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**Transport and
Housing Bureau
Government Secretariat
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Ms Shirley CHAN
Clerk to Panel on Economic Development
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

23 June 2017

Dear Ms CHAN,

**Panel on Economic Development
Letter from Hon Holden CHOW Ho-ding dated 24 May 2017**

I refer to your letter of 26 May 2017 to the Transport and Housing Bureau (THB), requesting the Government to submit information on tourism, maritime and logistics, and high value-added service industries within the Guangdong-Hong Kong and Macao Bay Area (the Bay Area) at the request contained in Hon Holden CHOW's letter dated 24 May 2017. THB's consolidated reply on maritime and logistics, and high value-added service industries is provided as follows.

There are close ties between Hong Kong and the Bay Area in areas of logistics and transportation. The Hong Kong Port (HKP) handled nearly 20 million TEUs last year, about two-thirds of which was related to the Pearl River Delta (PRD). The air freight throughput of the Hong Kong International Airport reached 4.52 million tonnes last year, of which 70% was roughly estimated to be originated from or destined for the PRD. The development of the Bay Area will help foster trade flows in the region and generate demand from Mainland and overseas investors for Hong Kong's transportation and logistics services, thereby presenting opportunities to the further development of Hong Kong's maritime and logistics sectors.

Currently, HKP and the various ports in the Bay Area have their own distinctive roles and positioning. Owing to its prime location, free port status, and frequent and wide coverage of liner shipping services, HKP has gradually developed into a distribution centre for goods in South China and a major regional transshipment hub in the region, with transshipment accounting for about 60% of the total throughput. Other major ports in the Bay Area (e.g. Shekou, Yantian and Nansha, etc.) mainly handle direct cargo. With the further development of the Bay Area, the various ports will, under the principle of complementarity, develop their respective strengths.

To maintain the efficiency and competitiveness of HKP, the HKSAR Government has implemented various port enhancement measures. We have dredged the Kwai Tsing Container Basin from 15 metres to 17 metres to enable ultra-large container vessels to access the container terminals at all tides. The Government has endeavoured to provide more port back-up sites in phases, including six port back-up sites totalling about 18 hectares for the container terminals, so as to expand the terminal yard space and increase the number of barge berths for enhancing container handling efficiency. In addition, we have released a sea frontage of 120 metres at Stonecutters Island Public Cargo Working Areas for port back-up use. Hong Kong will continue to reinforce its function as a transshipment hub in future. We will also complement and co-ordinate with other cities in the region, so as to enhance the logistics capacity of the whole region.

Hong Kong, being the most international city in the Bay Area, has extensive experience in international trade and a host of institutional strengths, including a well-established legal system, a simple tax regime and highly educated workforce. Leveraging the above strengths, the Government is committed to developing Hong Kong's maritime sector to move up the value chain. With well-developed high value-added professional maritime services, including ship finance, marine insurance, maritime legal and arbitration services, ship agency and management, Hong Kong can provide high quality maritime services to maritime enterprises in the Bay Area, and help enterprises in the region to "go global", as well as attract overseas enterprises to make good use of Hong Kong's commercial and high value-added maritime services to access the Mainland market, so as to better serve the role as the "super-connector" between the Mainland and the rest of the world.

On aviation, the Bay Area's development plan offers a significant opportunity for the development of the Hong Kong International Airport (HKIA). The objective of the development plan is to, on the one hand, continue to consolidate Hong Kong's position as an international leading aviation hub and endeavour to implement the Three-runway System (3RS)

project of the HKIA, on the other hand, give full play to our advantages in international high value-added transportation business and provide a more convenient and broader aviation network, through building a world-class airport cluster in Guangdong-Hong Kong-Macao with Hong Kong, Guangzhou and Shenzhen as its core. Hong Kong is strategically located, and has a geographical advantage within our country, our continent, and the whole world. Half of the world's population are living within five hours' flight distance from Hong Kong. Apart from being an international aviation hub, the HKIA is also the primary gateway to the Mainland. Currently, there are approximately 1 100 daily flights connecting Hong Kong to around 190 destinations worldwide, including some 40 destinations in the Mainland. The HKIA is the world's busiest cargo airport and the world's third largest international passenger airport. As flights between Hong Kong and various destinations are very frequent, the HKIA is also a popular transfer destination for Mainland passengers. Last year, it handled a total of 4.9 million cross-boundary passengers travelling to and from the Mainland, with its aviation hub service covering passengers of the whole country.

The HKIA's 3RS project commenced in August last year and is expected to be completed in about eight years. Upon the full commissioning of the 3RS, the HKIA will be able to handle roughly 100 million passengers and 9 million tonnes of cargo annually; the connectivity between our country and the international aviation network will also be proliferated. We will strive to co-operate and co-ordinate with the various airports in the PRD, and reinforce our respective positioning and functions to achieve complementarity and a win-win situation.

Meanwhile, the SAR Government will also actively examine how best to implement the policy on the "expansion of the opening of low-altitude airspace" with relevant Mainland authorities and the civil aviation authority of Macao. The direction of work will include the development of civilian helicopter services in the PRD so as to further enhance the cross-boundary transport services in the region and provide impetus for a wide range of commercial and other economic activities.

Yours sincerely,

(Miss CHENG Sze Ling)
for Secretary for Transport and Housing

c.c.:

Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman of the Panel on Economic Development)