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LCQ6: Impact of "Three Direct Links" on the air and maritime transport, logistics and tourism sectors

Following is a question by the Hon Miriam Lau Kin-yea and a reply by the Acting Secretary for Transport and Housing, Mr Yau Shing-mu, at the Legislative Council meeting today (November 26):

Question:

The global financial tsunami has caused the economy to slow down and the volume of cargo transshipments has been declining in recent months. Moreover, the Mainland and Taiwan authorities signed four agreements early this month, which included the agreements on direct air, maritime and postal links across the Taiwan Strait ("Three Direct Links") and, as a result, both passenger and cargo traffic between the two places will no longer have to go via Hong Kong. In this connection, will the Government inform this Council:

(a) whether it has assessed the impact of the above agreements on the air and maritime transport, logistics and tourism sectors in Hong Kong; if it has, of the details of the assessment, and how the Government will assist these sectors in consolidating their position in the region, so as to withstand the impact of the "Three Direct Links";

(b) whether it has actively prepared for the impact on the above three sectors of further expansion of the "Three Direct Links" in future, with a view to achieving a win-win situation for the Mainland, Taiwan and Hong Kong; if it has, of the details; if not, the reasons for that; and

(c) given that the Government indicated early this year that it was studying how to enable Hong Kong to play a part in our country's "Twelfth Five-Year Plan", of the latest progress of the part of the study relating to the above three sectors, and whether it has expedited the study in the light of the signing of the agreements on the "Three Direct Links"?

Reply :

President,

The Administration's reply is as follows:

(a) The Mainland and Taiwan signed four agreements on November 4, 2008, including the Cross-Strait Air Transport Agreement and the Cross-Strait Sea Transport Agreement. The main specific provisions include: the number of cross-strait chartered passenger flights will increase from 36 to 108 every week, which can be operated throughout the week instead of on weekends as at present, and the number of flight points on the Mainland will increase from 5 cities to a total of 21. There will be 60 cross-strait chartered cargo flights per month, with two flight points on the Mainland and two flights point in Taiwan. Each side may add another 15 flights during the peak season from October to November. As for sea transport, the

Mainland will open 63 ports and Taiwan will open 11 ports. Yet the agreement is only applicable to vessels of Mainland/Taiwan capital which are either registered in Hong Kong, or are registered with flags of convenience and are currently engaged in cross-strait direct shipping at selected ports, cross-strait transit container liner transport, and in transport of stone, sand and gravel as well as with special approval.

The HKSAR Government has been following closely the development of the "Three Direct Links" in order to assess the impact on Hong Kong and to seize new opportunities. Our preliminary assessment is that the number of Taiwan travellers going to and from the Mainland through the Hong Kong International Airport (HKIA) will be affected to a larger extent. The impact on air cargo is expected to be more on transshipment cargo as such cargo now simply has airside transfer at the HKIA without involving other logistics processes. In 2007, Taiwan travellers made about 2.7 million passenger trips to and from the Mainland via the HKIA, about 11.2% of the annual passenger throughput of the airport. Air cargo transshipments handled at the HKIA in the same year reached 280,000 tonnes, about 7.4% of the HKIA's annual cargo throughput. We will keep a close watch on the actual impact of the "Three Direct Links" on the air passengers and cargo flows upon its implementation.

As for sea freight, notwithstanding that the "Mini Direct Links" were established in 2001, 604,000 TEUs of transshipment cargo from the two sides were shipped to and from the Pearl River Delta (PRD) region via Hong Kong in 2007, representing 3% of the total laden container throughput of Hong Kong. Therefore, we believe that with our cost and geographic advantages, the "Three Direct Links" will have relatively less impact on Hong Kong's role in transshipment for PRD port. In 2007, transshipment from the two sides via Hong Kong to and from ports outside PRD totalled 138,000 TEUs, representing 0.7% of Hong Kong's total laden container throughput. Under the agreement, although quite a number of ports will be open, the vessels permitted to operate must be of Mainland/Taiwan capital and are either registered with flags of convenience or in Hong Kong. While the development will affect Hong Kong's role as a transshipment port, it should be on the whole beneficial to container and bulk cargo shipping operators. It will also have positive impacts on our maritime services such as shipping registration and ship insurance businesses.

In respect of tourism, cross-strait direct flight is conducive to the development of business and leisure travels in the region. This would bring benefits to tourism industry in Hong Kong but the number of Taiwan same-day transit travellers through Hong Kong will decrease.

The HKSAR Government is in support of the implementation of the "Three Direct Links". Stable and harmonious cross-strait relations will help to promote economic activities among the Mainland, Taiwan and Hong Kong in the long run, which will increase the number of business travellers and tourists, and the volume of trade and cargo. This will benefit our aviation and logistics industries if they, with their wealth of experience, can seize the opportunities and enhance their competitiveness.

The Government will continue to provide an enabling environment for the shipping and logistics industries to

strengthen their position in the region. Specific measures include: (a) expanding Hong Kong's connectivity with the Mainland and other parts of the world to increase passenger flow and cargo sources, as well as to strengthen Hong Kong's status as an international maritime centre and a regional hub in Asia. Cross-boundary projects that we are actively pursuing include: the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the preliminary study on the Hong Kong-Shenzhen Airport Rail Link. Moreover, we will continue to proactively seek expansion in the bilateral air services arrangements between Hong Kong and our aviation partners, so as to create opportunities for the aviation and logistics industries to sustain growth and develop; (b) expanding the handling capacity for passenger and cargo flows, such as increasing the handling capacity of air cargo terminals and dredging the Kwai Tsing container basin and its approach channels to meet the draught requirement of new generation ultra-large container vessels; and (c) measures to enhance the competitiveness and develop business opportunities for the local shipping and logistics industries, including those on co-operation with the Mainland, cross-boundary clearance, liaison among the port and transport trades, as well as promotion and publicity.

In addition, the Tourism Commission has been maintaining close liaison with the travel trade and the Hong Kong Tourism Board to grasp the latest development and accordingly adjust our tourism promotion strategy. They will continue to enhance the quality of our tourism services and Hong Kong's attractiveness. They will also continue to develop "multi-destination" travel itineraries, MICE (Meetings, Incentives, Conventions and Exhibitions) tourism and cruise tourism so as to open up new source clientele. In the 2008-09 Policy Address, the Chief Executive has announced new measures to provide greater convenience for business visitors and tourists from Taiwan. We believe these facilitation measures would help attract more Taiwan visitors to Hong Kong and facilitate extension of their stay in the city.

(b) In addition to the policies and initiatives that I mentioned earlier, the HKSAR Government is fully prepared to grasp the opportunities brought about by the peaceful development of the strengthened cross-strait relations.

With a view to encouraging trade and economic exchanges with Taiwan, the Hong Kong Trade Development Council has set up a branch office in Taipei. Besides, in order to foster closer co-operation in areas such as trade, investment and tourism between Hong Kong and Taiwan, we are encouraging local business leaders and Taiwan businessmen in Hong Kong to organize a non-governmental "Hong Kong/Taiwan Economic Co-operation Committee" with the aim of providing a platform for direct dialogue between business enterprises in the two places, thereby promoting friendship and understanding. We have formed similar bilateral committees with our major trading partners such as the US, the EU and Japan. All these committees are private sector-led with similar representation from both sides and supported by respective governments.

Moreover, an inter-departmental high-level steering committee led by the Financial Secretary is in place. Various immediate measures are being implemented by relevant bureaux. The Committee will continue to examine and deliberate on medium

to the long term action plans as well as the overall strategic development.

(c) The initial preparation and drafting work of the National 12th Five-year Plan is expected to commence in 2009. To complement the work, the HKSAR Government has established direct contact with the National Development and Reform Commission, the Mainland body responsible for coordinating the preparation of the 12th Five-Year Plan. On this basis and as the next step, we would identify appropriate major topics relevant to Hong Kong for further exchanges with the National Development and Reform Commission and other relevant Mainland authorities. The relevant HKSAR policy bureaux will conduct studies on the selected topics as appropriate. We will take into consideration the impact of the relevant latest developments (including those related to the "Three Direct Links") on Hong Kong's maritime, logistics and tourism industries.

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