

**Progress report on the motion on
“Strengthening Hong Kong’s capability in immediate transshipment”
moved by Hon CHAN Kam-lam
at the Legislative Council meeting on 6 December 2006**

Annex A

At the Legislative Council meeting of 6 December, the motion on “Strengthening Hong Kong’s capability in immediate transshipment” moved by Hon CHAN Kam-lam, as amended by Hon SIN Chung-kai, was carried (Annex A). This paper briefs Members on the progress made by the Administration in regard to the motion.

Policy Aspect

2. To strengthen Hong Kong’s status as an international maritime centre and a regional logistics hub in Asia, the Government is dedicated to providing the infrastructure and a business environment that is conducive to the development of the logistics industry, promoting services integration in a seamless supply chain, and moving Hong Kong further up the value chain.

3. The Focus Group on Maritime, Logistics and Infrastructure established under the auspices of the Economic Summit on “China’s 11th Five-Year Plan and the Development of Hong Kong” submitted a report to the Administration on 15 January 2007 putting forward a number of strategic proposals and proposed measures for the enhancement of the competitiveness of Hong Kong’s port, maritime and logistics industry. The Government is carefully studying the recommendations.

4. Meanwhile, to reduce the operating costs of the logistics industry, we have introduced multiple entry permits for river trade vessels, streamlined the application procedures and reduced permit fees. The relevant amendment regulations to provide for these changes have come into effect from 2 January 2007. The measure would help to reduce up to 50% of the permit costs for a permit-holding vessel and attract more river trade vessels bringing cargoes to Hong Kong.

5. Co-location of Mainland and HKSAR customs, immigration and quarantine (CIQ) facilities at the Hong Kong International Airport (HKIA)

may involve the carrying out of duties by Mainland CIQ officials within the area of Hong Kong, raising complicated constitutional and legal issues that need to be carefully examined. In terms of the nature and operational arrangements, this is also different from the co-location of CIQ facilities at the new land boundary control point at Shenzhen Bay being pursued by the HKSAR Government in cooperation with the Shenzhen authorities. The Administration will at this stage concentrate on implementing the co-location at Shenzhen Bay and learn from the experience before studying the feasibility of co-location at HKIA.

Transportation Network

6. The Airport Authority (AA) is building ten more cargo parking stands. This will increase the total number of freighter parking stands to 35 to meet forecast growth in cargo volume. This project, which costs \$300 million, is scheduled for completion in 2007. In addition, AA is investing \$1.6 billion to build new taxiways and to resurface existing runways to ensure smooth movement of aircraft in and out of HKIA. AA is also making preparations for the launch of the feasibility studies on the option of building a third runway for HKIA.

7. To support the long term growth of the air cargo industry, AA has decided to develop another air cargo terminal at HKIA, and has commenced the tendering process before the end of 2006. Asia Airfreight Terminal's \$1.75 billion expansion project to increase its capacity from 0.6 to 1.5 million tonnes per annum is expected to complete in the first quarter of 2007. DHL's \$800 million expansion of its express cargo terminal at HKIA will also be completed within 2007 to raise the terminal's capacity from 0.16 to 0.7 million tonnes per annum.

8. The airspace congestion problem in the Pearl River Delta (PRD) region has received top level attention from the Central People's Government (CPG). The Chief Executive discussed the matter with the CPG officials during his official visit to Beijing in December 2006. The CPG indicated that the subject would be "included in the agenda" to ensure more efficient air traffic management in the PRD region. The HKSAR Government will work with the relevant Mainland authorities to continue to follow up the matter actively.

Infrastructure

9. The detailed feasibility of the Lantau Logistics Park and the updating of the Port Cargo Forecasts for determining the optimal timing for the construction of the Container Terminal 10 are both progressing as scheduled.

10. The HKSAR Government has been making concerted efforts with the Mainland authorities to improve the Cross-boundary Land Transportation Network. We are pressing ahead with a number of projects, including the Hong Kong-Shenzhen Western Corridor (HK-SWC), Guangzhou-Shenzhen-Hong Kong Express Rail Link (ERL) and Hong Kong-Zhuhai-Macao Bridge (HZMB), with a view to laying a solid foundation for our regional economic development.

11. In particular, the HK-SWC is scheduled for operation in mid 2007 to tie in with the commissioning of the boundary crossing facilities (BCF) at Shekou. With this addition of the fourth cross-boundary land crossing, it is expected that our maximum cross-boundary vehicle handling capacity will increase by more than two times.

12. The Government is also examining the updated planning parameters and patronage forecast put forward by the Mainland to decide on whether the Dedicated Corridor Option or the Shared Corridor Option should be adopted for the Hong Kong Section of the ERL, which is intended to be a passenger rail and will adopt a forward-looking approach in making the decision. In the meantime, the Government have invited the Kowloon-Canton Railway Corporation (KCRC) to proceed with the planning work of the project. The KCRC is now conducting the engineering/business study and preliminary site investigations of the project, and is expected to submit its study report in mid 2007.

13. As regards the HZMB, the Governments of Guangdong, Hong Kong and Macao have reached agreement on the alignment and landing points of the bridge and are now pressing ahead with the studies on BCF under the mode of “separate locations of BCF” and on the financing arrangements. Meanwhile, the CPG has established a central-led HZMB Task Force to give a further push to the project. The Task Force is headed by the National Development and Reform Commission, with

representatives from the Ministry of Communications, Hong Kong and Macao Affairs Office of the State Council and the governments of Guangdong, Hong Kong and Macao as members. The Task Force held its first meeting on 9 January 2007.

14. In respect of developing the cross-boundary intelligent transport systems, the Government will continue to liaise with relevant Mainland authorities to explore opportunities for further co-operation.

15. As regards the development of the Liantang/Heung Yuen Wai Control Point, the HKSAR Government has formally commenced a joint study with the Shenzhen Municipal Government in December 2006 to establish the need, function and benefits of the new control point. Moreover, the Government has commenced an internal planning study in January 2007 to examine the relevant planning, environmental and engineering issues of the proposed new control point. It is expected that the related planning studies will be completed by early 2008.

Information System

16. The Commerce, Industry and Technology Bureau (CITB) briefed members of the Panel on Commerce and Industry of the Legislative Council on 16 January 2007 regarding the proposal to implement an electronic customs clearance system for road cargoes.

17. With the proposed electronic customs clearance system, the Customs and Excise Department will have more room to formulate measures that will further facilitate the passage of transshipment cargoes which involve inter-modal transfer. For example, instead of going through inspections by Hong Kong Customs twice at both the land boundary control points and the airport under the existing procedure, air-land transshipment cargoes may only be subject to inspection at either one of the Customs control points.

18. Taking into account the lead time required for preparing the amendment bill, securing funds and developing the electronic infrastructure, CITB aims to put in place the proposed electronic customs clearance system in 2009.

19. The six RFID related projects funded by the Innovation and Technology Commission under the 2004 Guangdong/Hong Kong

Technology Cooperation Funding Scheme are generally progressing according to the schedule and are targeted for completion by 2007. Enabling technologies and prototypes of RFID tags, readers and networks infrastructure have been developed, and pilot applications are in place to test out the practicality of the technologies so developed.

20. On the other hand, the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies (LSCM) is currently in the process of vetting the 17 applications received in its first round of call-for-proposals. The Centre expects that the first round of R&D projects will commence in the second quarter of 2007. Meanwhile, the Centre continues to keep in close contact with the industry through the organization and participation of technology seminars and conferences, and launched a membership scheme with a view to fostering closer industry collaborations and to collecting industry views for developing market-driven R&D projects.

21. It is the HKSAR Government's established policy to maintain Hong Kong's status as a regional logistics hub in Asia. The development of the logistics industry calls for complementary support from a wide spectrum of policy areas. We will also continue to engage the industry to jointly promote the development of the logistics industry.

**Economic Development Branch
Economic Development and Labour Bureau
February 2007**

(Translation)

Motion on
“Strengthening Hong Kong’s capability in immediate transshipment”
moved by Hon CHAN Kam-lam
at the Legislative Council meeting
of Wednesday, 6 December 2006

Motion as amended by Hon SIN Chung-kai

“That, in order to tie in with the National Eleventh Five-Year Plan and promote the continuous development of the local logistics industry, this Council urges the Government to take proactive measures in the aspects of policy, transportation network, infrastructure and information system, with a view to strengthening Hong Kong’s capability in immediate transshipment, including:

- (a) in the policy aspect, supporting the development of immediate transshipment, such as formulating a comprehensive plan for logistics development, exploring, with due security and legal consideration, the implementation of the co-location of immigration and customs facilities at the Hong Kong airport and striving to reduce various operating costs of the logistics industry;
- (b) in the aspect of transportation network, enhancing the efficiency of immediate transshipment, such as increasing the number of flight movements at the airport, formulating policies on the air traffic management of the Pearl River Delta region and perfecting the land transportation network, as well as proactively developing cross-boundary intelligent transport systems with the relevant departments in the Mainland;
- (c) in the aspect of infrastructure, augmenting the throughput of immediate transshipment, such as expeditiously constructing the third runway at the airport, Container Terminal 10, Hong Kong-Zhuhai-Macao Bridge, logistics park, Regional Express Line and the Liantang Control Point; and
- (d) in the aspect of information system, optimizing immediate transshipment services, such as establishing a common electronic platform for customs clearance at the Pan-Pearl River Delta (‘PPRD’) region and further encouraging the logistics industry to adopt the radio frequency identification technology,

so as to seize the opportunities brought about by the economic development of the PPRD and strengthen the position of Hong Kong’s logistics industry.”