

**For information on
28 June 2010**

Legislative Council Panel on Economic Development

Framework Agreement on Hong Kong/Guangdong Co-operation – Logistics Development

Purpose

This paper briefs Members on measures related to logistics development under the “Framework Agreement on Hong Kong/Guangdong Cooperation” (Framework Agreement).

Background

2. The National Development and Reform Commission promulgated in January 2009 the “Outline of the Plan for the Reform and Development of the Pearl River Delta (PRD)” (the Outline), which elevates the development of the PRD region to the strategic level of national development, specifying Hong Kong/Guangdong co-operation as a national policy. In his Policy Address 2009-10, the Chief Executive highlighted that “to capitalize on this strategic opportunity, the governments of Hong Kong and Guangdong are formulating a framework agreement for Hong Kong/Guangdong co-operation. This will translate the Outline’s macro policies into concrete measures conducive to the development of both places. The framework will also serve as an agenda for Hong Kong-Guangdong co-operation, laying a foundation for us to seek to incorporate the related initiatives into the National 12th Five-Year Plan.” On 7 April 2010, Hong Kong and Guangdong signed the Framework Agreement. An overall introduction of the Framework Agreement is set out in LC Paper No. CB(1)1559/09-10(01) issued to the Legislative Council Panel on Commerce and Industry. The policies, measures and items set out in the Framework Agreement will be implemented jointly or respectively by Hong Kong and Guangdong depending on the circumstances.

Policies/Measures Related to Logistics Development

3. The Framework Agreement defines clearly the development positioning of Hong Kong/Guangdong co-operation to include: the facilitation of the flow of key factors such as people, goods, information and capital across the boundary,

with a view to building an international aviation, shipping and logistics hub and a world-class modern economic circulation sphere. A number of policies and measures conducive to the facilitation of the flow of goods are put forward in the Framework Agreement.

Communication and Coordination

4. With Hong Kong and Guangdong serving essentially the same cargo hinterland and our industry's strong presence in the areas of logistics, freight forwarding, storage, maritime and road freight transport services, etc. in the Mainland under the Closer Economic Partnership Arrangement, it is beneficial that the two Governments as well as the industry of both sides enhance their communication and pursue co-operation opportunities as appropriate. Specifically, the Framework Agreement suggests the two Governments to promote communication among industry participants so as to enhance their exchanges and co-operation, and to encourage them to gradually standardize the technological standards and increase their information technology (IT) application; as well as to consider possible improvements to the regulatory mechanism for cross-boundary trucks and to explore measures that will be conducive to the development of an international logistics centre.

5. On exchanges between industry participants in Hong Kong and the Mainland, the Hong Kong Trade Development Council (TDC) has over the years organized exploratory missions so that service providers of the two places could step up their communication and explore co-operation opportunities. TDC will continue with the same line of work in future. As for co-operation in terms of standardization of technical standards and increased IT application in, amongst others, logistics operations, relevant work is ongoing under the Hong Kong/Guangdong Expert Group on Co-operation in Informatisation formed under the Hong Kong/Guangdong Cooperation Joint Conference (HKCJC). Indeed, top leaders of the Hong Kong and Guangdong Governments meet frequently, and also regularly in the context of the HKCJC to discuss and pursue issues of mutual interest. We shall continue to make use of these platforms in taking forward the relevant initiatives under the Framework Agreement as appropriate.

Connectivity

6. With the rising economic power of the Mainland, including its growth as a manufacturing base and a consumer market, increasing Hong Kong's connectivity with our hinterland is pivotal to the sustained growth of our logistics development. In this connection, the two Governments have pledged

to strengthen coordination and integration by jointly pushing forward the planning, construction and operation of cross-boundary major infrastructure facilities to form a well-developed infrastructure regime for the Greater PRD. Of particular relevance to the logistics sector is the Hong Kong-Zhuhai-Macao Bridge, with the works of the Main Bridge already commenced in December 2009. Upon the anticipated completion of the Bridge in 2016, it will open up a vast area of 17,000 square kilometres in the western part of the PRD to a three-hour commuting radius from Hong Kong.

Customs Facilitation

7. Physical connectivity aside, efficiency of customs clearance is an integral part of smooth cargo flow. In this regard, the two Governments have agreed to explore measures in the areas of leveraging on IT applications and equipment, aligning data format, enhanced cross-referencing of inspection results, etc. for more efficient clearance.

8. To facilitate customs clearance, the Customs and Excise Department (C&ED) rolled out the electronic Road Cargo System (ROCARS) on 17 May 2010. Under the system, cross-boundary trucks, except those selected for inspection, would enjoy seamless customs clearance at the land boundary. ROCARS also provides added room for C&ED to facilitate the passage of transshipment cargoes which involve inter-modal transfer (e.g. from land to air/sea). The two Governments have agreed to explore possible initiatives which may ride on ROCARS to further enhance cross-boundary efficiency.

9. Besides, to reduce traders' data input efforts, the two Governments have agreed to align the format for data fields common to our ROCARS and the electronic system being developed on the Mainland side for receiving road cargo manifests. Both sides will also extend the present arrangements whereby one customs authority recognizes the inspection results of its counterpart on the other side for reference.

**Transport and Housing Bureau
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