

LETTERHEAD OF SAGAWA EXPRESS (H.K.) CO., LTD.

佐川急便(香港)有限公司的信頭

Dear Mrs. Ma,

On behalf of the Hong Kong Container Freight Station Association, I am writing to apply our association to be one of the representing associations in the Transport Constituency, Legislative Council, Hong Kong SAR.

Our association was established in May 1994, with the following primary objectives:

1. To promote and protect the business of merchants and godown operator dealing with container freight station.
2. To consider, investigate and resolve all problem or matters connected with or touching upon the welfare, right, benefit or interest of the merchants and godown operator dealing with container freight station.
3. To promote and foster friendship mutual assistance co-operation and understanding among members and merchants, godown operator dealing with container freight station.
4. To make applications, representations or recommendations to any government, public or other authority, department, committee or body on any matter relating to the business of container freight station.
5. To initiate, promote, support or oppose legislative measures affecting the business of container freight station.

Our Executive Committees and Members

Our executive committees and members consists of all senior managerial experts and company owners who represent their corresponding container freight station companies in Hong Kong. We have now totally 32 companies as our members, sharing opinion in our monthly meeting. The high variety of the financial background of our members, including Hong Kong, China, United States, British and Japanese based ensures the collection of comprehensive opinion and therefore enriches the representation of our association in the transportation industry. We also have our quarterly newsletter which aim to increase the internal communication among our members and to share important issue of discussion of the industry.

Moreover, the estimated total handling volume of goods of our members has been found to be over 70% of the total volume of goods of container freight station of Hong Kong since 1997 by an individual survey done by the Hong Kong University of Science and Technology. The population of the labor of this industry was also found to be occupying a great portion of the local transportation industry.

Our Continuing Effort to the Industry

In order to enhance and promote good communication with the government bodies and to increase mutual understanding and transparency of various operational issues with any related transportation parties, we spend a lot of effort in inviting several important guests to attend our meeting. These meetings not just enable face to face discussion, but also facilitate the gathering of comprehensive opinion from different parties on various issues, including the guidelines of the black and red clouds signal to the industry, the need to consult our industry about any training course of the relevant containers and goods handling labor and the issue of license for forklift driver. The most important issue is to reflect the lack of free market competition and reasonable priced space and land which lower the competitiveness of our industry and the port of Hong Kong and thus the overall trade and economy of Hong Kong.

Our guests invited, including our honorable guest Ms. Miriam, Lau Kin-Yee, the legislative councillor in Transport Constituency, Mr. Roger Lau, the chairman of the Hong Kong Container Depot and Repairer Association Ltd. and the representatives from the two dominating and major distribution centers, Hong Kong International Distribution Center and Asia Terminal Ltd. all contribute to our association greatly in the meeting. Meanwhile, full Agenda and comprehensive minutes are properly prepared to keep high effectiveness and efficiency of our members internal communication.

Contribution of CFS Industry to Hong Kong Trade and Economy

The CFS industry has been contributing tremendously to the trade and economy of Hong Kong in the past few ten years. Due to the open up of Mainland China Market in the 80's and the rapid grow of the remote factories in various regions along the Pearl River Delta and Southeastern part of Mainland China, the CFS industry has experienced rapid growth from 1980 and 1995. Goods are transported from their origins and export to their destinations by river or by land transportation. passing through the port of Hong Kong. This has been the major driving force which upgrade the terminal throughput tremendously and yearly in the past. The efficient and reliable CFS services *has* been the key factor for the both local and oversea shippers to choose the port of Hong Kong to import and export their goods.

However, with the rapid development of the various new ports in Mainland China, the local CFS

business decline increasingly since 1995. Furthermore, due to the limited choices of local distribution center and the non-decreasing rental price, the average rental cost occupy over 40% which exert high pressure to the industry. Over 80% of our members locate their CFS warehouses in these two distribution centers. Our association believe that, with the existing invaluable physical and informational cargo handling experience and corresponding local and overseas business network of our industry with various transportation parties plus proper government support. in terms of the proposed increase of land supply and import of labor, Hong Kong has very high potential and geographical competitive advantage to be the leading regional distribution and logistics center.

Comparing the government support and policy with that of many other Asia competing countries. for example, Singapore and Japan, ours is far lagging behind them, especially in terms of the land supply and long term planning of infrastructure. Since our CFS industry has not been fully investigated by the government bodies and thus her high and great opportunity is masked so far. We believe that our association can help to unmask the opportunity and to contribute to the Transport Constituency so as to upgrade Hong Kong current economy and to be the leading regional distribution and logistics center in Asia.

Therefore, we greatly believe that the joining of our association to the Transport Constituency of the Legislative Council can collect comprehensive voices and reflect more concrete information and expertise from the industry and therefore foster Hong Kong to be the regional logistics center.

Thank you very much for your kind concern. For further information, please contact me in any time at your convenience.

Best Regards,

Mr. Steve LO

President

Hong Kong Container Freight Station Association

cc. Ms. Miriam Lau Kin-Yee, Legislative Councillor (Transport Constituency)