

Hong Kong Logistics Development Council
Hong Kong Trade Development Council

**Hong Kong as a Preferred Logistics Hub:
User Survey-cum-Strategic Forum**

Statement of Intentions

February 2009

As one of Hong Kong's four economic pillars, effective development of the logistics economy is a matter of high policy priority for all stakeholders. This statement of intentions summarises the distinctive and differentiating competitive strengths of Hong Kong's logistics economy, and the main issues to be addressed, and then canvass the Government and private sector initiatives needed to ensure optimal development of the sector going forward.

Competitive strengths, present and future

- Hong Kong's "**Freeport**" status is key to the economy's competitive leadership in logistics. It must be protected and developed.
- Hong Kong is distinguished by its reputation for **reliability and efficiency**. In a context where competitors are continuously improving, industry stakeholders must focus ruthlessly and uncompromisingly on this need going forward.
- Superior **connectivity** remains a hallmark of Hong Kong's competitive leadership, and must be continuously honed and improved.
- As the Mainland China becomes wealthier, drawing in increasing volumes of luxury consumer goods, Hong Kong is uniquely placed to channel these growing **import flows**.
- Hong Kong will remain the preferred hub for management of a wide range of critically important "**special**" **cargoes** (ranging from precious and dangerous cargoes, to drugs and items in need of special intellectual property rights protection). Attention should be given to not losing our competitive advantage in the area.
- **Regional distribution centre** and **consolidation/deconsolidation** activities will sit at the heart of Hong Kong's future strength as a logistics hub. Dedicated efforts must be focussed on effective development of these activities.

Key Challenges

- The logistics economy faces a decade of **radical transformation** as the export-processing driver for Asian economic growth over the past four decades is replaced by production for growth within the region, and within China in particular. Hong Kong has clear locational advantages at the heart of the export processing paradigm, but these will become less relevant in the years ahead – Hong Kong will need to carve afresh a role serving fast-growing demand within the Mainland China.
- Knowledge of the Mainland market, and of decision making that affects logistics will be critical, as Chinese domestic consumption drives an increasing share of

regional growth. Hong Kong business and Government must work closely together to ensure maximum knowledge of the market, and influence on relevant decision making.

- **Manpower** shortages are likely to become increasingly acute in the sector, especially as logistics companies build Mainland businesses and draw on the Hong Kong skills pool to facilitate this growth. Adequate training – and the development of Hong Kong as a centre of excellence for logistics-related education – will be critical.
- **Electronic** management of the logistics supply chain is critically important, and will be a key competitive differentiator going forward. Hong Kong business and Government must work closely together to take advantage of the development of technology in this area.
- **Cross-boundary frictions** will inevitably remain, and must be managed to ensure minimum impact on overall competitiveness and efficiency.

Priority initiatives

Taking into account Hong Kong's distinguishing competitive strengths, and of the challenges facing the logistics economy going forward, the industry and the Hong Kong Government should consider the following policy priorities:

- **Timely investment in key infrastructure:** most critical are the speedy completion of the Hong Kong-Zhuhai-Macao Bridge, and proactive study of the feasibility of adding other high-speed cross-boundary infrastructure and a third airport runway.
- **Government support for Mainland market entry/operation:** Use of mechanisms including CEPA and the Mainland China's 5-year planning process to facilitate Hong Kong logistics operators' Mainland-focused activity.
- **Education and Training:** Boost education and training to deepen/strengthen logistics manpower pool.
- **E-logistics platform:** Government and industry to work closely together to facilitate the development and adoption of IT and other technology, and ensuring high compatibility into the e-logistics platform of Mainland China and across Asia.
- **Prioritise transshipment business:** prioritizing infrastructure investment both in the port and airport, and measures to optimise the efficiency of transshipment business such as updating the relevant law governing transshipment.

- **Land for warehousing:** Government departments to collaborate in identifying land suitable for development of facilities for large-scale regional distribution centre and consolidation/deconsolidation business.
- **Build logistics capabilities in second-tier Mainland cities:** business and Government to work together in building the presence and profile of Hong Kong logistics companies in second-tier mainland cities.
- **Luxury importing:** build Hong Kong's profile as the preferred logistics hub for distribution into the Mainland China of a widening range of luxury consumer goods.