

For discussion
on 27 June 2011

Legislative Council Panel on Economic Development

Development of a Logistics Cluster in Kwai Tsing Area

Purpose

This paper briefs members on the progress of the development of a logistics cluster in Kwai Tsing.

Background

2. Trading and logistics industry is one of the economic pillars of Hong Kong, accounting for about 24% of our Gross Domestic Product (GDP). The logistics sector alone contributes to about 4% of our GDP (viz. \$55 billion) and provides about 6% of our total employment (viz. about 200 000 jobs). In view of the importance of the logistics industry to Hong Kong's economy, the Government is committed to strengthening Hong Kong's role as the preferred logistics hub in Asia. Towards this objective, the Government has engaged in essential infrastructure development projects to enhance the capacity and external links of our intermodal transport network. As efficiency is the key to Hong Kong's success, steps are also taken to streamline customs clearance to facilitate movement of cargoes. For instance, the Road Cargo System was launched in May 2010 to enable seamless clearance of road cargoes by providing an electronic platform for submission of road cargo data. Furthermore, the Government has worked closely with the Hong Kong Logistics Development Council (LOGSCOUNCIL)¹ to review the development needs of the industry and to implement relevant initiatives to promote the industry's sustainable development. They include measures to encourage the wider use of information technology by logistics enterprises, to promote manpower training to equip the frontline staff with practical skills and to publicize Hong Kong's strengths and attractions as the regional logistics hub to the Mainland and overseas markets.

¹ LOGSCOUNCIL is a high-level advisory body chaired by the Secretary for Transport and Housing to provide a forum for the leading practitioners, relevant industry associations and other stakeholders of the logistics industry to discuss and advise the Government on matters pertinent to the future development of the industry.

3. Above all, the Government has made strenuous efforts to identify and make available suitable sites for the development of modern logistics facilities. In mid-2008, a site of about 2.3 hectares in Kwai Chung was granted through open tender for logistics development on a fifty years lease term (viz. Site A1 at **Annex**).

Development of a Logistics Cluster

Tsing Yi

4. To further our efforts, we commit to gradually make available sites for the development of a logistics cluster in Kwai Tsing in the Policy Address for both 2009-10 and 2010-11. In the implementation of this policy initiative, a site of about 2.4 hectares in Tsing Yi (viz. Site B1 at **Annex**) was released to the market and was awarded through open tender in December 2010 on a fifty years lease term with special provisions designating the site to be used for the operation of logistics and freight forwarding related activities only. We plan to release another logistics site in Tsing Yi, also of about 2.4 hectares (viz. Site B2 at **Annex**), with similar lease terms in Q4 2011.

5. To ensure that the proposed logistics developments would not adversely affect the local traffic situation, we have recently updated the traffic impact assessment (TIA) to take into account the latest planned and committed developments in the Kwai Tsing area. The study findings have confirmed that there should be sufficient traffic capacity to cater for the proposed logistics development at Site B2 in Tsing Yi subject to certain road junction improvement works to smoothen the traffic flow particularly at peak hours. We will proceed to prepare the detailed lease terms in collaboration with Lands Department and Transport Department to incorporate the relevant study results with a view to putting up Site B2 for public tender in Q4 2011.

6. Through the disposal of long-term sites with tailor-made lease terms for logistics use, more land could be made available to meet the demand for modern logistics facilities and to attract the anchoring of third party logistics service providers (3PLs) in support of the logistics sector's switch to the high-end market segment. The 3PLs possess professional expertise and knowledge to provide customised logistics services for the high value goods. Their presence and operation in Hong Kong will help enhance our attraction as the base for supply chain management.

Kwai Chung

7. At the initial stage, apart from sites in Tsing Yi, we have also earmarked three other sites in Kwai Chung (viz. Sites A2, A3 and 2B at **Annex**) which may be considered for logistics development in the long term. However, members of LOGSCOUNCIL have raised doubts on whether it is appropriate to set aside more land for logistics development in Kwai Chung. They are concerned that Kwai Chung is already fairly congested with the concurrent operation of several container terminals in relatively small areas. The additional heavy traffic generated from the proposed logistics developments might overload the system's capacity and cause serious traffic problems. A TIA is currently underway to assess the potential traffic impacts. The preliminary findings show that considerable traffic issues would arise from the proposed logistics developments in Kwai Chung and substantial improvement works would be required to mitigate the impacts. Further assessment is being carried out to examine if the proposed traffic improvement works are feasible and cost-effective. We will keep LOGSCOUNCIL informed of the assessment results in considering whether further logistics developments should be pursued in Kwai Chung.

8. Apart from traffic issues, some LOGSCOUNCIL members are of the view that those sites in Kwai Chung should continue to be retained for use as port back-up land for container storage, cargo handling and consolidation, as well as vehicle parking purposes in order to support the operation of the adjacent container terminals. Since it is not essential for logistics operations to be located in Kwai Chung, LOGSCOUNCIL members have requested the Administration to identify suitable sites for logistics developments in other parts of the territory which would help relieve the traffic pressure and avoid competing land uses in Kwai Chung.

Other Parts of the Territory

9. In response to LOGSCOUNCIL's request, the Administration has commenced a site search exercise. Our preliminary findings show that Tuen Mun West has good potential for logistics development. With the Tuen Mun – Chek Lap Kok Link, to be completed in phases to synchronize with the commissioning of the Hong Kong-Zhuhai-Macao Bridge in 2016 and to meet local traffic demand, the travelling time between Tuen Mun and the airport will be significantly reduced from 30 minutes to approximately 10 minutes. As such, Tuen Mun West should be

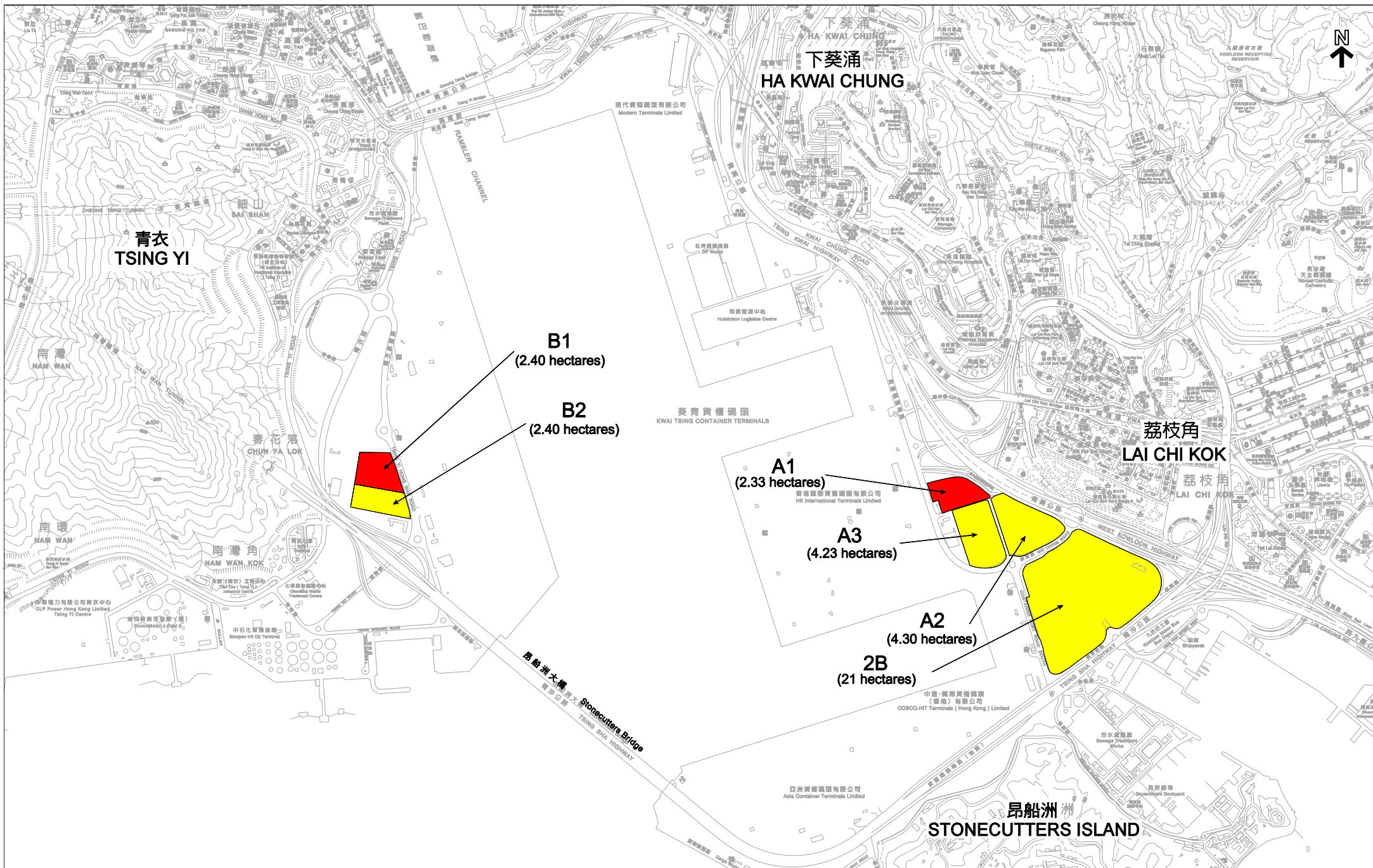
well-positioned to serve as another base to provide logistics services for the airfreight sector. Indeed, the River Trade Terminal is located nearby and there can be synergy between the proposed logistics development and the river cargo-handling operation. Moreover, Tuen Mun West is generally zoned for industrial use which allows for logistics development.

10. To better assess the feasibility of the land use proposal in Tuen Mun West, we are currently consulting relevant departments if there are any major technical difficulties involved which would require more careful consideration or detailed studies. We will proceed with the TIA study if a long-term site can be earmarked in Tuen Mun West for logistics development after completing the internal departmental consultation. We will keep LOGSCOUNCIL informed of the results of site search exercise.

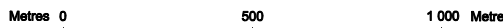
Way Forward

11. In the past, logistics facilities are primarily built on industrial land. To provide dedicated land for logistics use, we have so far made available two sites, one in Kwai Chung and one in Tsing Yi respectively, with lease terms permitting the operation of logistics activities only. Our plan is to release another site in Tsing Yi for this purpose in Q4 2011. To meet the industry's development needs, we will continue to work closely with LOGSCOUNCIL and relevant Government departments to identify and assess the feasibility of other sites for logistics use.

***Transport and Housing Bureau
20 June 2011***



SITES IN KWAI TSING



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| Annex | |
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