

For discussion
on 27 March 2000

LegCo Panel on Economic Services

**PROMOTING COMPETITIVENESS OF HONG KONG
AS A LOGISTICS CENTRE IN THE REGION**

Hong Kong as a Logistics Centre in the Region

As a major aviation and maritime hub, Hong Kong is not new to the area of logistics. In 1999, apart from operating the world's busiest international air cargo hub, handling nearly 2 million tonnes of air cargo, we also operate the world's busiest container port, handling an estimated 16.1 million TEUs.

2. In the document entitled "Bringing the Vision to Life – Hong Kong's Long-term Development Needs and Goals" published by the Commission on Strategic Development on 21 February 2000, "trade transportation and logistics" was listed as one of the seven key sectors/areas to support Hong Kong's long-term vision.

3. The Hong Kong SAR Government is committed to providing a conducive environment and the necessary infrastructure to facilitate the development of the logistics business in Hong Kong. Some recent measures that have been taken to promote the competitiveness of Hong Kong as a logistics centre include –

- we have set up industrial estates which provide low density land at development cost for industries which meet the prescribed criteria. We are pleased to see that some firms in the private sector have already expressed interest in operating logistics and distribution centres in the industrial estates and one firm is already operating in the Tai Po Industrial Estate;
- to strengthen our position as an international air cargo hub, the Airport Authority has recently invited expressions of interest for the development of two logistics centres at the airport, one for use by an operator to provide logistics services to customers, and the other for use primarily by a company with multi-national operations as its regional centre for the management and

operation of its own supply and distribution chains, stock and inventory, etc. The Authority aims to invite tenders this year. The Airport Authority has also invited interested parties to set up a marine cargo transfer centre in the airport zone;

- we have seen the full completion of our River Trade Terminal in Tuen Mun. We understand the River Trade Terminal Co Ltd is making plans to strengthen its cargo consolidation capabilities to enable the Terminal to function as a logistical base to support the river trade and other activities of our port. This will strengthen the current logistics and warehousing activities being carried out at the Asia Terminals Ltd and HDC buildings, both of which are one of the largest on-dock industrial warehouse buildings in the world;
- to support the development of e-commerce and supply chain logistics, we also have excellent telecommunications and IT infrastructure. We have embarked on a progressive liberalisation of the telecommunications market to ensure our economy continues to be supported by world-class telecommunications services at reasonable prices. Our domestic network is already fully digitalised, the local broadband infrastructure is developing rapidly to meet growing traffic demands and our external connectivity is among the best in the region. On the IT side, PNET charges for Internet access are amongst the lowest in the world – now only HK\$1.62 per hour. There are some 1.7 million Internet users and more than 150 Internet Service Providers. To further enhance our IT infrastructure and to create a favourable environment for e-commerce to take hold and flourish in Hong Kong, we have established a clear legal framework for the conduct of electronic transactions through the enactment of the Electronic Transactions Ordinance earlier this year. We have also established a local public key infrastructure supported by certification authorities to provide a safe and secure environment for the development of e-commerce. The Hongkong Post has commenced to provide a public certification service from January onwards. To further promote the development of e-commerce, the Government will become a leading participant in it by launching the Electronic Service Delivery Scheme in October this year to provide services to the public through the Internet and other electronic means in a seamless manner.

- in a port promotion campaign to the USA undertaken jointly by the Port and Maritime Board, Hong Kong Liner Shipping Association, Hong Kong Container Terminal Operators Association, Hong Kong Shippers' Council last month, we also updated US transportation professionals and consignees on current developments relating to our port infrastructure and the logistics sector. We conveyed the message that Hong Kong, with its huge cargo base, comprehensive and efficient links with the Mainland and the outside world, and first-class telecommunications and IT infrastructure and supporting services, is ideally located as a base for companies to organize supply chain logistics for the numerous manufacturing plants and factories in the Pearl River Delta and the region;
- we have been discussing with the Hong Kong Trade Development Council (HKTDC) on ways to strengthen our trade portals so as to support the on-line infrastructural need of the logistics sector in Hong Kong.

Way Forward

4. With rapid developments in E-commerce, supply chain management and transportation modes, it is increasingly important for us to be able to think in terms of how our port and airport can provide a "total logistics solution" to its users. Various organisations in the maritime, aviation and freight sectors have been taking a keen interest on developing initiatives which may further increase the competitiveness of our logistics sector. For example, the Airport Authority and the HKTDC have been considering measures to promote Hong Kong's role as a logistics centre. Together with the Economic Services Bureau and the PMB, a brainstorming session is being organised to consider promotion measures and initiatives in this area. Concurrently, the PMB has been holding active discussions on this subject under its Sub-committee on Container Port Competitiveness. To further strengthen our efforts in this area, a Committee on Logistics Service Development is being formed under the PMB to provide a forum to facilitate exchange of views between the public and private organisations amongst the port and maritime sector, the aviation sector and the freight forwarding and logistics sector to further promote Hong Kong's competitiveness as a logistics centre. It is expected that the Committee will explore in the months ahead, amongst other things, what initiatives are required to strengthen the hardware (eg land) and software (eg IT infrastructure, promotional activities and manpower requirements) to meet the challenges ahead.

5. The Government will continue to work closely with the interested parties to develop measures to promote Hong Kong's competitiveness as a logistics centre.

Economic Services Bureau
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