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Chairman,
Panel on Manpower
Council Business Division 2
Legislative Council
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By Fax (No. 2509 0775) & By Post
[Total 2 + 1 pages]

Dear Mr. Lau,

At the meeting of the Panel on Manpower last week, some members raised concern over the recommendation of the Focus Group on Maritime, Logistics and Infrastructure under the Economic Summit on “China’s 11th Five-Year Plan and the Development of Hong Kong” (Economic Summit) to review the current arrangement with cross-boundary land freight transport mainly undertaken by Hong Kong drivers. We understand the concern of Members and the trucking industry over the impacts of the recommendation. We write to clarify the background to this recommendation and the latest developments.

At the Economic Summit meeting on 11 September 2006 and the ensuing Focus Group discussion, members in general are very concerned about the competitiveness of Hong Kong Port. In order to enhance the competitiveness and overall cost effectiveness of Hong Kong port and the

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logistics sector, the Focus Group has made a series of recommendations; to study the admission of mainland truck drivers is just one of them. The other recommendations include discussion with the Guangdong authorities to lower the licence fee for cross-boundary trucks, relaxation of the restrictions on the operation of cross-boundary trucking companies, implementation of the Green Lane, strengthening the river transport network and promoting the application of information technology in the logistics industry. Recently, the Focus Group submitted these recommendations to the Government for consideration.

In regard to the proposed study on the admission of mainland truck drivers, Focus Group members considered that, taking into account the development trend of the overall cross-boundary freight transport sector, it is necessary to assess the impact of these measures on the Hong Kong Society and the local cross-boundary truck drivers, and to examine whether it is possible to lower the cross-boundary freight transport cost while at the same time safeguard the livelihood of local truck drivers. All these considerations have been carefully recorded and duly reflected in the final report of the Focus group. For ease of reference, I extract the relevant part of the report at **Annex**.

We would study the recommendations of the Focus Group in depth. We agreed that it is important to make every effort to enhance our competitiveness and to lower costs. However, considering its impacts on our society, as well as the livelihood of local cross-boundary truck drivers, we are of the view that the recommendation concerning admission of mainland truck drivers is not feasible for the time being. To allay the worries of the trucking industry, the position of the Administration has been clearly conveyed at our meeting with the representatives of the trucking industry on 23 January. We shall follow up on the other measures for lowering the operating costs, e.g. to discuss with the Guangdong authorities about reducing the license fee and the relaxation of other related restrictions.

Yours sincerely,

(Miss Winky So)
for Secretary for Economic Development and Labour

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Chapter 3 Proposed Action Agenda

Strategy 1: To enhance the cost-effectiveness of cross-boundary freight transport

3.02 Cross-boundary freight transport is handled by land or river transport, with each accounting for around half of the total currently. In order to enhance the cost effectiveness of cross-boundary freight transport, it is necessary to examine how the operating environment for these two modes of transport could be improved. In addition, the application of information technology and customs facilitation will also lift the efficiency in cross-boundary freight transport. It is expected that improvements in these areas will help attract more South China cargoes using HKP, which will in turn strengthen the development of the logistics sector.

- (a) To review the current arrangement with cross-boundary land freight transport mainly undertaken by Hong Kong drivers

According to the Study on Hong Kong Port – Master Plan 2020, it costs about US\$300 more to move a 40-ft container by truck from Dongguan to US via Hong Kong than via Yantian. Among this total through cost difference, around US\$70 is related to the higher salary of Hong Kong container truck drivers as compared to Mainland drivers.

Proposed action: To examine the practical contribution of Green Lane and Mainland drivers in reducing the cross-boundary freight transport cost, including the expected magnitude of reduction in freight transport cost, expected impact on Hong Kong's port throughput and relocation of logistics activities. Taking into account the development trend of the overall cross-boundary freight transport sector, to assess the impact of these measures on Hong Kong's cross-boundary truck drivers, and to examine whether it is possible to lower the cross-boundary freight transport cost while at the same time also to safeguard the livelihood of local truck drivers. (*Recommendation M1-1*)