide further information on THC. As per the request of Mr SHEK, he undertook to provide further information on the cost components of the freight industry.

Value-added logistics park and developments on Lantau

17. Referring to the slow progress in the development of the value-added logistics park (VALP) which had been advocated in last year's policy agenda, Ms Miriam LAU urged the Administration to expedite the work with a view to providing a designated facility for handling high value, time critical air cargoes. She enquired about the implementation timetable and the site option in developing the VALP.

18. In reply, the Permanent Secretary for Economic Development and Labour (Economic Development) (PS/EDL(ED)) said that the Administration had followed up closely the development of the project since it was announced last year. The Administration had been consulting the logistics sector on the broad planning parameters for the development of VALP on North Lantau. A survey on the views of potential VALP users on the services and facilities that should be provided on-site had just been concluded, and the findings of the survey would be taken back to the Hong Kong Logistics Development Council for consideration. The purpose was to ensure that the development parameters of the VALP would cater for the practical needs of the industry. On site selection, the Administration had identified initially a site on North Lantau, the strategic importance of which would be enhanced by its proximity to the Hong Kong-Zhuhai-Macao Bridge on the Hong Kong side. PS/EDL(ED) assured members that the Administration attached a high priority to the VALP initiative, but the development of an infrastructural facility like this would inevitably take time. It planned to finalize the survey report and discuss the way forward for the VALP initiative at the first meeting of the newly established Lantau Economic and Infrastructural Development Co-ordination Task Force chaired by the Financial Secretary in February 2004. The project would then be taken forward having regard to the required statutory procedures, such as seeking the

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approval of the Town Planning Board.

19. Addressing Ms LI Fung-ying's concern of the need to co-ordinate the development of modern transport and container terminal facilities and tourist attractions on Lantau, SEDL said that the Government had recognized the need for doing so, hence the decision to establish the Lantau Economic and Infrastructural Development Co-ordination Task Force under the chairmanship of the Financial Secretary to comprehensively co-ordinate the planning and development of these projects and to ensure that the major infrastructural and developmental projects were completed on schedule.

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Council Business Division 1
Legislative Council Secretariat
19 February 2004