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Panel on Economic Development Meeting on 27 June 2011

Background brief on the development of a logistics cluster in Kwai Tsing area

Purpose

This paper provides background information on the development of a logistics cluster in Kwai Tsing area and concerns raised by Members on the subject.

Background

2. Hong Kong is a regional transport and logistics hub because of its strategic location on the East-West trade route and its role as the gateway to the Pearl River Delta. Hong Kong's geographical advantage is further reinforced by its free port status, an open and transparent regulatory regime, a simple tax system with a low tax rate, free flow of capital and information, efficient customs, the rule of law and independent judiciary and its world class infrastructure.

3. Logistics industry is one of the cornerstones of Hong Kong's economic development and has been providing many jobs in the local manpower market. The contribution of the logistics industry to Hong Kong economy in the past few years is as follows –

	2005	2006	2007	2008	2009
Value added at current prices (HK\$ Mn)	70,300	72,200	71,900	62,900	54,700
Percentage share of value added to GDP	5.2	5.0	4.6	3.9	3.5
Employment	194 300	203 400	205 200	202 700	198 900
Percentage share of employment to total employment	5.8	6.0	5.9	5.8	5.7

Source: Hong Kong Statistics, Census and Statistics Department

4. The long term development potential of logistics in Hong Kong is inevitably constrained by land resources, despite the forecast of a sustained moderate growth. To meet the demand from increasing container and cargo throughput¹, the Government agreed to provide sufficient port and supporting infrastructure facilities. While keeping in view the development of the Lantau Logistics Park (LLP) in the light of the need of the logistics sector and the global and local economic situation, the Government planned to develop a logistics cluster in Kwai Tsing area.

Development of a logistics cluster in Kwai Tsing area

5. The Kwai Chung and Tsing Yi Container Terminals, located in the north-western part of the harbour, consist of nine container terminals with 24 berths of about 7 694 meters of deep water frontage. It covers a total terminal area of about 279 hectares which includes container yards and container freight stations and has a total handling capacity of over 19 million TEUs (20-foot equivalent units). In 2010², some 17 million TEUs or 72% of total container throughput of 23.6 million TEUs were handled at Kwai Chung and Tsing Yi Container Terminals, while about 6.6 million TEUs were handled in mid-stream and other wharves.

¹ The container throughput was 21 and 23.6 million TEUs (20-foot equivalent units) in 2009 and 2010 respectively, representing an annual growth rate of 12.6%, whereas the cargo throughput was 242.9 and 267.8 tonnes in 2009 and 2010 respectively, representing an annual growth of 10.2%. (Source: 2010 Port of Hong Kong Statistical Tables)

² Source: 2010 Port of Hong Kong Statistical Tables

6. As highlighted by the Chief Executive in his 2009-2010 Policy Address, it is increasingly accepted that the trading and logistics sector in Hong Kong should gradually shift to high-value goods and services³. To facilitate development in this direction, the Government had identified a number of permanent sites with a total area of some 29 hectares around the Kwai Tsing area for the development of a logistics cluster. The sites include the following:

Lot reference	Lot size (hectares)
Site B1 in Tsing Yi	2.4
Site B2 in Tsing Yi	2.4
Site A2 in Kwai Chung	4.3
Site A3 in Kwai Chung	4.2
Site 2B in Kwai Chung	16.2
Total	29.5

The exact location of these sites is shown in the **Appendix**.

7. The Government is implementing the initiative to gradually release the sites to anchor professional third party logistics service providers and international brands as their regional distribution centres. The first of such sites of about 2.4 hectares in Tsing Yi had been put up for public tender in September 2010, which was awarded to the successful proponent on a 50-year grant at a premium of \$1,150 million in December 2010. Other sites in Kwai Tsing would be released in phases subject to the review of the market needs and the traffic impact of development of such sites in the area.

Previous discussions

Panel on Economic Development

8. During the policy briefing at the meeting of the Panel on Economic Development on 16 October 2009, members enquired about the details of the plan to develop a logistics cluster in the Kwai Tsing area. The Administration advised that in releasing the land for logistics use, the Government would follow the statutory procedures to conduct traffic and environmental impact assessments. The Administration further advised that about 67.2 hectares of land was let out by way of short term tenancies for the use of the industry as adjacent port back-up land and container storage, while

³ Value-added logistics include E-commerce, risk management, management reporting, call centre management, reverse logistics and project logistics, quality control and quality assurance and customer services including systems integration and process reengineering.

another 24.5 hectares was used for container truck parking. In parallel, the Administration would keep in view the development of LLP.

Council question

9. Hon Miriam LAU raised a LegCo question at the Council meeting on 11 May 2011 about logistics sites provided by the Government. She opined that the industry had all along hoped that the Government could allocate more land for its development. She expressed concern that only two permanent logistics sites had been granted by the Government in the past decade by way of tendering, and the sites were awarded to the highest bidders, which would push up the prices of the sites and increased the costs. Moreover, as the sites were leased out on a short-term tenancy basis, the industry could not make long-term investments and developments. She enquired about the details and timetable of releasing the remaining sites in the Kwai Tsing area.

10. The Administration responded that it planned to release another long-term logistics site with an area of about 2.4 hectares in Tsing Yi in the second half of 2011, provided that there was no substantial change in the market situation and the proposed development would not adversely affect the local traffic conditions. In view of the industry's view that the provision of third party logistics facilities in Kwai Tsing might lead to traffic problems and a greater demand and competition for land in the district, the Transport and Housing Bureau was now working with relevant government departments to identify suitable long-term sites outside Kwai Tsing for logistics development. In the process, consideration would be given to factors including the availability of an efficient transport network with easy access to facilities such as the airport, port and land boundary crossings, the presence of any constraints that might limit the site's development, the local traffic conditions, and the geographical location of the site.

Latest development

11. The Administration briefed the House Committee on the latest progress of the work of the Hong Kong Special Administrative Region (SAR) in complementing the National 12th Five-Year Plan at the meeting on 20 May 2011. Members noted from the chapter dedicated to the Hong Kong and Macao SARs that apart from making available long-term sites in Kwai Tsing to attract third-party logistics services providers to operate in Hong Kong, the Government would also continue to promote to the Mainland and overseas markets the professional logistics services which could be offered by Hong Kong.

12. The Administration would brief the Panel on the development of a logistics cluster in Kwai Tsing area at the meeting on 27 June 2011.

References

13. The relevant papers are available at the following links:-

Administration's paper on the latest developments in logistics in Hong Kong and related matters for the joint Panel meeting on 15 July 2009

<http://www.legco.gov.hk/yr08-09/english/panels/eDEV/papers/eDEV0525cb1-1952-2-e.pdf>

Address by the Chief Executive at the Legislative Council meeting on 14 October 2009 - "Breaking New Ground Together" (paragraph 18)

<http://www.legco.gov.hk/yr09-10/english/panels/0910policy-e.pdf>

Minutes of special meeting of the Panel on 16 October 2009

<http://www.legco.gov.hk/yr09-10/english/panels/eDEV/minutes/eDEV20091016.pdf>

Administration's paper on the permanent sites in the Kwai Tsing area suitable for the provision of logistics services, including details on the size and location of the sites

<http://www.legco.gov.hk/yr09-10/english/panels/eDEV/papers/eDEV1016cb1-215-1-e.pdf>

Administration's paper on policy initiatives of the Transport Branch of the Transport and Housing Bureau for the Panel meeting on 15 October 2010

<http://www.legco.gov.hk/yr10-11/english/panels/eDEV/papers/eDEV1015cb1-20-2-e.pdf>

LegCo question on logistics sites provided by the Government raised at the Council meeting on 11 May 2011

<http://www.info.gov.hk/gia/general/201105/11/P201105110124.htm>

Information paper on "Latest progress of the work of the Hong Kong Special Administrative Region in Complementing the National 12th Five-Year Plan" provided by the Administration for the House Committee meeting on 20 May 2011

<http://www.legco.gov.hk/yr10-11/english/hc/papers/hc0520cb2-1792-1-e.pdf>

附錄
Appendix

