

Competitiveness of the port of Hong Kong

November 2013

Hong Kong lost its position as the world's busiest port in 2005. It is unlikely to hold on to the top three and might be surpassed by Shenzhen this year. This Research Brief highlights the recent development of the Hong Kong port, particularly in the context of intense competition from neighbouring ports in the Pearl River Delta as well as ongoing efforts undertaken by other Asian ports to enhance their port competitiveness.

The subject of Hong Kong's port development falls within the policy areas of the Panel on Economic Development and was last discussed at the Panel meeting held on 25 March 2013.



Research Office
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1. Recent development

1.1 Hong Kong lost its position as the world's busiest port in 2005, when it was overtaken by Singapore (**Table 1**). Two years later, Hong Kong slipped behind to the third after Shanghai. It is now likely to be overtaken by the fast-growing Shenzhen port, as Shenzhen surpassed Hong Kong in terms of container volume in the first nine months of 2013. According to the latest figures,¹ Shenzhen handled 17.3 million twenty-foot equivalent units ("TEUs") of containers in the first nine months of 2013, while Hong Kong only handled about 16.4 million TEUs.

Table 1 – Hong Kong's ranking among the world's busiest container ports

| Rank | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1 | HK | HK | HK | HK | HK | SING | SING | SING | SING | SING | SH | SH | SH |
| 2 | SING | SING | SING | SING | SING | HK | HK | SH | SH | SH | SING | SING | SING |
| 3 | KS | Busan | Busan | SH | SH | SH | SH | HK | HK | HK | HK | HK | HK |
| 4 | Busan | KS | SH | SZ | SZ | SZ | SZ | SZ | SZ | SZ | SZ | SZ | SZ |
| 5 | Rotterdam | SH | KS | Busan | Busan | Busan | Busan | Busan | Busan | Busan | Busan | Busan | Busan |

Notes: HK: Hong Kong.
KS: Kaohsiung.
SING: Singapore.
SH: Shanghai.
SZ: Shenzhen.

Source: Marine Department (2012a).

¹ See Hong Kong Port Development Council (2013a) and 深圳統計 (2013).

2. Competition from neighbouring ports

2.1 While Shanghai and Singapore have outcompeted Hong Kong in terms of container volume since 2007, the competition of the three places is not actually based in substance as these three places are serving different cargo sources. In contrast, Hong Kong competes with Shenzhen in the same cargo hinterland, namely the Pearl River Delta ("PRD"). As shown in **Map 1**, Hong Kong is located at the mouth of PRD and surrounded by major ports of Shenzhen (Yantian, Shekou, Chiwan, Mawan and Dachan Bay) and Guangzhou (Nansha and Huangpu).

Map 1 – Map of ports of Hong Kong, Shenzhen and Guangzhou

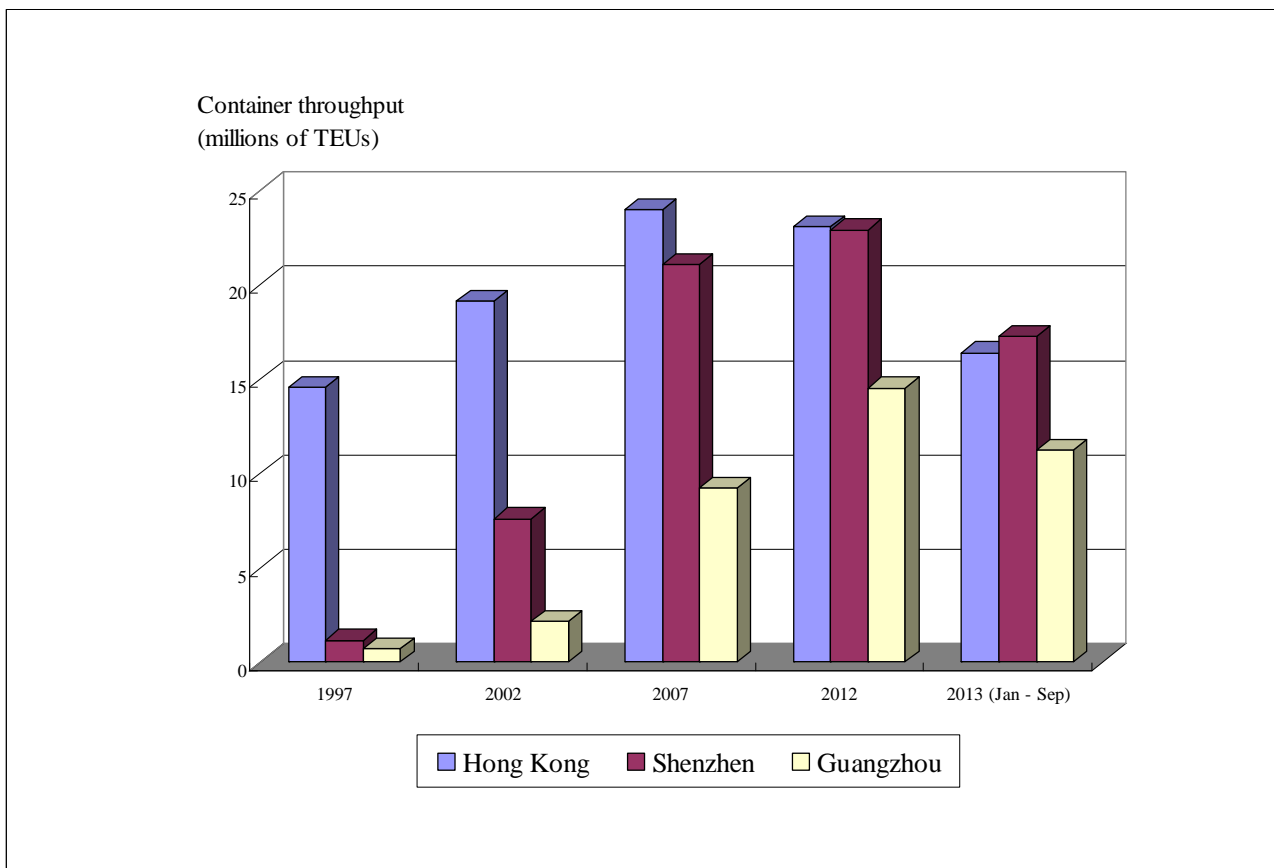


Sources: Hippomap.com (2013) and Worldportsource.com (2013).

3. Migration of container traffic to PRD ports

3.1 The PRD ports have experienced a rapid pace of development and rising throughput in recent years (**Figure 1**). Since 2002, container throughput in Shenzhen and Guangzhou has grown rapidly, catching up with that in Hong Kong. Major Hong Kong port operators such as Hutchison Port Holdings and Modern Terminals Limited have been lending particular support, including substantial investment to the development of the PRD ports, and this has brought world-class operating standards to greenfield port developments.²

Figure 1 – Comparison of container throughput in Hong Kong, Shenzhen and Guangzhou



Sources: Marine Department (2012a), Hong Kong Port Development Council (2013a) and (2013b), 中華人民共和國國家統計局 (2003), 中華人民共和國交通運輸部 (2006), 中國廣州網 (2007) and (2008), 深圳統計 (2013) and 廣州港務局 (2013).

² See Hong Kong Port Development Council (2008).

3.2 There are also other factors contributing to the increasing competitiveness of the PRD ports, including:

- (a) the proximity of Shenzhen and Guangzhou's ports to the cargo sources in the PRD region, which has attracted cargo owners to use them instead of the Hong Kong port for the benefits of lower operational costs and transportation convenience;
- (b) lower terminal handling charges (**Table 2**) and road haulage costs³ for trucking a container from South China and shipping it out of the PRD ports;

Table 2 – Terminal handling charges per TEU in Hong Kong and other Asian ports (May 2013)

| | Transpacific Eastbound | Asia/Europe | Intra Asia |
|-------------|------------------------|-------------|------------|
| Hong Kong | HK\$2,140 | HK\$2,065 | HK\$1,800 |
| Taiwan | HK\$1,456 | HK\$1,456 | HK\$1,456 |
| Shenzhen | HK\$1,250 | HK\$1,250 | HK\$423 |
| Singapore | HK\$1,148 | HK\$1,148 | HK\$1,148 |
| South Korea | HK\$737 | HK\$730 | HK\$737 |
| Shanghai | HK\$567 | HK\$466 | HK\$466 |
| Guangzhou | HK\$466 | HK\$466 | HK\$466 |

Sources: Commercial Management Ltd. and Hong Kong Shippers' Council.

- (c) diminishing intangible cost advantages of Hong Kong, such as short vessel turnaround time and streamlined customs, consequential to the gradual catching up of the PRD ports;⁴

³ For example, it costs approximately US\$200 (HK\$1,551) more to truck a 40-foot container from Dongguan to Hong Kong versus trucking the same container to Shenzhen. See Marine Department (2012b).

⁴ See Hong Kong Port Development Council (2008).

- (d) trade facilitation measures undertaken by the Mainland authorities to boost the competitiveness of the PRD ports. These measures include the government's massive investment in port infrastructures and provision of financial incentives to improve shipping line connectivity of the Shenzhen and Guangzhou ports; and
- (e) development of advanced logistics parks in Shenzhen and Guangzhou which facilitates trade flows to and from the PRD ports.⁵

4. Major trade facilitation measures for enhancing port competitiveness

4.1 There are views that Hong Kong has been lagging behind its competitors in terms of implementing trade facilitation measures for enhancing port competitiveness. **Table 3** summarizes the major trade facilitation measures undertaken by the port of Hong Kong and other Asian ports in recent years.

Table 3 – Major trade facilitation measures undertaken to enhance port competitiveness

| | Singapore | Shanghai | Shenzhen | Guangzhou | Hong Kong |
|---|--|---|--|--|---|
| Formulating strategic planning for port development | <ul style="list-style-type: none"> • a long-term master plan to consolidate all the container port activities at Tuas Port by 2027. | <ul style="list-style-type: none"> • the 12th Five-Year Plan of Shanghai's Social and Economic Development (2011-2015) to attract foreign investment into the improvement of port infrastructures at Waigaoqiao Port and Yangshan Port. | <ul style="list-style-type: none"> • the 12th Five-Year Plan of Shenzhen on Logistics Development (2011-2015) to build up port capacity capable of handling 28 million TEUs by 2015.⁶ | <ul style="list-style-type: none"> • the Guangzhou Port and Shipping Five-Year Development Plan (2011-2015) to further develop the Nansha Port and enhance the e-business environment for facilitating trade flows. | <ul style="list-style-type: none"> • the Study on the Strategic Development Plan for Hong Kong Port 2030 to provide port cargo forecasts and examine ways of better use of the existing port facilities. |

⁵ In comparison, Hong Kong is still studying the proposal of developing the Lantau Logistics Park. See Development Bureau (2013).

⁶ For reference, the container volume handled by Shenzhen in 2012 was 23 million TEUs. See Hong Kong Port Development Council (2013b).

Table 3 – Major trade facilitation measures undertaken to enhance port competitiveness (cont'd)

| | Singapore | Shanghai | Shenzhen | Guangzhou | Hong Kong |
|---|---|---|--|---|---|
| Investing in new port infrastructures | <ul style="list-style-type: none"> developing the new Tuas Port capable of handling up to 65 million TEUs per annum. | <ul style="list-style-type: none"> earmarking some RMB100 billion (HK\$123 billion) for the continued development of its main port, the Yangshan Port, in 20 years. | <ul style="list-style-type: none"> investing about RMB55 billion (HK\$68 billion) on building port facilities, waterways and railways in the next three years. | <ul style="list-style-type: none"> investing some RMB25 billion (HK\$31 billion) on developing the Guangzhou Port in five years. | <ul style="list-style-type: none"> conducting the preliminary feasibility study for the proposed development of Container Terminal 10 at southwest Tsing Yi. |
| Establishing a single port authority for better policy co-ordination | <ul style="list-style-type: none"> establishing the Maritime and Port Authority of Singapore in 1996. | X | X | X | X |
| Providing financial incentives to the shipping and maritime industry | <ul style="list-style-type: none"> offering tax exemption on qualifying shipping income for a 10-year renewable period to international reputable shipping companies that are committed to expanding their shipping operations in Singapore. | <ul style="list-style-type: none"> exempting business tax on transportation and warehousing revenue for enterprises registered in the Shanghai Yangshan Free Trade Port. | <ul style="list-style-type: none"> providing financial subsidies to international logistics companies and freight forwarders for setting up regional headquarters or operation centres in Shenzhen. | <ul style="list-style-type: none"> providing tax benefits and favourable land use terms to companies operating in the Nansha Logistics Park. | <ul style="list-style-type: none"> exempting profits tax on income derived from the international operation of ships registered in Hong Kong. |
| Entering into double taxation avoidance agreements to avoid double taxation on income derived from international shipping operation | <ul style="list-style-type: none"> ratifying more than 70 double taxation avoidance agreements with individual jurisdictions. | <ul style="list-style-type: none"> China has ratified about 100 double taxation avoidance agreements with individual jurisdictions. | | | <ul style="list-style-type: none"> ratifying about 40 double taxation avoidance agreements with individual jurisdictions. |

Sources: City University of Hong Kong (2011a), (2011b), (2011c) and (2013), Deloitte (2013), The 2012-13 Budget (2012), 文新傳媒 (2011), 深圳市交通運輸委員會 (2011) and 廣州港務局 (2013).

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