

# Action Plan on Modern Logistics Development

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**Transport and Logistics Bureau**  
The Government of the Hong Kong Special Administrative Region  
of the People's Republic of China



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# Executive Summary

The trading and logistics industry, as one of the four major economic pillars in Hong Kong, has been the driving force of the local economic growth. In 2021, the trading and logistics industry accounted for 23.7% of the local gross domestic product ("GDP"), contributing the largest share of the four pillar industries. Among them, the logistics industry accounted for 6.2% of the local GDP. In addition, the trading and logistics sector has also been contributing the largest number of employment opportunities among the four major pillars, having about 608,200 employees or 16.6% of the total employment in 2021. Among them, the logistics industry has about 185,500 employees or 5.1% of the employment.

Hong Kong has long been a premier logistics hub in Asia and an important gateway for trade between the Mainland and the rest of the world. In the "Outline of the 14th Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035", the (the "14th Five-Year Plan"), which was endorsed in March 2021, the Central Government has given its support for promoting Hong Kong's service industries for high-end and high value-added development, and to enhance Hong Kong's status as international maritime and trade centres as well as an international aviation hub. With its advantages as an international aviation hub and international maritime centre, coupled with its comprehensive sea, land and air transportation network, Hong Kong plays a pivotal role in facilitating the flow of goods in the region.

With a view to promoting the high-quality development of Hong Kong's logistics industry and the development of Hong Kong into a sustainable modern, high value-added and smart logistics hub in the region, as announced in the 2022 Policy Address, the Transport and Logistics Bureau ("TLB") has worked jointly with the Hong Kong Logistics Development Council ("LOGSCOUNCIL") and the industry to formulate a plan on strategic actions to meet the short, medium, and long-term development needs of the logistics industry, facilitating the efficient flow of goods between Hong Kong and other parts of the region and fostering the sustainable development of the logistics industry.



## Modern Logistics Development in Hong Kong

Globalisation has led to formation of economic partnerships and trade blocs among countries, prompting enterprises to expand their businesses and operate on an international scale. As the demand for logistics services becomes more diversified, it requires a higher degree of specialisation. In order to enable them to focus on developing their core businesses and expand their market globally, international enterprises require logistics service providers to provide them with comprehensive supply chain management and logistics services, or even customised high value-added services. With the rising demand for modern logistics, logistics services provided by logistics service providers in Hong Kong are also extending upstream and downstream and getting larger share in the product value chain. In recent years, with the expansion of cross-border e-commerce, modern logistics in Hong Kong has been evolving from traditional Business to Business (B2B) services to the current Business to Consumer (B2C) services. Nowadays, Hong Kong's logistics industry has been moving towards smart logistics and high value-added development. Its advanced technology and professional certifications in handling fresh produce and temperature-controlled products have made Hong Kong one of the preferred logistics hubs for handling high-value goods.

## SWOT Analysis of Hong Kong's Logistics Industry

As an international logistics hub, Hong Kong's competitive edges lie in its comprehensive multimodal transport network, advanced technologies and expertise in handling high-value goods (including time- and temperature-sensitive goods such as fresh produce and pharmaceuticals), efficient and smooth customs clearance of goods, as well as other institutional advantages (including its free port status, simple and competitive tax regime and sound legal system, etc.). Our competitive edges have enabled the logistics industry to better grasp the new business opportunities arising from the rapid growth of e-commerce which requires more efficient and flexible logistics services. Therefore, Hong Kong has huge potential in developing into a sustainable international smart logistics hub focusing on high-value goods and the e-commerce markets.

Similar to other industries in Hong Kong, the logistics industry also encounters various development constraints in terms of supply of affordable logistics land and manpower resources, high operating costs, limited digitalisation and technology adoption, and inadequate collaboration across different sectors, etc. Both high rental and labour costs also affect Hong Kong's competitiveness.



Having encountered difficulty in recruiting young people to join the industry in recent years, the industry is of the view that it is necessary to rebrand the logistics industry, which has been traditionally perceived as “low-end” and “labour-intensive”, in order to enhance the attractiveness of the industry to young people. At the same time, it is also important to nurture more professional talents to support the development of the logistics industry in heading towards smart logistics and high value-addedness, for example, by providing more dedicated professional training to practitioners on cold chain logistics management and smart logistics. Moreover, the limited digitalisation and technology adoption has resulted in over-reliance on labour-intensive processes, thus slowing down the optimisation of the industry’s operations to provide value-added services at advanced technological level. The industry is of the view that the Government should strengthen its support to the logistics industry in digital transformation and adoption of smart logistics solution, in order to reduce the demand for frontline staff and hence reducing operational cost and enhancing productivity. On the other hand, as the development of modern logistics involves many different sectors and policy areas, the industry hopes that the Government can consider providing one-stop advisory service through a single platform to minimise the time required for the industry to make enquiries with different departments when encountering problems, so as to provide convenience to the industry and enhance support for the logistics industry, especially the small and medium-sized enterprises (“SMEs”).

As trading and logistics are closely related, the performance of the logistics industry is susceptible to fluctuations in the geopolitical and external trade environment. The keen competition with neighbouring hubs also brings challenges to the Hong Kong’s logistics industry. Therefore, the industry suggests stepping up the collaboration with the other cities in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) or the Mainland, as well as diversifying the markets and exploring more new business opportunities in other regions.

Despite various difficulties and challenges encountered, there are plenty of opportunities for the Hong Kong’s logistics industry. The Central Government’s policy support and national development strategies, including the 14th Five-Year Plan, the development of the GBA and “Belt and Road” initiative, have continuously injected new impetus into the growth of Hong Kong’s economy and trade. Trading and logistics are closely related. The rapid development of cross-border e-commerce and the “Regional Comprehensive Economic Partnership” (RCEP) would bring huge business opportunities to Hong Kong’s logistics industry. Furthermore, the increasing concern on Environment, Social and Governance (“ESG”) performance around the world, and the promotion of green aviation and shipping development by our country and the Hong Kong Special Administrative Region (“HKSAR”) Government, will help foster the development of sustainable logistics, and thereby reinforcing the competitive edges of the Hong Kong’s logistics industry.

## Eight Strategies and 24 Recommended Actions

We have formulated the following eight strategies to meet the short, medium, and long-term development needs of the logistics industry, in order to promote the high-quality development of the Hong Kong's logistics industry towards the directions of smart development, modernisation, green and sustainability, internationalisation and facilitation, and to better equip itself for the dynamic market development, to address its weaknesses and challenges as well as to better seize various development opportunities, and thereby reinforcing and enhancing Hong Kong's advantages as an international logistics hub.



## Strategy (1): To Promote Digitalisation and Smart Logistics Development in the Industry

Modern logistics mainly deals with the management of the flow of goods, capital, and information, and the management process requires the application of technologies and innovative concepts. The rapid growth of cross-border e-commerce business has intensified the demand for faster and more efficient handling of single-piece goods in the logistics industry. At the same time, technology such as the Internet of Things ("IoT"), big data analytics, blockchains, robotics and artificial intelligence have become more mature in recent years, bringing opportunities for innovation and upgrading in the logistics industry. In line with the smart logistics trend and to seize business opportunities arising from the growth of cross-border e-commerce business, the Government will implement enhancement measures for the "Pilot Subsidy Scheme for Third-party Logistics Service Providers" ("Pilot Scheme") from 2024. In addition, the Government will regularise the Pilot Scheme in order to provide appropriate support for the industry to facilitate their transformation towards digitalisation and adoption of smart logistics solution, with a view to enhancing the operational efficiency and competitiveness of the logistics industry. The Government will also make use of the "Maritime and Aviation Training Fund" ("MATF") to provide practitioners with smart logistics related training.

## Strategy (2): To Build and Promote the High-end and Innovative Industry Image

The Government will collaborate with the LOGSCOUNCIL, industry associations, tertiary and training institutions etc. to revamp the image of modern logistics industry as "Smart, Innovative, High-end", promoting the innovation of the industry. We will organise more publicity and promotional activities, annual award scheme and large-scale international and regional conferences, including start-up simulation and innovation competitions on smart logistics targeting the youth as well as award schemes for outstanding young practitioners starting from 2024, with a view to attracting the younger generation to join the industry and inject new impetus into the logistics sector.



### Strategy (3): To Promote Interconnectivity of Logistics Data for Enhancing Industry Competitiveness

Logistics data interconnection allows enterprises to have a better grasp of real-time supply chain information, enabling them to make decision in choosing the most efficient and cost-effective transportation modes and allocating corporate resources in a more precise manner. This helps companies improve operational efficiency, reduce costs, and is particularly important in facilitating the sustainable development of cross-border e-commerce. To enhance industry's competitiveness, the Government will, through developing and connecting different logistics information platforms locally and even regionally (including the Hong Kong International Airport Cargo Data Platform and the Port Community System), and make good use of big data to enhance the efficiency and transparency of the supply chain and reduce logistics costs. We will commence a consultancy study in 2024 to develop a logistics data platform connecting the airport, port and other relevant logistics information platforms to facilitate the interconnection and sharing of logistics data, to enhance the management and coordination of the flows of cargo, information and capital, and to extend the interconnectivity and interoperability of the logistics systems in the Mainland and Macao in the long run. As an international trade and financial centre, Hong Kong should develop logistics data platforms to link up with electronic payment platforms and trade financing platforms in both the Mainland and Hong Kong in the long run in order to better manage the flow of goods, capital, and information in modern logistics.

## Strategy (4): To Promote Green Logistics for Driving Industry Development

In recent years, leading brands/companies around the world have increasingly focused on ESG performance as an important indicator for their business operation. Adopting green logistics solutions can save energy, reduce carbon emissions and recycle resources, thereby driving the global supply chain towards a zero-carbon future. Therefore, green logistics can play a crucial role in achieving ESG targets for logistics companies. To this end, the Government will promote the development of green and sustainable logistics through a sub-committee under the LOGSCOUNCIL starting from 2024, with an aim to formulate a clear roadmap for the development of green and sustainable logistics with concrete commitments for implementation. The Government will also encourage cross-sectoral collaboration in the development of ESG-related green logistics applications by making use of the Government's existing research and development funding schemes on innovation and technology. Moreover, we will make use of the new injection of HK\$200 million into the MATF to strengthen on-the-job training and continuing education programmes with a view to enhancing the awareness of environmental conservation and sustainable development among SME employers and employees. In order to equip the local logistics industry with the knowledge of the latest ESG requirements, we will cooperate with the Hong Kong Productivity Council ("HKPC") to organise certification courses and seminars related to green logistics, energy conservation and emission reduction starting from 2024. Furthermore, in order to strengthen support for the SMEs, the Government will encourage the logistics industry to adopt existing technologies for achieving green logistics through the "Pilot Scheme" and will provide advisory services through the HKPC.

## Strategy (5): To Stabilise Supply of Logistics Land and Develop Logistics Clusters with Different Functions

The Government will continue to conduct feasibility studies on potential logistics land for developing multi-storey logistics centres. We plan to dispose of a total of four parcels of logistics land covering about 19 hectares regularly from 2024 to 2027, providing a stable supply of affordable logistics land to meet the short and medium-term demand for logistics land. To enhance land use efficiency and provide more space for development for the logistics industry, we will continue to promote vigorously the development of multi-storey logistics facilities incorporating supporting facilities with technology application so as to optimise the use of land. In the long run, the Government has reserved logistics land of about 37 hectares in the new development areas of the Northern Metropolis for developing modern logistics clusters with different function to leverage on the clustering effect for enhancing the operational efficiency of the logistics industry, and thereby facilitating the sustainable development of smart logistics in Hong Kong. We will commence the relevant planning studies in 2023. It is expected that the findings of the study will be released in 2025, so that the logistics land in the NDAs can be put on the market as soon as possible.





## **Strategy (6): To Strengthen Collaboration with the GBA and Grasp New Development Opportunities**

Capitalising on the unparalleled advantages of basing in the GBA, enjoying strong support of the Motherland and being closely connected to the world, the Government will continue to work closely with the industry and the LOGSCOUNCIL to strengthen the collaborated development with other cities in the GBA and the Mainland through improving various multimodal transport and making good use of the Hong Kong-Zhuhai-Macao Bridge, and actively dovetailing with national development strategies. We will also encourage and assist the industry in formulating management standards and guidelines for logistics services on high-value goods (e.g. cold chain goods) with other cities in the GBA from 2024. This will enable the industry to capture the new demand for modern logistics services in the GBA, and through this, to promote the high-quality development of Hong Kong's logistics industry and the development of Hong Kong into a sustainable modern, high value-added and smart logistics service centre.

## **Strategy (7): To Promote Hong Kong's Unique Advantages and Actively Explore New Business Opportunities**

The Government will continue to actively open up new markets by promoting Hong Kong's diversified financial and professional services, as well as our strengths in modern logistics industry to attract more Mainland and overseas companies to use Hong Kong's logistics companies for their regional distribution or even setting up their regional distribution centres in Hong Kong, and thereby exploring new business opportunities in the Association of Southeast Asian Nations ("ASEAN"), the Middle East, and other countries along the "Belt and Road". In addition, starting from 2024, we will conduct promotional visits with the LOGSCOUNCIL to the Mainland or other GBA cities, as well as the emerging markets along the ASEAN, the Middle East and other "Belt and Road" cities every year. We will also organise more large-scale promotional events in Hong Kong to promote Hong Kong's logistics industry, enhancing the exchanges and collaborations with cities in the region, with a view to expanding the footprint of the industry.

## **Strategy (8): To Enhance Cross-sectoral Coordination for Supporting the Long-term Development of the Logistics Industry**

The Government will expand the membership of LOGSCOUNCIL by appointing representatives from the Government and related sectors/fields in 2024, with a view to facilitating discussion on cross-sectoral issues related to logistics on the platform of the LOGSCOUNCIL. Such issues include logistics land planning, manpower training and development, green and sustainable logistics, cross-border e-commerce logistics, technology adoption, and business promotion, etc. The industry can discuss issues cutting across different bureaux and departments, which is conducive to policy nurturing and implementation of follow-up actions on cross- bureaux/departmental issues.



# Future Directions

As the country embarks on a new journey, the HKSAR Government will continue its effort in leveraging on Hong Kong's distinctive advantages of enjoying strong support of the Motherland and being closely connected to the world under the "One Country, Two Systems" principle, as well as working closely with the logistics industry to capitalise on the tremendous opportunities brought by the rapid development of our country and the region, and unleashing the unlimited development potential of the logistics sector to open a bright new chapter for the logistics industry in Hong Kong. This Action Plan is an important document formulated by the HKSAR Government for the development of modern logistics, leading the future development of Hong Kong's logistics industry. With the support of the LOGSCOUNCIL, we will work with relevant stakeholders to implement the strategies and recommended actions formulated in the Action Plan, with a view to achieving our target to develop Hong Kong into a sustainable international smart logistics hub focusing on high-value goods and e-commerce markets.

# Foreword

Hong Kong has long been a premier logistics hub in Asia and an important gateway for trade between the Mainland and the rest of the world. With its excellent geographical location, free port status, well-developed infrastructure, comprehensive sea, land and air transport networks, sound legal system, simple and competitive tax regime, experienced professional talents, as well as status as an international business and financial centre, Hong Kong has obvious competitive advantages in playing a pivotal role in promoting the flow of goods in the region. Under the principle of "One Country, Two Systems", Hong Kong has direct access to the enormous Mainland market and strong international connectivity at the same time, serving as a bridge linking the Mainland and the rest of the world.

Through the "Outline of the 14th Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" (the "14th Five-Year Plan"), the Central Government has clearly affirmed Hong Kong's positioning as an international aviation hub and international maritime centre. The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" promulgated in February 2019 also indicated clear support for the development of high-value air cargo logistics and high value-added maritime services in Hong Kong so as to leverage on Hong Kong's strength as a regional logistics hub.

In order to capitalise on the opportunities brought by the development of our country and make full use of the support from the Central Government, the HKSAR Government has been actively promoting the development of modern logistics in Hong Kong. Similar to other industries in Hong Kong, the logistics industry encounters development constraints in terms of supply of affordable logistics land and manpower resources, high operating costs, and limited digitalisation and technology application. At the same time, geopolitical factors and regional competition pose challenges to the local logistics industry. However, every crisis lies an opportunity. Changes in the global patterns and trends, including tilting of the growth of international trade towards Asia, the continued rise of emerging economies, the practice of sustainable logistics, the rapid growth of cross-border e-commerce, as well as the Regional Comprehensive Economic Partnership (RCEP), have brought many opportunities for the development of Hong Kong's logistics industry.



In addition, the competitive edges of Hong Kong's logistics industry, including a well-developed intermodal transport network, advanced technology and expertise in handling high-value goods (including time- and temperature-sensitive goods such as fresh produce and pharmaceuticals), efficient and smooth customs clearance of goods, highly efficient logistics services, and excellent industry professionals, are all favourable conditions for Hong Kong's development into a sustainable international smart logistics hub focusing on high-value goods and the e-commerce markets, which will help the logistics industry capitalise on the huge business opportunities arising from the rapid growth of e-commerce, as well as the development of the GBA and other emerging markets.

The Chief Executive announced in the 2022 Policy Address that the HKSAR Government would work with the LOGSCOUNCIL and the industry to formulate an action plan to promote the development of high value-added modern logistics. In the course of formulating the action plan, we have consulted the LOGSCOUNCIL, the Legislative Council, and various stakeholders of the logistics industry to gauge their views on the competitive advantages and challenges of the logistics industry as well as the key strategic areas for promoting the development of modern logistics in Hong Kong. This action plan has analysed the strengths, weaknesses, opportunities, and challenges as well as the present situation and trends of development of Hong Kong's logistics industry. We have formulated forward-looking strategic actions to meet the short, medium, and long-term development needs of the logistics industry, with a view to promoting the high-quality development of Hong Kong's logistics industry and the development of Hong Kong into a sustainable modern, high value-added, and smart logistics hub in Asia, facilitating the efficient flow of goods between Hong Kong and other parts of the region, and fostering the sustainable development of the logistics industry.

The HKSAR Government is confident about the development prospects of the logistics industry. With Hong Kong's unparalleled advantages of enjoying strong support of the Motherland and being closely connected to the world, we will certainly capitalise on the new opportunities brought by the development in various aspects, fully leveraging on Hong Kong's dual roles in "going global and attracting foreign investment".



## Vision

To accelerate the high-quality development of logistics industry and develop Hong Kong into a sustainable modern, high value-added, and smart logistics hub in Asia

## Missions

- Reinforcing intermodal transport by integrating air, sea, and land transport to strengthen the key role played by Hong Kong in the logistics chain of the Greater Bay Area and other regions
- Leveraging on our strengths in handling high-value goods to promote the development of green and sustainable high-end, and high value-added logistics services
- Encouraging the logistics industry to make good use of technology and through a wider application of smart logistics solutions to enhance competitiveness

## Target

Develop Hong Kong into a sustainable international smart logistics hub focusing on high-value goods and the e-commerce markets



# Chapter 1

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## Overview of the Modern Logistics Development in Hong Kong

Hong Kong is a free trade port with simple and efficient customs clearance procedures, coupled with its premier geographical location that enables the city to reach half of the world's population within five hours by plane. As a result, Hong Kong has long been an important international logistics hub. Under the principle of "One Country, Two Systems", Hong Kong is the best gateway connecting the Mainland with the rest of the world.

In the 14th Five-Year Plan, which was endorsed in March 2021 <sup>[1]</sup>, the Central Government gave its support for promoting the Hong Kong's service industries for high-end and high value-added development, and to enhance Hong Kong's status as international maritime and trade centres as well as an international aviation hub. With its advantages as an international an aviation hub and international maritime centre, Hong Kong has long been an important logistics hub in the Asian region. Combined with its comprehensive sea, land and air transportation network, Hong Kong has been playing a pivotal role in facilitating the flow of goods in the region.

In recent years, under the impact of the COVID-19 pandemic, coupled with the slowdown of the global economy and geopolitical factors, enterprises have been prompted to restructure their global supply chains, which has brought both challenges and opportunities to the Hong Kong's logistics industry.

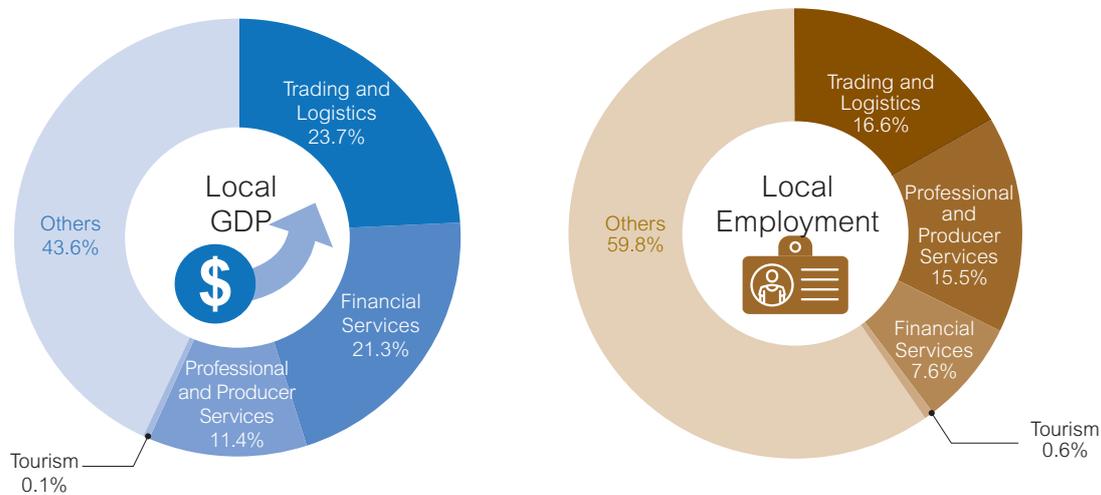
## **1.1 | Trading and Logistics Industry as a Major Economic Pillar in Hong Kong**

### **1.1.1 Contributions to Hong Kong's GDP and Employment**

The four major economic pillar industries in Hong Kong, including trading and logistics, financial services, tourism, and professional and producer services, have been the driving force of Hong Kong's economic growth. In the past decade, the four pillar industries together contributed more than half of Hong Kong's local GDP. While the percentage share of trading and logistics industry in GDP had slightly reduced up till 2019, it has rebounded since 2020. The industry contributed the largest share of the local GDP in 2021, generating a total value added of about HK\$650 billion or 23.7% of Hong Kong's local GDP (see Figure 1). Among them, the logistics industry accounts for 6.2% of the local GDP, with a value added of about HK\$169.2 billion <sup>[2]</sup>.

In addition, the trading and logistics industry has also been contributing the largest number of employment opportunities among the four major pillars, having about 608,200 employees or 16.6% of the total employment in 2021. Among them, the logistics industry has about 185,500 or 5.1% of the total employment.

**Figure 1 Percentage Share of GDP and Employment of the Four Pillar Industries in Hong Kong in 2021**



*Note: The percentages for the industries may not add up to 100% in total due to rounding.  
Data source: Census and Statistics Department*

## 1.2 | Modern Logistics Development in Hong Kong

Trading activities create demand for logistics services. General logistics business activities include cargo transportation, freight forwarding, storage, postal and courier services, etc. In addition to managing the physical movement of goods, modern logistics also manages the information flow among buyers, sellers and logistics service providers so as to coordinate the flow of goods and money exchanges arising from trade.

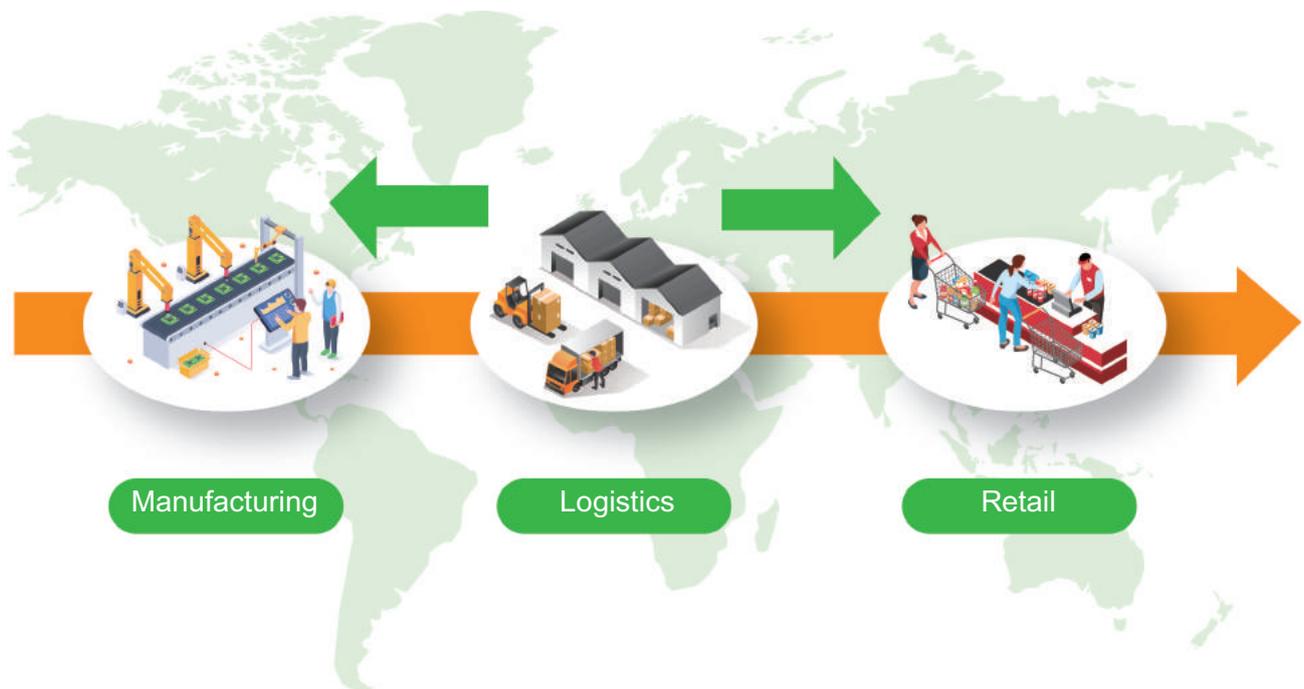
### 1.2.1 From Traditional 2PL to 3PL

As the demand for logistics services becomes more diversified, it requires a higher degree of specialisation. More and more enterprises entrust part or all of their logistics functions to specialists. First-party logistics (“1PL”) refers to buyers or sellers managing and executing logistics activities such as storage, packaging, repackaging, transportation, and delivery of products or commodities by themselves. Manufacturers and retailers turn to second-party logistics (“2PL”) service providers on a contract basis for specialised services and cost savings. 2PL service providers are usually operators with fixed assets including warehouses, fleets, and hardware equipment.

Globalisation has led to formation of economic partnerships and trade blocs among countries. In order to remove barriers to cross-border trade, enterprises have to expand and operate on an international scale. The increasing complexity of global supply chains resulting from new business models has increased the demand for visibility and tracking of logistics operations in order to better manage the supply chains. This has given rise to third-party logistics (“3PL”) service providers. 3PL service providers can coordinate and manage the services provided by 2PL service providers in different segments of a logistics chain for their clients.

In addition to providing global logistics networks and cost advantages, 3PL service providers can also provide customised value-added services such as quality control, inspection, bundling, packaging and repackaging, tracking and tracing, product assembly, software installation, inventory management, cross-docking, etc. They can further integrate these value-added services to provide clients with comprehensive yet flexible logistics outsourcing solutions. These services address concerns of the logistics operation, thereby enabling companies to focus on developing their core business competence and expanding their markets globally. Moreover, with the expansion of cross-border e-commerce, the demand for modern logistics services has also been increasing (e.g. real-time tracking and same-day delivery services), and the industry has been evolving from traditional Business to Business (B2B) to the current Business to Consumer (B2C) services.

**Figure 2 Logistics Extending Upstream and Downstream in the Value Chain**



### 1.2.2 The Hong Kong International Airport and Hong Kong Port are Handling an Increasing Volume of High-value Goods

Hong Kong International Airport (“HKIA”) currently handles about 75% of the air cargo to and from other cities in the GBA. For sea freight, in 2020, about 50% of the throughput of the Hong Kong Port were cargos between Hong Kong and the Mainland, of which 80% were to and from the Pearl River Delta region <sup>[3]</sup>. Therefore, the services handled by the logistics industry in Hong Kong are mainly re-export or transshipment of cargos from other GBA cities via Hong Kong. The fact that air cargo is higher by value, and re-export goods do not only in transit but also stay over in Hong Kong, has created greater opportunities for value-added logistics services.

The HKIA and Hong Kong Port have been handling an increasing volume of high-value cargos in recent years. These products include high-end, time- and temperature-sensitive products such as fresh produce, pharmaceuticals, electronics, jewellery, dangerous goods and precision instrument parts and components, etc., which require special handling and monitoring in appropriate facilities. According to the International Air Transport Association (“IATA”), Hong Kong air cargo sector has outperformed the global average both in terms of cargo volume and trade value. In general, air cargo accounts for about 1% in volume and 35% in value of the global trade. Data shows that the share of Hong Kong’s air cargo in the total freight volume has increased from 1.34% in 2012 to over 2% in 2021, and accounts for 42% or about HK\$4,340 billion of the Hong Kong total trade value<sup>[4]</sup>.

### **HKIA’s Expanding or Newly Built Air Cargo Facilities**

At present, there are five air cargo/mail terminals at the HKIA, including Hong Kong Air Cargo Terminals, Cathay Cargo Terminal, Asia Airfreight Terminal, DHL Central Asia Hub, and Air Mail Centre, which can handle more than seven million tonnes of cargo and mail annually. Among them, the Super Terminal 1 operated by the Hong Kong Air Cargo Terminals Limited is the world's largest single multi-level air cargo terminal. Its world-class fully automated cargo handling system can efficiently handle various types of cargo, with an annual cargo handling capacity of 3.5 million tonnes<sup>[5]</sup>. The cargo terminal service operators provide comprehensive cargo handling services and specialised cargo handling facilities for temperature-controlled goods, dangerous goods, live animals, valuable goods, and odd-sized items such as aircraft engines.

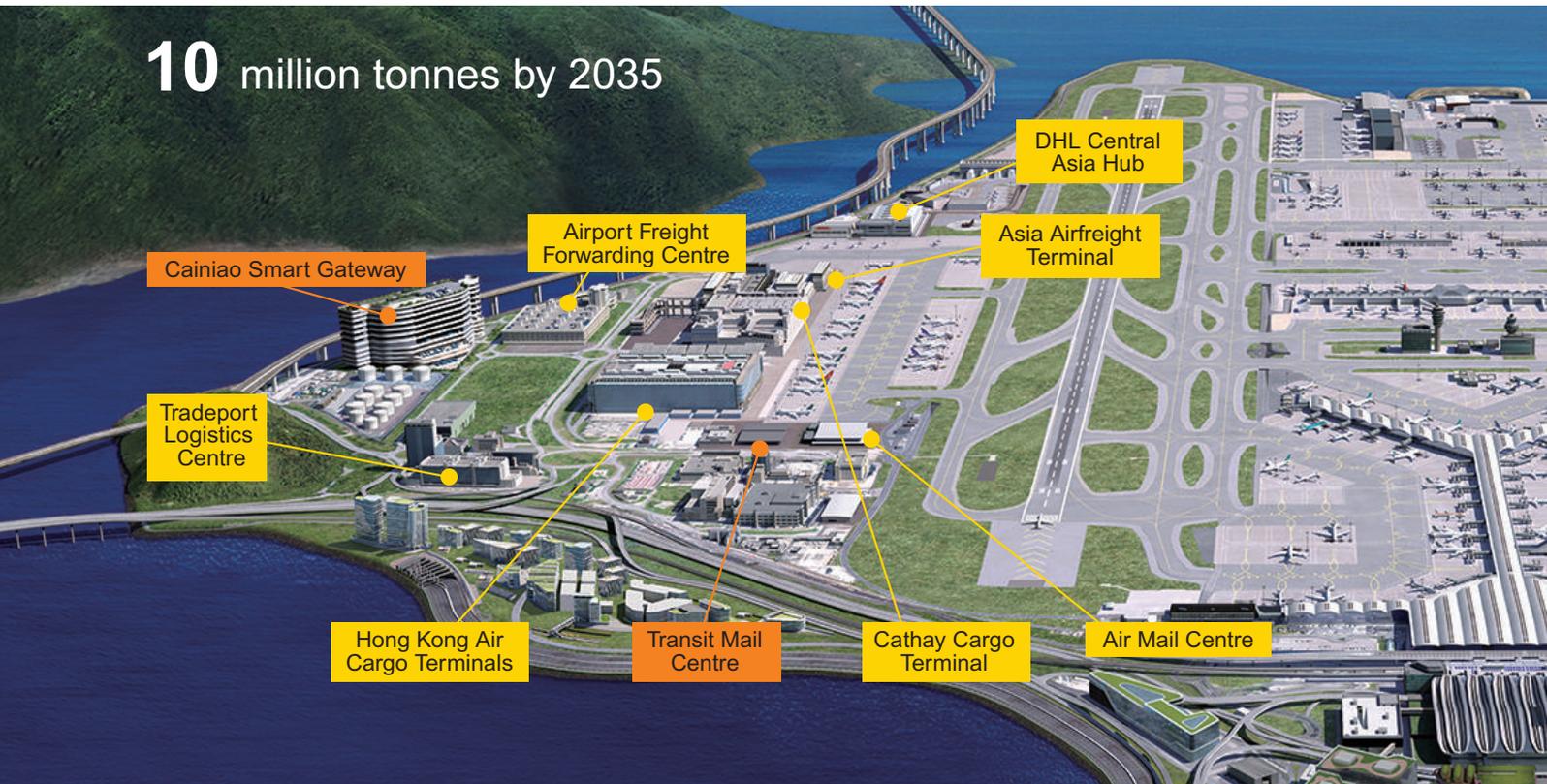
*Photo Source: Airport Authority Hong Kong*



HKIA is constantly upgrading its hardware and software capabilities to handle high-value temperature-controlled goods. Air cargo terminal operators at the HKIA are certified by IATA for the handling of pharmaceuticals cold chain, fresh produce, live animals, or lithium battery transportation. These certifications recognise HKIA's capability to manage stringent cold chain logistics for air transportation of temperature-controlled pharmaceuticals. This made HKIA one of the preferred airports for handling critical medical supplies (such as vaccines) during the outbreak of the pandemic.

To meet the growing demand for imported fresh and temperature-controlled e-commerce goods to Hong Kong, a number of air cargo terminals have also set up temperature-controlled facilities at the HKIA, allowing cargos to be processed in these facilities immediately upon arrival in Hong Kong, eliminating the need for them to be sent to urban warehouses for processing, as well as reducing transportation costs and enhancing efficiency.

With the growth of cross-border e-commerce and intra-Asian trade, the demand for high-value goods will continue to rise. In view of this, the Airport Authority Hong Kong (“AAHK”) is working with different organisations to expand or build new air cargo facilities, including the expansion of the existing DHL Central Asia Hub, the operation of Cainiao Smart Gateway within 2023 and the operation of Transit Mail Centre planned for 2025 (marked in orange in the figure below), in order to increase HKIA's capacity for handling cross-border e-commerce cargos and postal goods.



*Air Cargo Facilities around HKIA (Source: Airport Authority Hong Kong)*

In addition, the Transit Mail Centre has direct access to both airside restricted area and landside handling area of the HKIA, which will enhance the capability of re-exporting posts through Hong Kong. These facilities will further enhance the total handling capacity and efficiency of HKIA for transshipment, cross-border e-commerce, and high-value goods, thereby strengthening Hong Kong's position as an international aviation hub.

### **International Transshipment Hub Port**

Hong Kong Port is strategically situated at the centre of the Asia-Pacific region and is one of the important hub ports in the area. The Hong Kong Port provides frequent and comprehensive liner shipping services with more than 240 international container liner services connecting to over 460 destinations worldwide every week. In addition, the Kwai Tsing Container Terminals (“KTCTs”) is an internationally certified and compliant terminal for handling dangerous and chemical materials shipments. Hong Kong is therefore the preferred choice for re-export of such dangerous goods. In recent years, Hong Kong Port has also upgraded its hardware, software, and professional capabilities in handling high-value cargos (including cold chain shipments). Currently, Hong Kong handles more than 350,000 twenty-foot equivalent units of imported refrigerated containers annually, including seasonal fruits and frozen meat for the local and neighbouring Mainland markets.

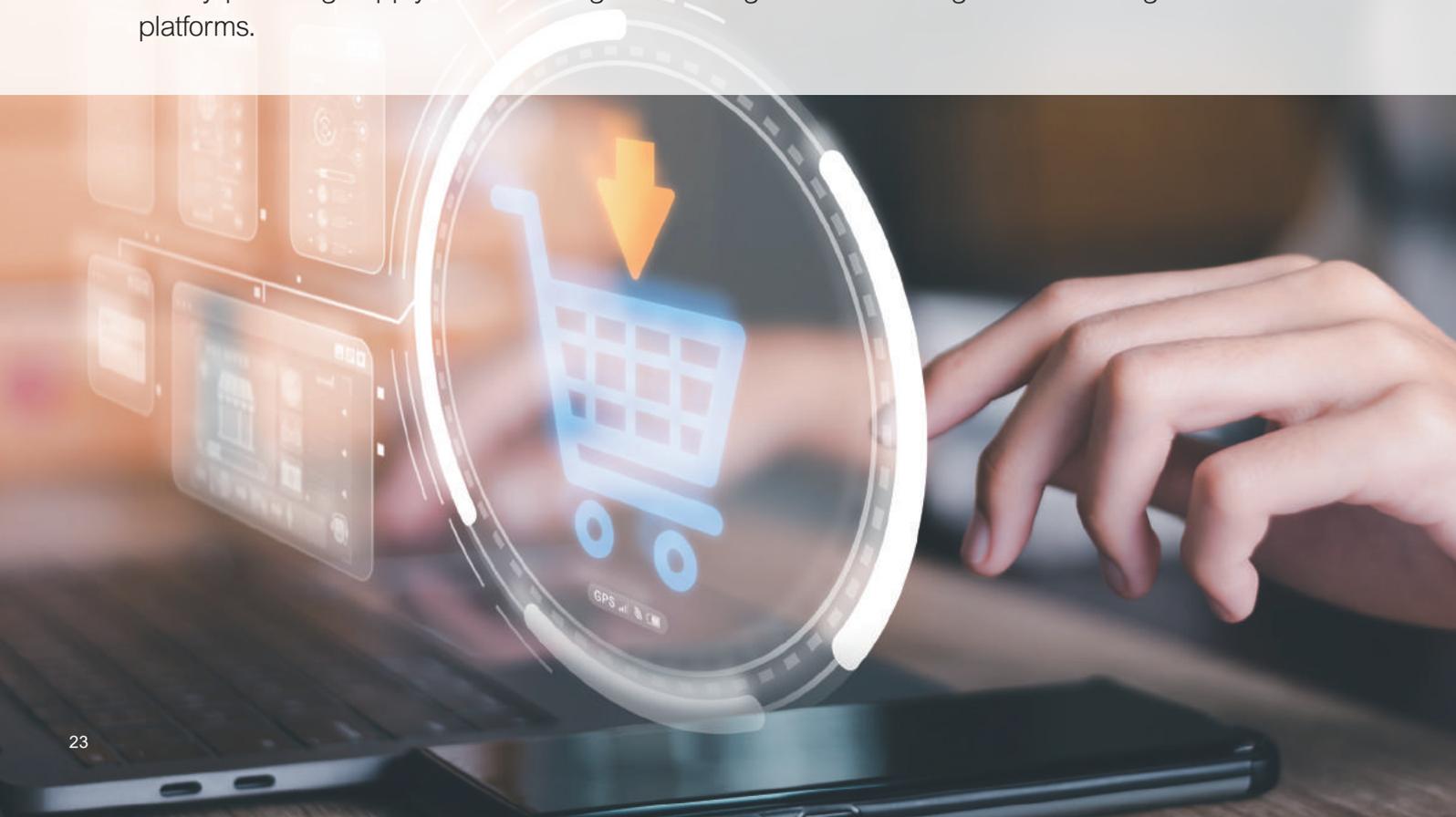


### 1.2.3 Rapid Growth of E-commerce Logistics

With the rapid development of the e-commerce market in the Mainland, a large number of SME sellers are selling their products to overseas consumers in the form of cross-border e-commerce, which has generated a huge demand for 3PL services. The cross-border e-commerce express services between the Mainland and international cities / Hong Kong, Macao and Taiwan grew by 27.7% and 14.6% year-on-year in 2020 and 2021 respectively <sup>[6]</sup>.

E-commerce businesses have revolutionised traditional logistics operations. Logistics services have become more customer-centric, the ability to establish responsive supply chain has become imperative. 3PL service providers support e-commerce companies, especially SMEs, in providing end-to-end logistics chain visibility with the use of readily available track and trace technologies. This helps them to better utilise big data and enables timely sharing of key data with the partners in the supply chain. E-commerce companies can also realise more efficient last-mile delivery through the global logistics network of 3PL service providers.

Through 3PL services, traders realise the opportunities to further optimise their supply chain management through collaboration with the fourth-party logistics (“4PL”) service providers. 4PL service providers typically do not directly handle physical cargo, they act as consolidators who integrate facilities, technologies or coordinate 3PL service providers to provide total logistics solutions for traders. Their services include logistics planning, supply chain solutions, common information systems/platforms, and equipment pooling/sharing services. While there is yet a consensus on the definition of fifth-party logistics or sixth-party logistics in the market, they can be considered as a variation of 4PL, which further capitalises on advanced technologies such as the IoT, data analytics, and electronic payments to provide solutions for cross-border e-commerce and supply chain networks. Currently, 4PL services in Hong Kong is in its development stage, mainly providing supply chain and logistics management consulting services or logistics service platforms.



# Chapter 2

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## SWOT Analysis of Hong Kong's Logistics Industry

During the formulation of the "Action Plan on Modern Logistics Development" ("Action Plan"), we have consulted the LOGSCOUNCIL, the Legislative Council, and various stakeholders of the logistics industry to gauge their views on the industry's competitive edges, current challenges and the key strategic areas of the Action Plan. Having examined the views collected during the industry consultation, we have analysed the strengths, weaknesses, opportunities, and threats ("SWOT"), as well as the key factors affecting the development of Hong Kong's logistics industry, with a view to formulating strategies and actions for meeting the short, medium and long-term development needs of the logistics industry.

- Strategically located at the heart of Asia, and the gateway to the Mainland and the Asia-Pacific region
- Multimodal connectivity by sea, land and air
- Advanced technology and expertise in handling time and temperature sensitive products
- Free flow of information and capital
- Institutional advantages (such as free port, simple and low tax system, sound legal system and good intellectual property protection)
- World's number one cargo airport
- Flexible logistics service
- Efficient cargo clearance

### Strengths

- Insufficient supply of affordable logistics land, leading to high rental costs and short-term tenancies
- Lack of manpower resources, including highly skilled professionals and low-skilled practitioners (e.g., warehouse workers, cross-border goods vehicle drivers, etc.), resulting in high labour costs
- Limited technology adoption
- High operating costs
- Weak cross-sectoral collaboration mechanism

### Weaknesses

### Opportunities

- Policy support from the Central Government
- Opportunities under national development strategies (14th Five-Year Plan, Development of the GBA, and Belt and Road Initiative)
- Vast logistics resources in the GBA
- RCEP promoting trade among Asia-Pacific countries
- Booming cross-border e-commerce reshaping traditional logistics operations
- Growing demand for high-value goods
- Growth of domestic demand in Asia and the GBA
- Integrated development of the GBA
  - Strong economic vitality, high-consuming power population, driving demand for high-value goods
  - Cooperation with Zhuhai Airport
- Sustainable logistics practices becoming a competitive advantage in the market
- Promoting the use of sustainable aviation fuel

### Threats

- Geopolitics (e.g. Sino-US trade restrictions)
- Intense competition from neighbouring cities
- Lack of awareness of sustainable logistics practices among SMEs

## 2.1 | Strengths

As an international logistics hub, Hong Kong's most prominent advantage is its free port status. Goods can enter and leave Hong Kong seamlessly with simple customs procedures, alongside with free flow of capital and information. The sound legal system of the HKSAR Government provides good protection for trade transactions and intellectual property rights.

### Comprehensive Sea, Land and Air Transportation Network

With a comprehensive sea, land, and air transportation network as well as world-class transportation and infrastructure facilities, Hong Kong has all along been an important gateway for trade between the Mainland and the rest of the world. Before the outbreak of the pandemic, the HKIA handled over 1,100 flights daily, connecting about 220 destinations worldwide, including about 50 destinations in the Mainland. With its extensive flight service network and world-class airport infrastructure, HKIA has been the world's busiest cargo airport for many years. Notwithstanding the impact of the pandemic on international trade, HKIA's cargo business has remained robust, overtaking the Memphis International Airport of the United States (“U.S.”) again in 2021 to become the world's leading cargo airport, and remaining the world's No. 1 airport in 2022. To enhance the airport's passenger and cargo handling capacity in meeting the long-term air traffic demand, the HKSAR Government has been assisting AAHK in taking forward the Three-Runway System (“3RS”) project which was officially commissioned in 2022. The HKSAR Government will continue to support the implementation of the remaining works of the 3RS project, including runway reconstruction and expansion of Passenger Terminal 2, with the target of completing the entire 3RS by 2024. HKIA is expected to reach the targets of handling 120 million passengers and 10 million tonnes of cargo annually by 2035.

As for shipping, the Hong Kong Port is one of the world's top ten ports, providing more than 240 international container liner services every week and connecting over 460 destinations around the world.

For cross-border land cargo transport, the Hong Kong-Zhuhai-Macao Bridge (“HZMB”), which was commissioned in late 2018, connects the HKSAR in the east and Macao Special Administrative Region in the west and Zhuhai City in Guangdong Province. It has significantly shortened the travelling time between Hong Kong and the western Pearl River Delta region to less than three hours, and provides a more convenient channel for cross-border passenger and cargos among the three cities. Other cross-border control points including Man Kam To, Lok Ma Chau, Shenzhen Bay, and Heung Yuen Wai have facilitated cross-border land cargo transport and promoted collaboration and integration among cities in the GBA.



## Multimodal Transport by Sea, Land and Air

The HKSAR Government will make full use of its infrastructure and transport network of the HKIA and HZMB to strengthen the multimodal transport with other cities in the GBA and to capitalise on Hong Kong's strengths in handling high-value goods. For example, AAHK developed the "HKIA Logistics Park" in Dongguan where cargo security screening, packaging, palletisation and airline acceptance for export cargos from the Mainland will be completed upstream in Dongguan. The cargos will then be shipped by vessel to the airside intermodal cargo pier within the restricted area of HKIA for direct uplift to overseas destinations as transshipments seamlessly. As such, repeated security checks and customs clearance procedures can be eliminated and thereby, enhancing the handling efficiency of cross-border air cargo transshipment.



*Hong Kong International Airport Logistics Park in Dongguan (Photo Source: Sing Tao Daily)*

In addition, AAHK is collaborating with the Zhuhai Municipal People's Government to jointly explore the Hong Kong-Zhuhai international cargo business, with the objective to realise "air-land-air" direct cargo services through the land connection via the HZMB. Cargos from Mainland cities connected to the Zhuhai airport network will be consolidated in Zhuhai before transported to Hong Kong for re-exporting to long-haul overseas destinations by leveraging on HKIA's comprehensive international network. Hong Kong Customs will also actively support the development of the concerned initiatives, and provide efficient Customs clearance services for the passengers and cargo concerned.

## Convenient and Efficient Customs Clearance

In 2016, Hong Kong and the Mainland Customs launched the Single E-lock Scheme ("SELS") by connecting the "Intermodal Transshipment Facilitation Scheme" in Hong Kong with the "Speedy Customs Clearance System" in the Mainland to create a logistics "green lane" between Hong Kong and the Mainland. On the other hand, Hong Kong Customs is now actively working with the Mainland and the Macao Customs to extend the scheme to Macao as "Guangdong-Hong Kong-Macao Three-Places-One-Lock" Scheme by leveraging on the HZMB and the newly commissioned HZMB Cross-border Cargo Transfer Port to further facilitate logistics flow among the three places and enhance the logistics and economic growth in the GBA.

In parallel, Hong Kong Customs provides "one-stop" customs clearance service for sea-air transshipment cargos, aiming to simplify customs import / export formalities. To that end, Hong Kong Customs leverages on technology to monitor the cargos on board the vessel to mitigate smuggling risks, thereby reducing cargo inspection rate, which can expedite the cross-border flow of transshipment cargos and enhance Hong Kong's status as a logistics hub.

Hong Kong Customs has proposed the “Air-Land Fresh Lane” initiative by leveraging on the unique geographical advantages of the HKIA and the HZMB to facilitate the transportation of fresh food products to and from the western part of the GBA. By application of advanced technology and streamlined clearance procedures, this initiative can expedite the movement of fresh products between overseas and other cities in the GBA, thereby promoting the trade development in the region.

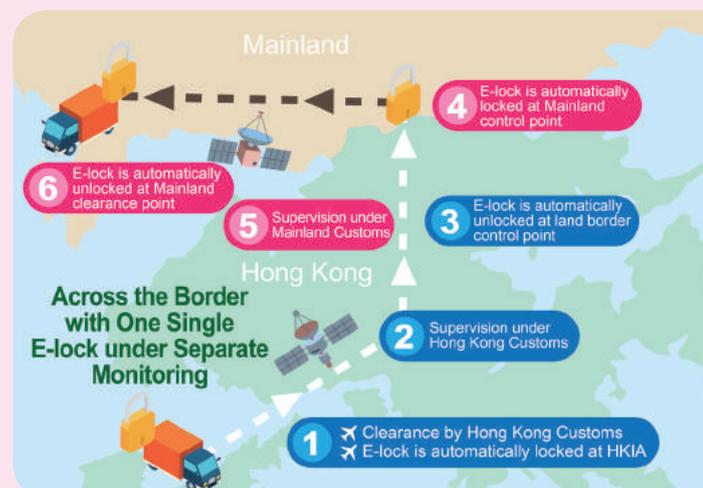
### Other Trade Facilitation Measures

Hong Kong Customs implemented the Hong Kong Authorised Economic Operator (“AEO”) Programme in 2010 to provide preferential treatment for the trusted partners. Local companies which have met pre-determined security standards will be accredited as AEOs, and enjoy appropriate Customs facilitation, including reduced or prioritised Customs inspection. With signatories of the mutual recognition arrangements with 13 Customs administrations (including the Mainland), AEOs in Hong Kong could enjoy diversified benefits granted by the Mainland and overseas countries, which further enhance their competitiveness.

Besides, while the Mainland has been establishing Free Trade Agreements with different countries and regions, Hong Kong Customs launched the Free Trade Agreement Transshipment Facilitation Scheme (“FTA Scheme”) in 2015 to provide customs supervision and certification services, hence facilitating goods passing through Hong Kong to enjoy tariff concessions stipulated thereunder. At present, 18 trade agreements are included in the FTA Scheme, covering 66 countries/regions, 59 of which are Belt and Road countries.

SELS employs the same e-lock and Global Positioning System device for real-time monitoring by the two Customs administrations based on the principle of “crossing the border with one single e-lock under separate monitoring” with a view to simplifying customs clearance procedures and facilitating logistics flow through minimising duplicated inspection on the same shipment.

To further facilitate cross-border logistic development between Hong Kong and the Mainland, the SELS was successfully extended to Hunan province in June 2023, which is the second Mainland province apart from Guangdong to implement the scheme. At present, there are altogether 76 Customs clearance points, with 60 in Guangdong Province, 3 in Hunan Province, and 13 in Hong Kong, providing the logistics industry with over 800 cross-border routes as options.



**General Operation Flow of SELS  
(example of northbound air-land  
transshipment cargoes)**

**Source: Customs and Excise Department**

## 2.2 | Weaknesses

Similar to other industries in Hong Kong, the logistics industry also encounters various development constraints in terms of supply of affordable logistics land and manpower resources, high operating costs, and limited digitalisation and technology applications.

### 2.2.1 Shortage of Logistics Land

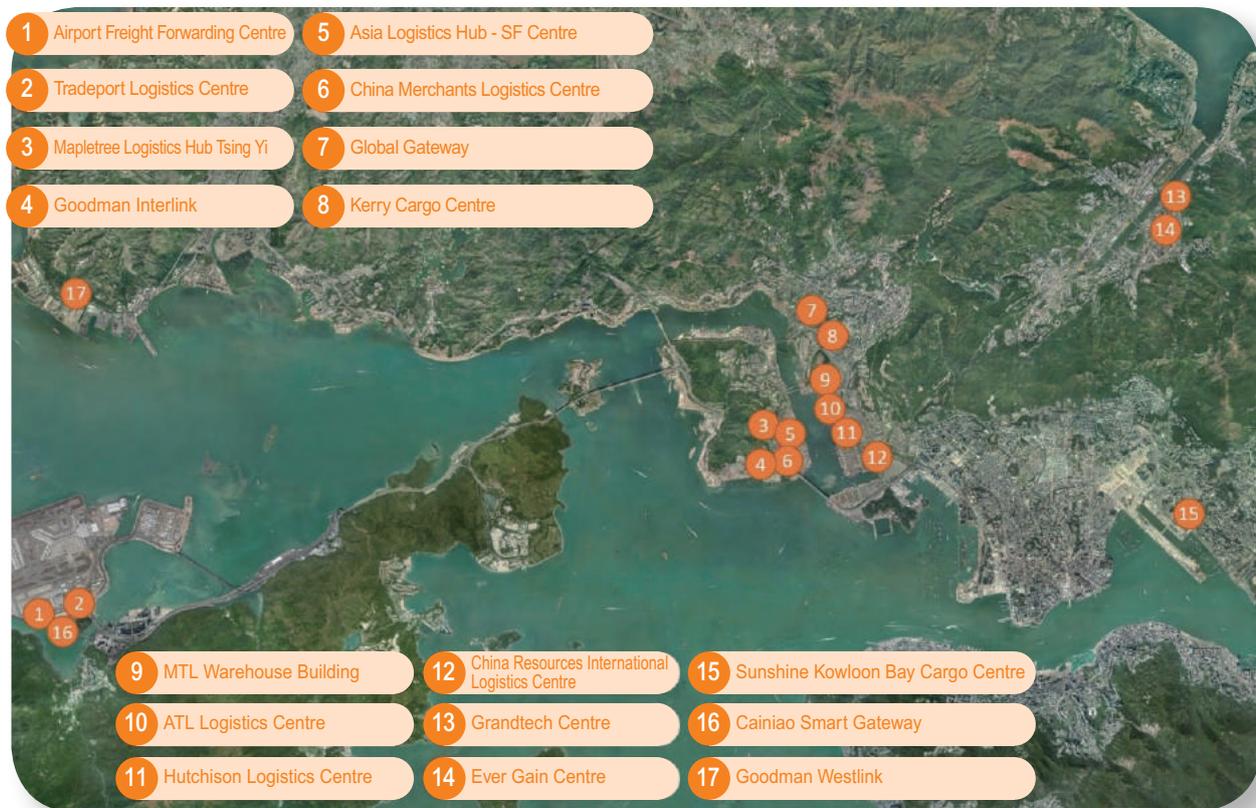
Hong Kong is a densely populated city with limited land. The supply of land, regardless for residential, commercial or industrial purposes, has all along been a difficult issue to be resolved. The shortage of logistics land is particularly acute with the increasing demand for logistics services. To cope with the changing market trends and demands, the logistics industry has gradually shifted from general cargo handling, freight forwarding, and inventory management to provision of high-value cargo handling and high value-added services. To support the development of modern logistics, the industry is in imminent need for more suitable land to develop modern logistics facilities for high value-added logistics services.

Insufficient supply of logistics land will restrain the ability of Hong Kong's logistics industry to meet the growing market demand and fail to provide sufficient space for the future development of the logistics industry. The increase in rental costs due to insufficient land supply will undermine Hong Kong's competitiveness as a regional logistics hub.

#### Distribution of Major Modern Logistics Facilities

Currently, modern logistics facilities are mainly distributed in the purposely-designed multi-storey logistics buildings (see Figure 3) and conventional industrial buildings. In terms of locational requirements, sites with good accessibility to major roads that near the port, airport, industrial areas and border control points are preferable. Purposely-designed logistics buildings are mainly located in Kwai Tsing area, with a few purposely-designed buildings in Tuen Mun, Shatin and the Airport Island as these areas are in good connectivity to the major routes to the HKIA, KTCTs and industrial areas. A number of logistics companies (e.g. e-commerce logistics companies) are located in Kwun Tong as it is closer to their customers and some ancillary offices of the operation sites are also located near the urban area, such as North Point.

Purposely-designed multi-storey logistics buildings are typically built to higher specifications, including direct ramp access, large floorplate, high headroom, heavy floor loading, ample parking facilities with loading and unloading area, sufficient power supply and temperature-controlled area, which are preferable for modern logistics services. In fact, purposely-designed buildings provide high-quality space to fulfil the growing needs of modern logistics operations and provide a more favourable option to modern logistics operators. In terms of building requirements, a larger site area would be required for purposely-designed buildings.

**Figure 3 Distribution of the Purposely-designed Buildings**

With the emerging trend of e-commerce, the demand for warehouse for goods storage in industrial buildings has been increasing. Conventional industrial buildings are built to lower level specifications such as small floor area, low ceiling height, and limited cargo-lift access and loading/unloading space. Despite that there are some private initiatives to re-develop or retrofit these conventional industrial buildings to suit the operational needs of modern logistics activities, there is still shortfall of modern logistics land to meet the industry's demand.

According to the feedback from the industry, rent level and lease period are the major considerations for the site selection. The rent level of purposely-designed multi-storey logistics buildings is comparatively high. Some modern logistics operators chose to locate their operation in conventional industrial buildings due to cost consideration, despite the higher degree of specifications of purposely-designed buildings.

As for the leasing arrangement, as the lease period is usually two to three years, it is very difficult for the operators to reach the break-even point of the investment, especially for cold chain logistics, automation and other logistics operations with high investment cost. Industry feedback is that their operating costs will rise due to increase in rental upon lease renewal.

High rental cost will not only affect affordability of the industry, but also the competitiveness of Hong Kong as a regional logistics hub.



*Cainiao Smart Gateway (Photo Source: Airport Authority Hong Kong)*

### **Stabilising the Supply of Logistics Sites in the Long-term**

Although the HKSAR Government has been actively identifying logistics land for the development of the industry, the industry hopes that the Government can stabilise the supply of logistics land in the long-term, such as by developing large-scale logistics parks on the logistics land reserved in the new development areas (“NDAs”) of the Northern Metropolis. In these parks, logistics SMEs should be provided with standard warehouse facilities under a long-term lease, and tenants and self-built warehouse operators should be provided with common facilities, such as office buildings, data centres, transport terminals and petrol filling stations, and so on.

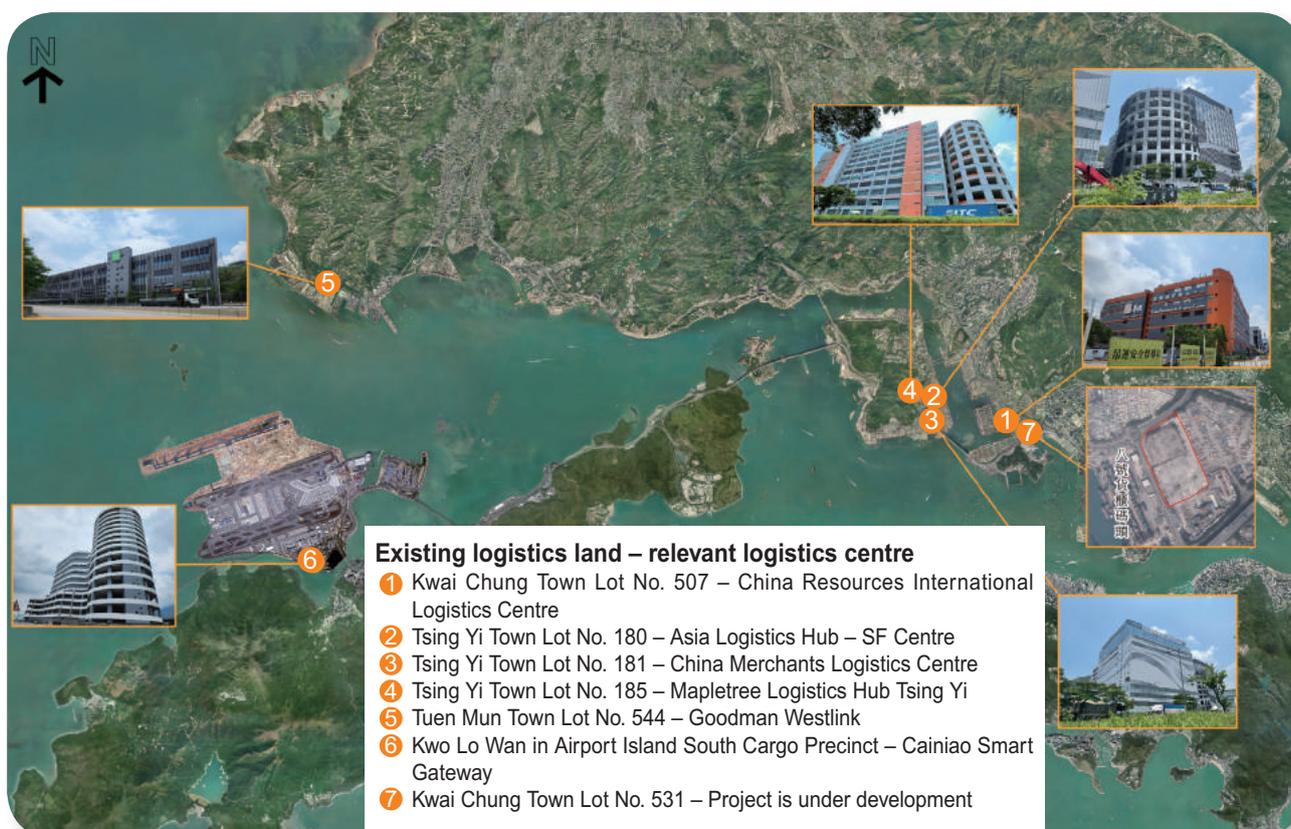
### **Logistics Land Reserved and Granted by the HKSAR Government**

A stable supply of logistics land is crucial for promoting the development of modern logistics industry. To alleviate the industry's increasing demand for modern logistics facilities, the Government has all along been striving to identify and making available suitable logistics land for the development of multi-storey modern logistics facilities. The Government has granted a total of six pieces of dedicated logistics sites with a total area of about 18 hectares in Kwai Tsing and Tuen Mun districts for the industry to develop multi-storey modern logistics centres in response to the operational needs of the industry. In addition, AAHK granted in June 2018 the development and management rights of a site of about 5.3 hectares at the South Cargo Precinct of the HKIA for the development of a premium air cargo logistics centre. Details of the above seven existing logistics sites, amounting to about 23 hectares in total, are shown in Table 1 and Figure 4. Meanwhile, the Government has about 100 hectares of land in the vicinity of the KTCTs for port back-up and logistics-related operational uses, such as open storage and cargo handling, which are leased out under short-term tenancies.

**Table 1 Existing Logistics Land in Kwai Tsing District, Tuen Mun District and South Cargo Precinct of the HKIA**

Location	Area (hectares)	Year of Land Grant	Remarks
1 Kwai Chung Town Lot No. 507	2.30	2008	The relevant logistics centre was completed and put into operation in 2011.
2 Tsing Yi Town Lot No. 180	2.40	2010	The relevant logistics centre was completed and put into operation in 2014.
3 Tsing Yi Town Lot No. 181	2.40	2012	The relevant logistics centre was completed and put into operation in 2017.
4 Tsing Yi Town Lot No. 185	2.10	2013	The relevant logistics centre was completed and put into operation in 2016.
5 Tuen Mun Town Lot No. 544	3.17	2018	The relevant logistics centre was completed and put into operation in 2022.
6 Kwo Lo Wan in Airport Island South Cargo Precinct	5.30	2018	AAHK has granted the development and management rights for the project. The related premium logistics centre is expected to commence operations in 2023.
7 Kwai Chung Town Lot No. 531	5.53	2022	The project is under development and is expected to be completed no later than 2028.

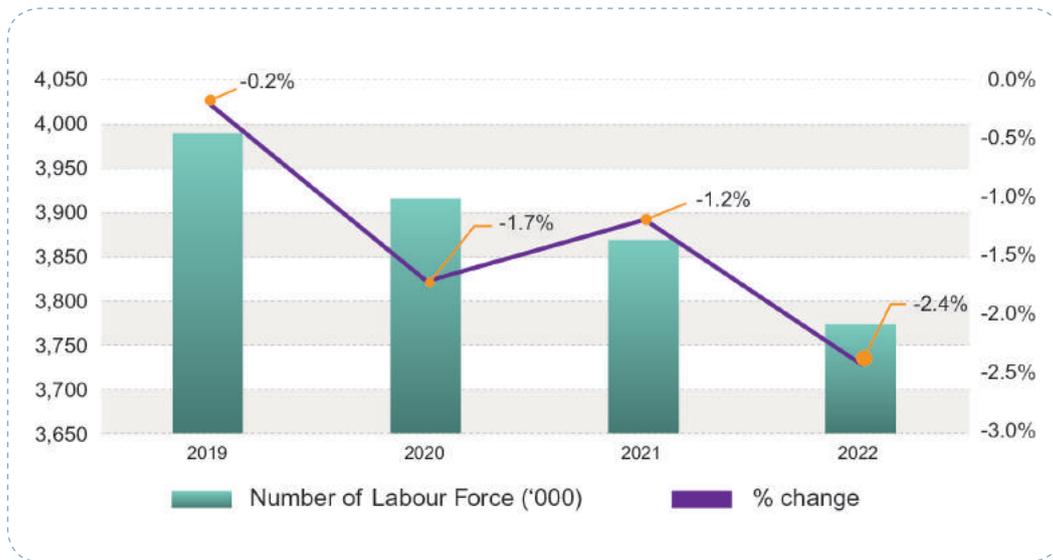
**Figure 4 Existing Logistics Land in Kwai Tsing District, Tuen Mun District and South Cargo Precinct of the HKIA**



## 2.2.2 Shortage of Manpower Resources

With the general labour shortage in Hong Kong, there is a shortage of both low-skilled frontline workers and professionals. The aging population has also led to a shrinking labour force. According to the Census and Statistics Department (“C&SD”), Hong Kong's labour force recorded a decline from 2019 to 2022. In 2022, the labour force decreased by about 94,200<sup>a</sup>, or a decrease of about 2.4%, when compared with that in 2021 (see Figure 5).

**Figure 5 Hong Kong Labour Force 2019-2022**



**Data Source: Census and Statistics Department**

As for the manpower demand situation of the logistics industry, according to the "Transport and Logistics Industry Manpower Survey Report 2022" (“Manpower Survey Report”) <sup>[7]</sup> published by the Transport and Logistics Training Board of the Vocational Training Council (“VTC”), the outbreak of COVID-19 pandemic has stimulated online sales, leading to rapid development of e-commerce and a substantial increase in the demand for logistics services. The Manpower Survey Report estimated that the total manpower demand in the logistics industry would increase from 2023 to 2026. Taking into account the turnover rate of logistics practitioners, it was estimated that about 6,500 additional manpower would be required each year, of which nearly 90% will be at the clerical/operational level.

With economic activities returning to normalcy, there is a strong demand for manpower in various sectors, and many employers in the logistics industry have reflected that they are facing labour shortage and recruitment difficulties.

<sup>a</sup> The workforce reduction of 94,200 in 2022 is based on unrounded figures.

The traditional logistics industry generally gives people the impression of being labour-intensive and monotonous in nature, with long working hours, poor working environment and requiring physical labour. Nowadays, young people tend to pursue novelty, diversity, and work-life balance and seek for jobs that allow higher flexibility, so they are generally reluctant to join the logistics industry. In addition, many perceive the traditional logistics industry as having poor working environment, not professional enough and with limited development potential.

Having encountered difficulties in attracting younger generation to join the industry in recent years, the industry is of the view that it is necessary to change the perception of the logistics industry as “low-end” and “labour-intensive” in order to enhance the attractiveness of the industry to young people. To enable young people to gain early exposure to and understanding of the actual operation and skills required in modern logistics industry, apart from organising local visits and career talks, more internship/work experience opportunities should be provided to students. Moreover, diversified Mainland and overseas exchange activities/exchange programmes should be organised to enable young people to understand the overall development opportunities and career prospects of the logistics industry from a wider perspective and to learn about the new logistics technologies and knowledge in other regions, thereby enriching their knowledge and understanding of the industry. There is also a need to provide students of different levels and aspirations with a flexible, diversified and multi-level progression pathway for further studies/pre-employment training/career development, so as to attract more young people to join the logistics industry through different channels.

At the same time, the logistics industry needs to nurture more professional talents to support the industry's development in the direction of smart logistics and high value-added. According to the Manpower Survey Report, for managerial positions, more than 85% of the positions required candidates to possess sub-degree or higher education qualifications, and 70% of the positions required six years or more relevant working experience. As for the supervisory positions, diploma/certificate level (about 45%) or sub-degree level (about 40%) was generally required, and 60% of the positions required three to six years of relevant working experience. In addition, the Manpower Survey Report also revealed that employers required higher education and skill requirements for frontline operational/clerical level positions. Therefore, the industry suggests that more professional training on cold chain logistics management and smart logistics, and promoting cooperation and exchange between local and Mainland/overseas practitioners can enable participants to acquire more advance logistics technologies and professional knowledge.

As for the working environment, with the potential application of more technology and automation solutions by logistics enterprises, the industry considers that there is room for employers to provide more flexible working modes for high-skilled and trained professionals to further retain talents. Considering the competition for talents across industries, it is suggested that employers can provide more competitive remuneration packages to their employees, such as flexible working hours or positions, as well as clear and transparent promotion ladders, so as to attract more young generation, middle-aged people, women, and ethnic minorities etc. to join the industry.

## Current Support Measures of the HKSAR Government

At present, adults pursuing continuing education and training for self-enhancement can apply subsidies provided by the Continuing Education Fund. The HKSAR Government also provides subsidies through the “Maritime and Aviation Training Fund” (“MATF”), the Pilot Incentive Scheme to Employers, etc., to encourage young people to acquire practical work skills through apprenticeships, as well as those who are studying or in employment to enhance their professional skills, including language abilities.

Universities, vocational training institutes, industry associations, continuing education centres, and the Hong Kong International Aviation Academy have been providing logistics industry-related training and education programmes at different levels, ranging from certificates, diplomas, sub-degrees to bachelor and postgraduate degrees for the industry. The courses mainly cover logistics, supply chain, e-commerce management and fundamental technology applications, etc. (see Figure 6).



TLB has been collaborating with the LOGSCOUNCIL and various logistics industry associations and organisations in organising and supporting various training programs to nurture pre-employment and in-service logistics talents. These programmes include subsidising logistics companies to provide summer internship opportunities for undergraduate students and logistics practitioners to participate in on-the-job training courses, including training and certificate courses for cold chain logistics management.

In addition, there are various existing talent admission schemes to alleviate short-term manpower needs. The Government also enhanced these talent admission schemes in late 2022 to actively attract foreign talents from outside Hong Kong.

### ► **Summer Internship Scheme on Supply Chain Management**

The Government has launched the Summer Internship Scheme on Supply Chain Management since 2014 to provide sponsorship for logistics companies to offer summer internships placements to university undergraduate students, so as to enable them to better appreciate the development prospects and career opportunities in the field of modern logistics and supply chain management, with a view to encouraging them to join the logistics industry after graduation. Since the launch of the scheme, the Government has provided more than 200 internship positions for participating enterprises and students.

### ► **Subsidised training courses organised by the logistics industry**

The LOGSCOUNCIL has collaborated with the Hong Kong Logistics Association (“HKLA”) since 2020 to subsidise the association to provide on-the-job training courses for practitioners, including training programmes on modern logistics such as temperature-controlled transportation, warehousing and last-mile delivery. To cope with the development and demand on cold chain logistics, the TLB has supported and sponsored the HKLA to implement training and certification courses for cold chain logistics professionals since 2021. The objective is to provide structured training courses for practitioners in the cold chain logistics sector and to establish a professional qualification accreditation mechanism for practitioners, which is conducive to their career development and reinforce Hong Kong's position and development as a cold chain logistics centre in the GBA. Since 2020, the Government has subsidised nearly 1,400 practitioners to participate in the above training courses organised by the HKLA.



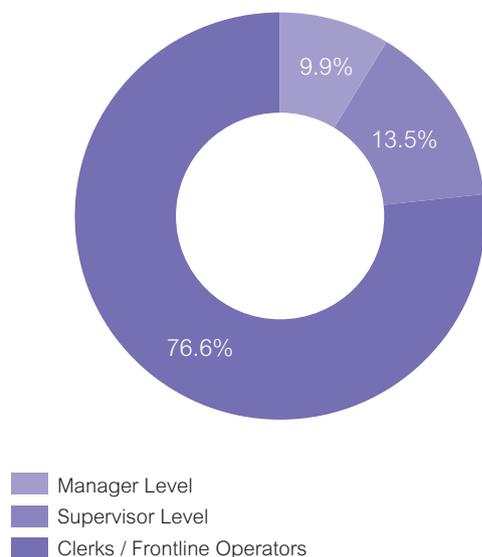
*Cold chain logistics certification programme (Photo Source: Hong Kong Logistics Association)*

### 2.2.3 Limited Digitalisation and Technology Application

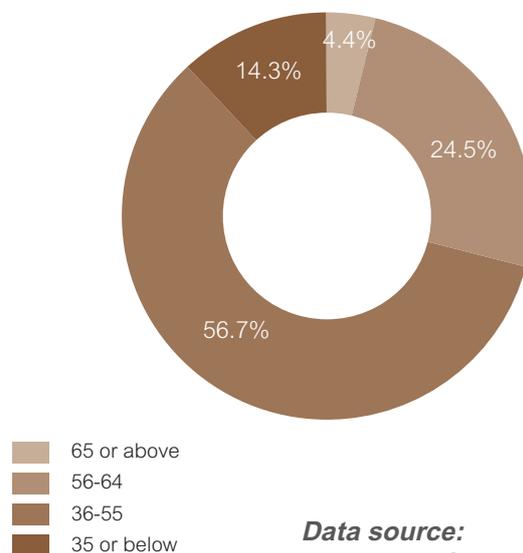
With globalisation, the operation of the logistics industry covers a wider range of complex and advanced services. Modern logistics mainly deals with the management of the flow of goods, capital, and information, and the management process requires the application of technologies and innovative concepts. The vast majority of enterprises in Hong Kong's logistics industry are SMEs. Due to a lack of professional knowledge and/or financial support, these enterprises are generally conservative in adopting new technologies such as warehouse management systems, automatic identification, IoT sensors, tracking and tracing, or robotic operations. At present, digitalisation and technology adoption is still limited, leading to the over-reliance on labour-intensive process by the industry, and the slow progress in improvements and innovations of industry's operation. As a result, the industry has not yet been able to provide value-added service at advanced technological level.

According to the Manpower Survey Report, over 70% of the logistics practitioners were at the frontline operations/clerical level (see Figure 7), and less than 15% of them were under the age of 35 (see Figure 8). Therefore, to effectively alleviate the shortage of frontline workers, logistics enterprises should enhance their overall efficiency and productivity through digital transformation and application of technology, so as to reduce the needs for frontline staff.

**Figure 7 Distribution of Logistics Practitioners by Position Level (2022)**



**Figure 8 Age Distribution of Frontline Operators / Clerical Staff (2022)**



**Data source:**  
**Manpower Survey Report**

Furthermore, the rapid growth of cross-border e-commerce business has intensified the demand for faster and more efficient handling of single-piece goods in the logistics industry. At the same time, technologies such as the IoT, big data analytics, blockchains, robotics and artificial intelligence have become more mature in recent years, bringing opportunities for innovation and upgrading in the logistics industry. Therefore, the industry is of the view that the Government should strengthen its support to the logistics industry in digital transformation and adoption of smart logistics solutions to reduce operating costs and enhance productivity.

According to the "Logistics 4.0 Maturity Level Protocol for Logistics Service Provider" ("the Report")<sup>[8]</sup> published by the Hong Kong Productivity Council ("HKPC") and the Hong Kong Shippers' Council in 2022, Hong Kong's logistics industry is still lagging behind in terms of technology adoption, with limited/fragmented use of digital information technology/systems. While most logistics enterprises have a basic understanding of the importance of digitalisation and are able to define digital goals to meet with the commercial needs, the solutions adopted by them are still commercial-oriented and lack of horizontal integration with high data latency and main operations.

In view of the lack of a standardised interface for digital information technology/systems in the logistics industry, the industry has suggested that the Government should establish application programming interface ("API") standards or shared platforms for various stakeholders in the logistics supply chain such as customs, air and sea terminal operators, freight forwarders, banks, etc. The purpose is to facilitate efficient data/information transmission and communication in processes such as customs clearance, cargo documentation, and online tracking. The industry urges the Government to expedite the development of Hong Kong's Trade Single Window and extend the use of the Port Community System which is being developed to other logistics businesses.

#### **Lack of knowledge in logistics technology**

During the digitalisation process, enterprises mainly rely on the support of logistics technology companies and lack sufficient knowledge to customise suitable solutions to optimise the overall mode of operation.

#### **Lack of standardised interfaces**

Logistics enterprises often need to spend a lot of time and cost to interface with the systems used by their vendors and partners. Some systems may not be compatible due to technological or organisational constraints.

#### **Lack of motivation to continuously optimise the system**

Many logistics enterprises' digitalisation only remains at the stage of connecting business function platforms. They are not able to further optimise their system in response to changes in the operation mode of the global logistics industry.

#### **Incapability of the customer-side to adapt**

Customers still prefer to use classic and manual communication methods such as email, fax, or phone, reducing the desire of enterprises to digitalise.

**Four major pain points in the application of technology by logistics enterprises in Hong Kong as pointed out by the Report**

## Existing Support Measures of the HKSAR Government

To support the upgrading and transformation of the local logistics industry, particularly the small-and-medium third party logistics service providers, the HKSAR Government launched the HK\$300 million Pilot Scheme in October 2020 to provide each logistics enterprise with a maximum subsidy of \$1 million, with a view to maintaining competitiveness of Hong Kong's logistics sector. Starting from 1 January 2023, the Government has further raised the subsidy ratio for each application (from "1:1" to "2 (Government):1 (applicant)") to ease the cash flow of the applicants in carrying out the project and to further encourage them to submit applications, so as to assist them in adopting smart logistics solutions to enhance efficiency and productivity.

The Pilot Scheme has been well-received by the industry since its launch. As at October 2023, the Pilot Scheme has approved funding for 207 projects, involving a total of about HK\$122 million, benefiting more than 170 enterprises in upgrading and transformation. The Government also encourages the industry to collaborate with the information technology industry to make use of the Pilot Scheme and other government subsidies to develop different smart logistics solutions, so as to accelerate the upgrading and transformation of the logistics industry in the direction of smart logistics development.



***IoT cold chain systems were purchased through the Pilot Scheme to provide more reliable cold chain logistics services***



***24-hour-operated autonomous guided vehicles were purchased through the Pilot Scheme to save warehouse space and labour costs***

### 2.2.4 Cross-sectoral Collaboration

At present, promoting the development of Hong Kong's logistics industry is under the purview of the TLB. The industry has responded positively to the establishment of the TLB<sup>b</sup>, considering that it can demonstrate the importance to the logistics industry accorded by the Government to facilitate its development. On the other hand, as the development of modern logistics involves many different sectors and policy areas, in the absence of single platform to discuss and handle issues relating to the logistics industry involving different bureaux and departments, the problems faced by the logistics industry are often not dealt with effectively, thus affecting its development.

<sup>b</sup> TLB was officially split from the Transport and Housing Bureau on July 1, 2022 enabling TLB to focus on transport infrastructure, public transport services and traffic management which are matters closely related to people's livelihood, while facilitating the development of the logistics industry, as well as consolidating and enhancing Hong Kong's status as an international transportation centre and an international aviation hub.

The industry expressed that many core logistics issues, such as logistics land use planning, cross-border e-commerce logistics, green and sustainable logistics, data flow and sharing, manpower training and development, technology application and business promotion, etc., require cross-sectoral collaborations. In addition, the industry hopes that the Government can consider providing one-stop advisory service to minimise the time required for the industry to make enquiries with different departments when encountering problems, so as to provide convenience to and enhance support for the logistics industry, especially the SMEs.

### Land use planning and Logistics

The development of a multi-storey modern logistics facility on a logistics site, for example, involves planning of the logistics site, land use development, the specific building requirements for the multi-storey logistics facility, the traffic arrangements and other ancillary facilities, which involves different bureaux and departments, including the Development Bureau, TLB, Planning Department, Lands Department, Buildings Department and Transport Department, etc.

To further promote cross-border logistics development between Hong Kong and the Mainland, especially to develop Hong Kong into a logistics distribution centre for e-commerce in the GBA, some members of the industry have suggested establishing a "joint cross-border control system" and a single logistics platform for data exchanges, so as to streamline customs clearance procedures, shorten cargo clearance time, and reduce transportation costs for manufacturers, thereby enhancing the competitiveness and attractiveness of Hong Kong's logistics industry and at the same time easing the shortage of cross-border goods vehicle drivers. Currently, transshipment cargos in Hong Kong are subject to the "Import and Export Ordinance"<sup>[9]</sup> and related permit controls, thus affecting the efficiency of processing. In this connection, the industry has proposed to review the existing regulation and legislation on the import and export of goods (including transshipment) in Hong Kong, as well as the arrangements for customs clearance and declaration of goods between the two places, etc., and to consider sharing and exchanging the copies of declaration and verification through a single logistics platform to facilitate the handling of transshipment cargos, so as to create a more favourable business environment for the logistics industry. However, the above proposal involves the relevant bureaux and departments of the two places, as well as the relevant trade policies, including the policy of Hong Kong as a separate customs territory, data sharing, and other considerations.

### Cross-border e-commerce and Logistics

### Green Logistics

With green logistics becoming an international trend, many logistics companies are interested in developing green logistics. However, when implementing green and sustainable logistics, apart from green infrastructure and energy-saving considerations in their buildings, the industry needs cooperation of various sectors in designing carbon-neutral transportation solutions and optimising the overall supply chain, such as ensuring the use of alternative energy sources such as biofuels in transportation, controlling the carbon emissions of transportation at an appropriate level, and making use of artificial intelligence, big data, blockchains, e-payment platforms and trade finance platforms, etc., to arrange for more environmentally friendly transportation routes.

A vibrant tourism industry can help strengthen Hong Kong's position as an international logistics hub. The industry expressed that e-commerce currently accounts for more than half of the cargo throughput, and e-commerce logistics services require not only efficiency but also extensive coverage. As more than half of Hong Kong's cargo is carried in the belly cargo compartments of passenger aircraft, the frequency and capacity of flights as well as the number of destinations covered will affect the quality of logistics services of flights. The industry has pointed out that a prosperous tourism industry and an increase in the number of travellers would help attract airlines to increase the number of passenger flights to and from Hong Kong, thereby increasing the capacity of the belly cargo compartments of passenger aircraft and providing more frequent air cargo services.

### Tourism and Logistics

## 2.3 | Opportunities

Hong Kong, as a free port, is the gateway to the Mainland, as well as serving as a bridge between the Mainland and the rest of the world. Coupled with its comprehensive sea, land and air intermodal transportation networks, as well as flexible and reliable professional services, Hong Kong's logistics industry can provide high-quality services to customers, and further enhance its role as a regional distribution centre for high-value products and a re-export hub for high-value products from the Mainland, so as to make up for the relatively higher operating costs of the industry.

In fact, to fully seize the opportunities brought by the development of the GBA, quite a number of well-known international logistics enterprises have already established their offices in Hong Kong and set up large-scale modern logistics facilities or expanded their logistics facilities in Hong Kong. For example, the expansion project of DHL's Central Asia Hub was completed and put into operation in the first quarter of 2023, with a 50% increase in the cargo handling capacity to 1.06 million tonnes per year. In addition, a joint venture led by Alibaba Group's logistics company, Cainiao Network, has developed a premium logistics centre at HKIA, which is planned to commence operation in 2023. It is expected that the centre will bring an additional 1.7 million tonnes of air cargo to the HKIA annually when it comes into full operation. Furthermore, a number of well-established e-commerce enterprises in the Mainland, including JD.com, Tmall, and Vipshop, have already established their offices in Hong Kong between the year of 2020 and 2021 to develop "Global Selling" and "Global Shopping" businesses in Hong Kong to capitalise on the business opportunities brought by e-commerce.

### 2.3.1 Regional Development

Hong Kong is an important international trading centre in Asia, ranked as the world's 10th largest merchandise trading economy in 2022, with the Mainland and the ASEAN as Hong Kong's largest and second-largest trading partners respectively. Policy support from the Central Government and national development strategies, including the 14th Five-Year Plan, the development of the GBA and the Belt and Road Initiative, will continue to provide new impetus to Hong Kong's economic growth.



## Guangdong-Hong Kong-Macao Greater Bay Area

The development of the GBA provides new opportunities for Hong Kong's logistics industry. With a total land area of 56,000 square kilometres, a population of over 86 million and a regional GDP of over RMB 13 trillion in 2022, the GBA provides a huge market for high-value consumer goods and e-commerce products. The logistics industry can develop new networks and capabilities to capitalise on the business opportunities brought by the boom in cross-border e-commerce and comprehensive cooperation among countries in the Asia-Pacific region. The industry is of the view that Hong Kong, with its profound international experience and professional advantages, can complement the strengths of other GBA cities and create synergy. With the "Mainland and Hong Kong Closer Economic Partnership Arrangement" ("CEPA")<sup>[10]</sup>, goods originating in Hong Kong or fulfilling the general rules of origin can be imported into the Mainland at zero tariff, which enables Hong Kong to provide a more convenient and efficient channel for overseas enterprises to re-export their products to and from the Mainland. Therefore, if international brands plan to set up a distribution centre for high-value products covering Asia and part of the Mainland market, such as the GBA market, Hong Kong still has a clear advantage over other nearby cities, such as Shanghai or Singapore.

## Emerging Markets

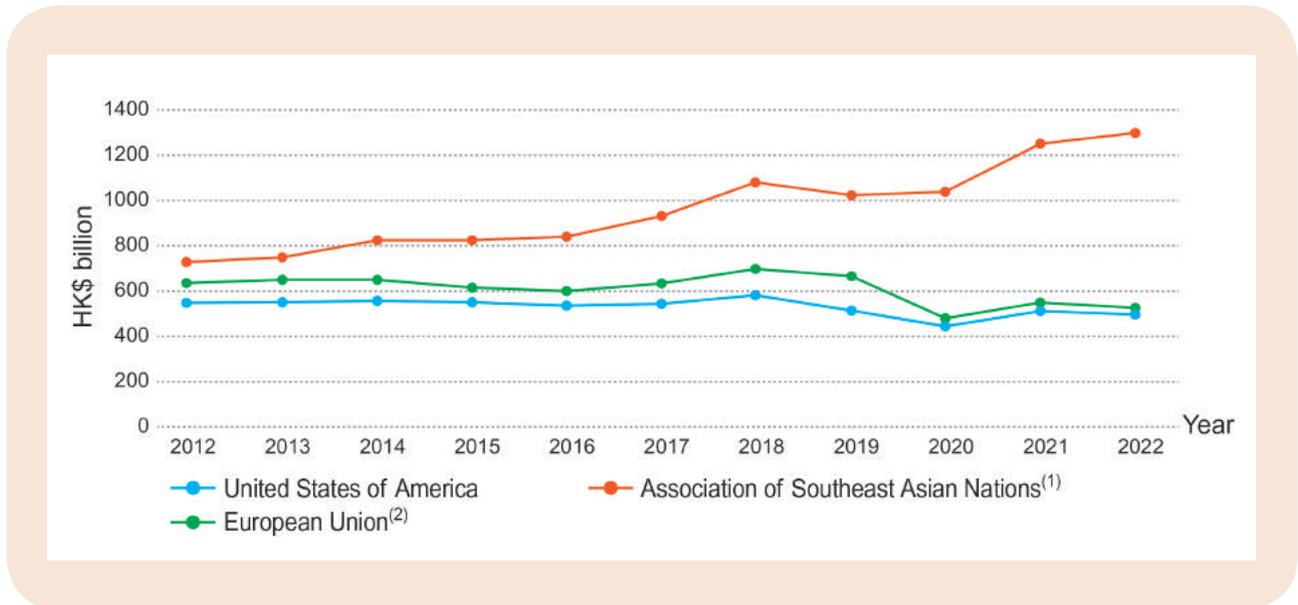
The RCEP economies are the largest free trade area in the world, accounting for 29% of the global GDP (i.e. US\$25.8 trillion) in 2019<sup>c</sup>. The 15 RCEP members are also Hong Kong's major trading partners, accounting for more than 70% of Hong Kong's total merchandise trade in 2021<sup>d</sup>. It is expected that the RCEP will further facilitate and integrate the regional trade and industrial supply chains.

According to the C&SD, although Hong Kong's overall import and export trade with the U.S. and European Union countries in 2022 was lower compared with a decade ago (see Figure 9), Hong Kong's overall import and export merchandise trade with the Association of Southeast Asian Nations ("ASEAN") has grown significantly over the past decade, with an average annual compound growth rate of 6%. Coupled with the impetus of the RCEP, it is believed that the growth of Hong Kong's international trade will tilt towards Asia in the future. Therefore, the Government should develop new markets and business opportunities for Hong Kong's logistics industry in the ASEAN and other emerging cities, so as to assist the Hong Kong logistics industry in expanding its footprints and setting up operation bases and/or branch offices in these regions. At the same time, the Government also hopes to attract more Mainland and overseas companies to use Hong Kong's logistics companies for regional distribution, and even to set up regional distribution centres in Hong Kong. In terms of the Government's publicity effort to promote Hong Kong's logistics industry, the main targets should be the high-value product brands in the market, or companies intending to strengthen their market sales in Asia.

<sup>c</sup> Data Source: World Bank

<sup>d</sup> Data Source: Census and Statistics Department

**Figure 9 Overall import and export of merchandise trade by major countries/regions from 2012 to 2022**



**Notes:** (1) ASEAN is composed of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

(2) Starting from February 2020, the United Kingdom is no longer a member of the European Union (EU). The 27 members of the EU are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

**Data source:** Trade Analysis Section, Census and Statistics Department

### Support from the HKSAR Government, LOGSCOUNCIL and HKTDC

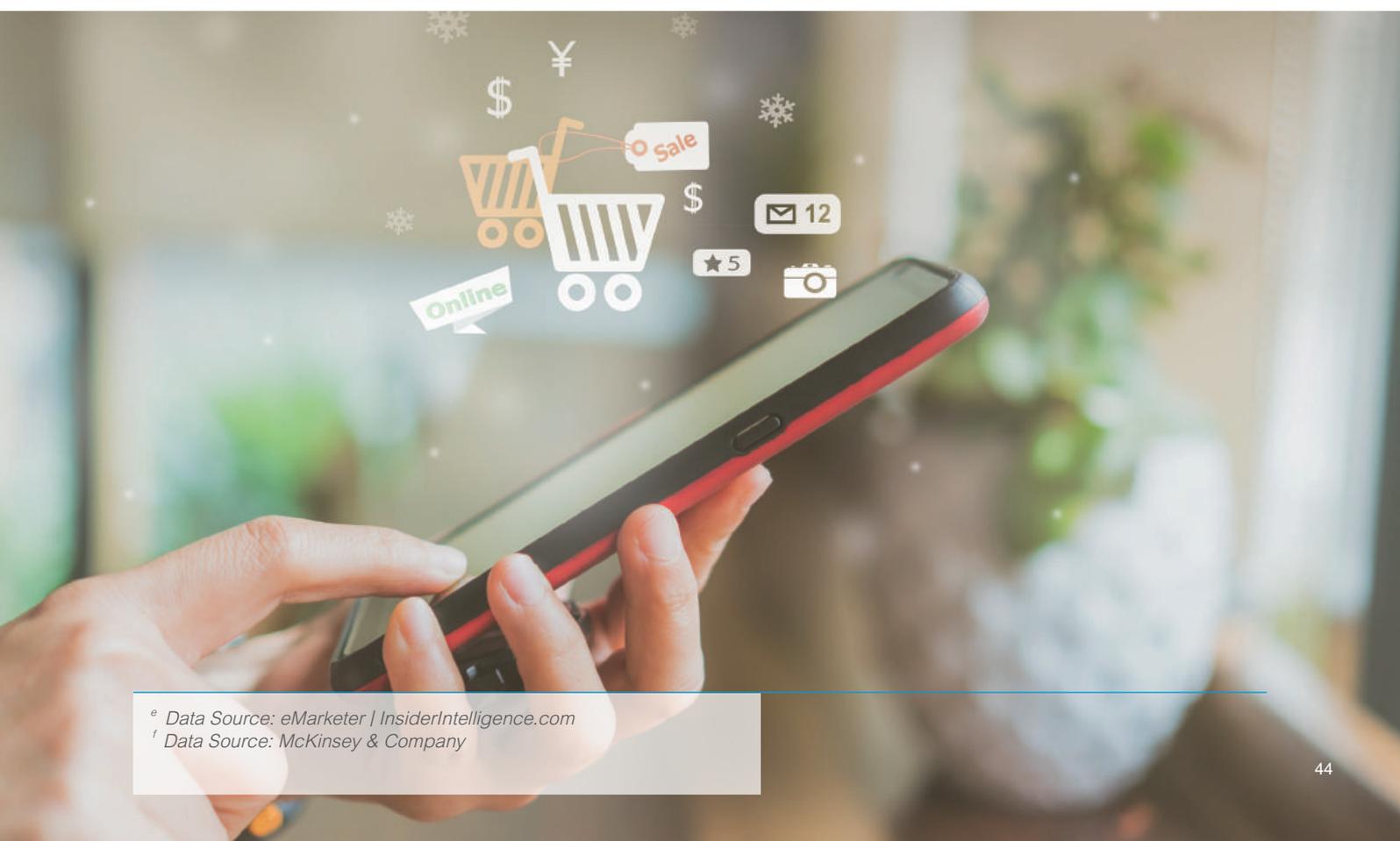
The HKSAR Government has been working closely with organisations such as the LOGSCOUNCIL and the Hong Kong Trade Development Council (“HKTDC”), to organise various overseas visits and activities to promote and publicise Hong Kong’s logistics industry on a regular basis. To support the local logistics industry in exploring new business opportunities overseas, the LOGSCOUNCIL conducts overseas/Mainland visits and promotional activities every year. In the past, the LOGSCOUNCIL had visited Guangxi, Germany, Chongqing, Thailand, Vietnam, South Korea and Malaysia to promote and publicise Hong Kong's competitive advantages as an international logistics hub. As the statutory body responsible for promoting, assisting and developing Hong Kong's external trade, the HKTDC has been organising a series of events in Hong Kong, Mainland China and overseas, with the objective to promote Hong Kong’s logistics sector and to reinforce Hong Kong’s position as a pre-eminent international logistics hub.

## 2.3.2 Cross-border E-commerce

Cross-border e-commerce has grown significantly over the past five years from 13.8% of global retail sales in 2019 to 20%<sup>°</sup> in 2022 and is expected to continue to grow in the future. China contributed the highest proportion in the world, accounting for 32% of global e-commerce retail sales, while the Asia-Pacific region (excluding China) also accounted for 13%<sup>f</sup>. It can be seen that the Asia-Pacific region as a whole contributes nearly half of the world's e-commerce retail sales, while Hong Kong is the most important trading and logistics hub in the region.

With the rapid growth of the GBA economy and changes in consumption patterns, e-commerce and online shopping has become very popular. Travel restrictions imposed during the pandemic had further boosted online sales. Currently, most cross-border e-commerce involves outbound sales from the Mainland (i.e. cross-border e-commerce for export), with e-commerce companies shipping bulk commodities to overseas warehouses before distributing them to customers in neighbouring regions or countries. These e-commerce companies often make use of Hong Kong's highly efficient sea and air transportation capacity to tranship their goods to overseas warehouses. Other direct-selling e-commerce products are sent to end customers by courier or post. As cross-border e-commerce transactions involve foreign currency settlement, most online merchants have opened bank accounts in Hong Kong.

The proportion of cross-border e-commerce export transactions in Hong Kong is currently higher than that of cross-border e-commerce import. However, cross-border e-commerce import has great potential for overseas e-commerce platforms and online merchants sourcing overseas products for Mainland customers. The industry is of the view that overseas markets perceived



<sup>°</sup> Data Source: eMarketer | InsiderIntelligence.com

<sup>f</sup> Data Source: McKinsey & Company



Hong Kong as the best entry point to the huge GBA market comprising of 86 million people, serving as a springboard for overseas e-commerce products to enter the rest of the Mainland market. At present, quite a number of well-known overseas retail enterprises have imported overseas products into the Mainland through Hong Kong via e-commerce mode. For example, foreign fashion retailers set up warehouses in Hong Kong and imported e-commerce products sold on their online stores to the Mainland through Hong Kong warehouses, so as to shorten the transportation time and reduce costs. In addition, Hong Kong is also a highly competitive location for establishing overseas warehouses. Situated at the HKIA with 380,000 square metre gross floor area, the Cainiao Smart Gateway which is expected to commence operations within 2023, will bring Hong Kong more advantages in cross-border e-commerce business. Hong Kong Post is also pressing ahead with the redevelopment of its Air Mail Centre, which is expected to come into operation by the end of 2027. The new Air Mail Centre will significantly increase its mail handling capacity to 180,000 tonnes per annum and will be equipped with cold chain facilities to support the development of cross-border e-commerce and high-end logistics services, which will be in line with the overall positioning of the postal industry and the direction of high-quality development in the GBA.

### 2.3.3 Green Development

Leading brands and companies around the world are increasingly concerned about environmental, social and governance (“ESG”) performance. They also recognise the critical role that logistics can play in achieving ESG goals. As a result, logistics service providers committed to sustainable development practices can provide benefits to their customers beyond improved efficiency and productivity. As more companies are committed to achieving sustainable development goals, sustainable logistics practices will become a competitive advantage in the future market. The packaging materials used by the logistics industry and the energy consumed in transportation are key concerns in sustainable development. If Hong Kong logistics companies can work together to enhance the use and recycling of environmentally friendly materials and renewable energy, and improve the content and transparency of their ESG reports, Hong Kong will become a preferred green logistics hub for enterprises. However, many logistics SMEs have relatively weak awareness of sustainable development, which will be a shortcoming in winning business from those environmentally conscious brands. Hong Kong's logistics industry, especially SMEs, also needs to enhance their understanding of ESG to address global concerns about sustainable development. The industry also pointed out that ESG-compliant operations would also increase the operating costs of the industry.

In addition, our country's promotion of green aviation and shipping development will bring opportunities to Hong Kong as an international aviation, maritime and logistics hub. The Central Government greatly supports green development of civil aviation. The “14th Five-Year Special Plan for Green Development of Civil Aviation”<sup>[11]</sup> published by the Civil Aviation Administration of China on 21 December 2021 has clearly indicated the country's policy of actively promoting Sustainable Aviation Fuel (“SAF”). With a view to aligning with the country's policy of developing green civil aviation and taking advantage of the arising opportunities, the aviation industry in Hong Kong has been proactively implementing various measures to cope with challenges brought by climate change, including setting carbon emission targets and promoting the use of SAF.





Specifically, AAHK has announced the HKIA 2050 Net Zero Carbon Pledge which was supported by 29 aviation-related business partners (including aircraft maintenance, aviation fuel, cargo handling, catering, ground support equipment maintenance, government departments, ramp handling, vehicle fuel, etc.). AAHK has formulated specific measures for achieving the net-zero carbon emission target, including electrification of airside vehicles, increasing substantially the number of charging stations for electric vehicles to more than 1,300 by end 2030, and piloting use of hydrogen energy, etc. AAHK has also become the launch partner of the Cathay Pacific Corporate Sustainable Aviation Fuel Programme to introduce SAF for the first time. The existing fueling infrastructure at HKIA is already well-equipped for airlines to receive, store and uptake pre-blended SAF. AAHK will also formulate an action plan to proactively promote to airlines to use SAF in Hong Kong, which includes coordinating operators of fuel infrastructure to obtain certification on sustainable development standard, and collaborating with relevant government departments to streamline the approval procedures for the delivery and storage of SAF, with a view to further reinforcing the HKIA's leading position in the global green and sustainable development. Furthermore, Cathay Pacific Airlines (“CX”), as a local airline, has been actively promoting the use of SAF. In addition to investing in biofuel jet developer and signing agreements with fuel supplier, CX also committed to using SAF for 10% of its total fuel consumption by 2030.

On green shipping, as an international maritime centre, Hong Kong has been promoting green port development through various measures and encouraging the industry to adopt more sustainable shipping practices. Hong Kong has all along been committed to implementing green port initiatives,



including implementing the latest requirements of the International Maritime Organisation (“IMO”) resolution on environmental protection in local legislation, gradually reducing greenhouse gas (“GHG”) emissions from ships, as well as requiring the industry to adjust their technologies and operations to reduce carbon emissions, so as to align with the IMO’s target of achieving net-zero GHG emissions in international shipping by 2050.

Hong Kong is the first port in Asia to mandate the use of low-sulphur fuel for ocean-going vessels when berthing. The HKSAR Government has been working jointly with the Mainland to reduce emissions from vessels, including working with the Guangdong Provincial Government to implement a ship emission control area in the Pearl River Delta waters in 2019, and to further tighten the requirement for all vessels to use other compliant fuels such as low-sulphur fuel or liquefied natural gas (“LNG”), irrespective of whether they are sailing or at berth.

Hong Kong has also been actively promoting the use of clean energy by ocean-going vessels, such as LNG, so as to attract LNG-using ocean-going vessels to berth in Hong Kong for fuel replenishment, thereby enhancing Hong Kong's competitiveness among its neighbouring ports. In this connection, a joint working group has been set up within the Government to follow up closely with the industry on the specific arrangements for replenishment of LNG for ocean-going vessels in Hong Kong.

## 2.4 | Challenges

### 2.4.1 Geopolitical Factors

#### External Factors such as the Global Economy

As trading and logistics are closely related, the performance of the logistics industry is susceptible to fluctuations in the geopolitical and external trade environment. Hong Kong is one of the most open economies in the world, actively promoting global free trade and economic cooperation. Under the principle of "One Country, Two Systems", Articles 116, 151 and 152 of the "Basic Law" [12] have granted Hong Kong the status of a separate customs territory, with constitutional right to participate as a member in a number of international organisations, including the World Trade Organisation, the Organisation for Economic Cooperation and Development, and the Asia-Pacific Economic Cooperation.

However, an open economy is often susceptible to the impact of the external trade environments. Factors such as the slowdown in global trade demand, the ongoing China-US trade friction, and the continuing geopolitical tensions between Russia and Ukraine, etc., have seriously affected the sources of trade and export markets of Hong Kong, which will in turn affect the performance of Hong Kong's logistics industry.

With the strong support from the Mainland, Hong Kong relies mainly on re-exporting goods from the Mainland's exports through Hong Kong to overseas destinations. In the wake of various global economic factors, geopolitical influences and the restructuring of the global supply chain after the pandemic, some international enterprises have decided to relocate their factories in the Mainland to Southeast Asian countries such as Vietnam and Thailand to diversify risks. The reduction in the supply of goods from the Mainland has adversely impacted Hong Kong's export and re-export performance.

### 2.4.2 Regional Competition

In recent years, other Asian countries and Mainland cities have been actively developing their airport and port businesses, promoting smart and digitalised modern logistics services, and striving to become logistics hubs in the region. In view of the keen competition with the neighbouring hubs, the industry hopes that the Government can better support local logistics enterprises to seize the new opportunities for regional development and tell the good stories of Hong Kong.



# Chapter 3

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## Strategies and Recommended Actions

Based on the above SWOT analysis and the outcome of industry consultations, we propose the formulation of eight strategies and 24 recommended actions to meet the short, medium, and long-term development needs of the logistics industry, with a view to reinforcing and enhancing Hong Kong's strengths as an international logistics hub, addressing its weaknesses and challenges, and helping the industry in better positioning itself to seize various development opportunities.

### 3.1 | Strategy (1): To Promote Digitalisation and Smart Logistics Development in the Industry

- **To support the industry's digital and technological upgrading and transformation towards smart logistics development:** With the global trend of smart supply chains and the rapid development of e-commerce, the logistics industry is moving towards the direction of smart and innovative development through internationalisation, specialisation and digitalisation. Modern logistics operations involve technologies such as the IoT, blockchains, cloud computing, big data analytics, automation, and artificial intelligence. We will strengthen our support to the industry in upgrading and transforming themselves with the adoption of more smart logistics with a view to improving operational efficiency and competitiveness of the logistics industry.
- **To provide smart logistics-related training:** The Government established the MATF in 2014. Over the years, the MATF has implemented and continually enhanced various schemes to support the manpower development of various professional domains of the industries, so as to reinforce Hong Kong's status as an international maritime centre as well as an international aviation centre. To enhance the competitiveness of Hong Kong as an international logistics centre, the Government announced in the 2023-2024 Budget to inject HK\$200 million into the MATF, among others, to provide dedicated funding support for the training for logistics industry. We will make use of the MATF to strengthen our support to industry associations/training institutions to organise smart logistics-related training for practitioners.





### Recommended Action (1): To enhance and regularise the “Pilot Subsidy Scheme for Third-party Logistics Service Providers”

- With the rapid development of the logistics industry towards smart logistics, the industry has been transiting from manual operations towards digitalisation, automation and professionalisation. It is necessary to strengthen the professional training for practitioners to meet the needs of modern logistics development. In line with the smart logistics development and to seize business opportunities arising from the growth of cross-border e-commerce, the Government will complete the review of the Pilot Scheme within 2023, and implement enhancement measures from 2024 to provide appropriate support for the industry to facilitate their upgrading and transformation towards smart logistics, with a view to enhancing the operational efficiency and competitiveness of the logistics industry. Meanwhile, the Government will regularise the Pilot Scheme.

### Recommended Action (2): To strengthen support for logistics enterprises in digitalisation

- To help the industry to better grasp logistics technology information and knowledge, the HKPC, the Secretariat of the Pilot Scheme, will provide one-on-one advisory services to logistics enterprises interested in technology adoption and assist them in selecting appropriate technology solutions according to their business development needs. Furthermore, the Government will work with HKPC to further promote the interaction between the industry and logistics technology suppliers through organising a wide range of events (including expos, seminars and discussion panels etc.). These events will serve as platforms for logistics technology suppliers to share their expertise and knowledge on logistics technology. More exchange sessions (e.g. Q&A sessions, small groups or face-to-face meetings, etc.) will be organised to provide logistics enterprises with more opportunities to learn more about the skills and knowledge of digital transformation, thereby enabling them to formulate appropriate strategies and plans for transformation.

- To provide logistics companies with the opportunity to have first-hand experience and understanding on application of technology solutions, the Government will continue to collaborate with the HKPC to organise the “LOGTECH Expo” annually. In order to provide more comprehensive and effective support for the industry to upgrade and transform, we will expand the scale and enrich the content of the "LOGTECH Expo" from 2024, including the inclusion of booths and seminars related to technology training for enterprises/employees, organisation of thematic guided tours and interactive experience sessions, etc. In addition, we will step up our efforts in encouraging the logistics industry to make a wider use of smart logistics solutions, such as delivering keynote speeches and setting up booths at major international logistics events to promote technology adoption, proactively reaching out to logistics enterprises to provide advisory services and support, and actively collaborating with industry associations to organise more promotional campaigns.

### Recommended Action (3): To provide smart logistics-related training

- We make use of the MATF from 2023 to strengthen our support to industry associations/training institutions to provide practitioners with modern and smart logistics training and accredited courses, particularly on application of technology and smart solutions in logistics operations, such as the IoT, cloud computing, big data analytics, blockchains, e-commerce, automation, artificial intelligence, and high value-added logistics services such as cold chain logistics, which are conducive to the development of Hong Kong into a leading international logistics hub.
- We will step up our efforts to support industry associations and tertiary institutions in offering more professional refresher courses or exchange activities related to smart logistics. This will enable practitioners to understand the latest developments in smart logistics in other cities in the Mainland and overseas countries, including the application of digital supply chain management and big data as well as other smart logistics solutions.
- We will closely monitor the utilisation of the MATF and consider further injection of funding to meet the training needs at an appropriate time.



## 3.2 | Strategy (2): To Build and Promote the High-end and Innovative Industry Image

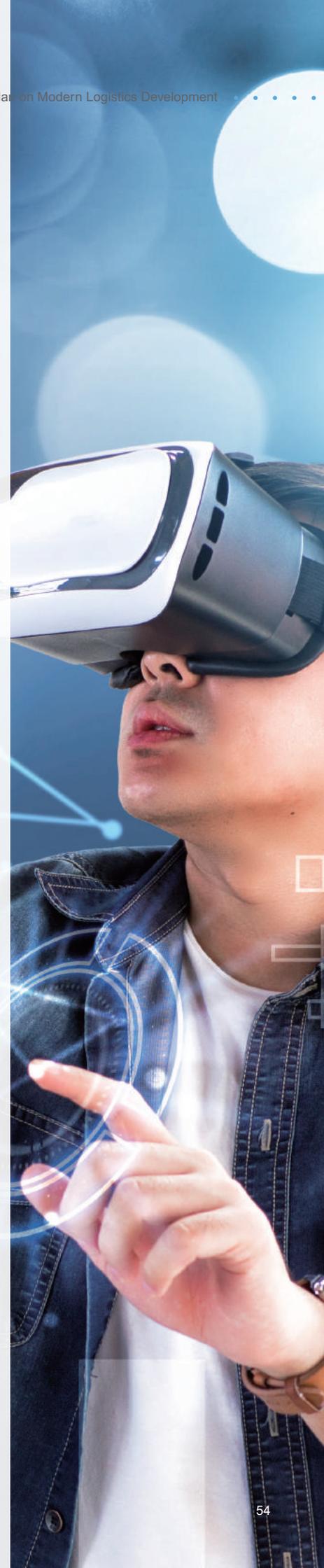
Human capital is key to the sustainable development of logistics industry. A multi-disciplinary workforce with specialised and professional knowledge is strongly required in providing high-end, high value-added modern logistics services. In order to change the public's perception of the traditional logistics industry as labour-intensive and monotonous, particularly in the views of the younger generation, we will collaborate with the LOGSCOUNCIL, industry associations, tertiary and training institutions, etc., to revamp the image of modern logistics industry as "Smart, Innovative, High-end", and promoting the innovation of the industry. By showcasing the latest developments and promising prospects of the industry, we hope to attract the younger generation to join the industry and inject new impetus into the logistics sector. We will also encourage the industry to make full use of various talent admission schemes to alleviate short-term manpower needs.

### Recommended Action (1): To strengthen publicity and promotion to attract young people to join the industry

- We will organise more publicity and promotional activities from 2024 to promote the modern logistics industry and attract young people to join the industry through multiple means, such as cultivating interest, enhancing understanding and deepening knowledge.

### Recommended Action (2): To enhance the innovative and professional image of the logistics industry

- We plan to collaborate with the logistics industry to organise annual award scheme from 2024, to encourage and give recognition to logistics companies and practitioners (especially young practitioners) who have made remarkable contributions to modern logistics, thereby promoting the professional image of the logistics industry.
- We will provide platforms for industry professionals to exchange industry information and explore the latest industry developments through large-scale international and regional conferences, such as the annual "Asian Logistics, Maritime and Aviation Conference" ("ALMAC") co-organised with the HKTDC, with a view to enhancing the professionalism of the logistics industry.



# Publicity and promotion strategies to attract young people to join the industry

## Cultivate interest

Many successful start-ups/unicorn enterprises are associated with modern logistics operations, such as e-commerce delivery platforms and digital supply chain services. Therefore, we will -

- work with the industry and academia to provide more opportunities for the younger generation to explore logistics-related entrepreneurship and innovation, so as to cultivate their interest in modern logistics and allow them to experience the vibrancy of the industry.
- organise innovative competitions and award schemes for secondary and tertiary students, such as start-up simulation and innovation competitions on smart logistics, etc.

## Deepen knowledge

- We will provide diversified pre-employment internships, apprenticeships, and training opportunities for young people who are interested in joining the modern logistics industry, enabling them to engage in the actual operation of the modern logistics industry as early as possible.
- We will make good use of the enhanced MATF to encourage tertiary institutions to collaborate with local and overseas modern logistics service enterprises to provide tailor-made internship or apprenticeship programmes for students, as well as to expand the scope of the current Summer Internship Scheme to cover students from different tertiary institutions/training institutions (e.g. VTC, Schools of Professional and Continuing Education and Hong Kong College of Technology, etc.). These will offer students the opportunities to gain hands-on experience with innovative and digitalised logistics technologies and operations.



*To meet the manpower needs of frontline technical practitioners in the logistics industry, the VTC offers a Diploma of Vocational Education (Logistics) programme suitable for students at Secondary 3 or higher level of education under the "VTC Earn and Learn Scheme" in the 2023/24 academic year. In addition to classroom learning, trainees of the programme will also receive on-the-job training in their employing organisations. The Government and participating companies will provide trainees with allowances, vocational grants, and specific remuneration. This will allow young people to receive a stable income and incentives while acquiring professional knowledge and skills. Graduates can also articulate to higher education programmes in pursuing further studies and career towards professionalism.*



## Enhance understanding

- We will make good use of the social media to disseminate more lively and interesting information, short videos and posts of logistics information to the public (especially the young people), with a view to enhancing public understanding of the operation of modern logistics and increase the daily interaction.

## Flexible work

- Considering that young people nowadays are pursuing sense of novelty, diversified working environment, and work-life balance, we will encourage employers to provide flexible working hours or positions for younger employees.

## Other initiatives

- Reaching out to schools: Conducting interactive exchanges/promotional activities at primary and secondary schools, such as organising or co-organising talks, carnivals, and STEAM workshops, technological and scientific exploration activities, to enable students to experience and understand modern logistics related applications and technologies including automated robotic systems, AI, data analytics, digitalisation solutions, and the IoT.
- Organising local, Mainland/overseas exchanges and experience sharing workshops.
- Career talks: Visiting local, Mainland (especially other GBA cities) and overseas tertiary institutions to promote the prospects and career development of the Hong Kong logistics industry.
- Career Expos: Organising/participating regularly in logistics industry related career Expos.
- Students exchange programmes: Encouraging local tertiary institutions to develop exchange programmes with Mainland and overseas tertiary institutions on logistics-related courses.



**Recommended Action (3):** To make good use of different talent admission schemes to attract foreign talents to Hong Kong

- The industry can make full use of various existing talent admission schemes to alleviate short-term manpower needs. These schemes include the newly established “Top Talent Pass Scheme” targeting high-income and high-education level talents, as well as the “General Employment Policy”, “Admission Scheme for Mainland Talents and Professionals”, “Immigration Arrangements for Non-local Graduates”, “Technology Talent Admission Scheme”, “Quality Migrant Admission Scheme” and “Admission Scheme for the Second Generation of Chinese Hong Kong Permanent Residents”. The Government has enhanced these talent admission schemes in December 2022 to actively attract foreign talents from outside Hong Kong.
- In addition, the "Labour Importation Scheme for the Transport Sector - Aviation Industry" launched in July 2023 covers positions such as warehouse operators and cargo handlers, as well as frontline warehouse management positions, to alleviate the frontline manpower needs of the logistics industry. The Government has also enhanced the "Supplementary Labour Scheme" by suspending the general exclusion of 26 job categories (including warehouse keepers) as well as unskilled/low-skilled posts for two years.



### 3.3 | Strategy (3): To Promote Interconnectivity of Logistics Data for Enhancing Industry Competitiveness

Logistics data interconnection allows enterprises to have a better grasp of real-time supply chain information, enabling them to make decision in choosing the most efficient and cost-effective transportation modes and allocating corporate resources in a more precise manner. This help companies improve operational efficiency, reduce costs, and is particularly important in facilitating the sustainable development of cross-border e-commerce. To enhance industry competitiveness, we will facilitate the interoperability of cargo, information and capital flows by developing and connecting different logistics information platforms locally and even regionally, and make good use of big data to enhance the efficiency and transparency of the supply chain and reduce logistics costs.

**Recommended Action (1): To facilitate interconnectivity and interoperability of logistics information**

#### Hong Kong International Airport Cargo Data Platform

- To digitalise and simplify the documentation process for air cargo handling and increase transparency of the air cargo logistic chain, the AAHK launched the HKIA Cargo Data Platform (“the Platform”) in October 2021.
- Equipped with the latest smart technologies, the Platform forms a secured trusted network that connects key stakeholders along the supply chain – such as cargo terminal operators, freight forwarders, truckers and screening facility operators. This blockchain-enabled community based platform enhances shipment traceability, unifies communication and information exchange, synchronises and standardises process workflow and enables paperless working environment. The Platform also captures shipment-related data, which will allow users to conduct performance benchmarking and help them to formulate their business strategies, while the AAHK can also use such data to conduct forecasting and industry trends analysis, which will in turn help to further enhance HKIA’s air cargo handling efficiency, facilitate better resource planning and boost the overall market competitiveness of HKIA. Apart from the local ecosystem network, the Platform will also collaborate with other platforms across various industries globally to facilitate more efficient global trade so as to bring more business opportunities to Hong Kong.



## Port Community System

- To consolidate Hong Kong's position as an international shipping centre, the Government has set up the Task Force on Smart Port Development formed under the Hong Kong Maritime and Port Board to collaborate with the industry to study on concrete proposals to drive the smart port development, and to develop a data-sharing platform to facilitate data sharing among the maritime and port industries. The platform will facilitate communication and information access by stakeholders in the port community, streamline port operations through electronic means, and optimise coordination among multiple parties. The platform will help reduce cargo handling time and costs, and subsequently enhance port efficiency. The Government plans to develop and operate the digital data sharing platform on trial in phases starting from 2023 and aims for wider use of the platform by 2025.

## Interconnection of Information Platforms

- Our goal is to develop a logistics data platform connecting the airport, port and other relevant logistics information platforms to facilitate the interconnection and sharing of logistics data, enhance the management and coordination of the flows of cargo, information and capital, and to extend the interconnectivity and interoperability of the logistics systems in the Mainland and Macao. Behind the enormous development potential of the GBA are nine Mainland cities plus two special administrative regions, which involves three independently operating tariff zones and three different currencies. The transportation of goods in the fulfilment of trade contracts has to meet the declaration and quarantine requirements of the customs authorities of at least two places, and to handle settlement of payments in different currencies. Currently, the logistics information systems of the three regions are not interoperable. As an international trade and financial centre, Hong Kong should develop logistics data platforms to link up with electronic payment platforms and trade financing platforms in the Mainland and Hong Kong in the long run for the better management of the flow of goods, capital, and information in modern logistics.



- To achieve these goals, we will commence a consultancy study in 2024 on connecting the airport, port and other relevant logistics information platforms, with a view to enhancing the supply chain efficiency and international competitiveness of the logistics industry.

### 3.4 | Strategy (4): To Promote Green Logistics for Driving Industry Development

In recent years, leading brands/companies around the world have increasingly focused on ESG performance as an important indicator for their business operation. Adopting green logistics solutions can save energy, reduce carbon emissions and recycle resources, thereby driving the global supply chain towards a zero-carbon future. Therefore, green logistics can play a crucial role in achieving ESG targets for logistics companies and more importantly their customers. We will actively promote green logistics to strengthen the sustainable development of the logistics industry in Hong Kong.

Leveraging on green logistics as a competitive advantage for the industry, Hong Kong logistics enterprises can collaborate and lead enterprises in other cities in the GBA in providing comprehensive green logistics and sustainable supply chain solutions, thereby enhancing Hong Kong as an ESG-driven logistics centre of excellence.

#### Recommended Action (1): To promote green and sustainable logistics development

- Starting from 2024, the Government will promote the development of green and sustainable logistics through a sub-committee under the LOGSCOUNCIL in collaboration with representatives from relevant government departments, the logistics industry and research institutes, with an aim to formulate a clear roadmap for development of green and sustainable logistics with concrete commitments for implementation. The first and foremost task of the sub-committee is to carry out proper planning work, including formulating relevant industry guidelines on green logistics in local context with reference to international standards, and to assist logistics enterprises in realising high-quality ESG indicators progressively.

#### Recommended Action (2): To encourage technology application for promoting development of green and sustainable logistics

- The Government will encourage cross-sectoral collaboration in the development of ESG-related green logistics applications, such as the application of new zero-carbon energy and hydrogen fuel cells, the design of environmentally friendly packaging materials, energy-efficient cooling systems, etc., by making use of the Government's existing research and development funding schemes on innovation and technology.

### Recommended Action (3): To strengthen industry's awareness of green and sustainable logistics through training

- We will make use of the new injection of HK\$200 million into the MATF to strengthen on-the-job training and continuing education programmes with a view to enhancing the awareness of environmental conservation and sustainable development among SME employers and employees starting from 2024. In order to equip the local logistics industry with the knowledge of the latest ESG requirements, we will cooperate with the HKPC to organise certification courses and seminars related to green logistics, energy conservation and emission reduction.

### Recommended Action (4): To assist SMEs in implementing green and sustainable logistics

- In promoting the development of green logistics, it is necessary to strike a balance between ESG achievements and the resources to be invested by the industry. In order to strengthen support for the SMEs, the Government will encourage the logistics industry to adopt existing technologies for achieving green logistics through the Pilot Scheme and will provide advisory services through the HKPC.



### 3.5 | Strategy (5): To Stabilise Supply of Logistics Land and Develop Logistics Clusters with Different Functions

We will continue to conduct feasibility studies on potential of lands for developing multi-storey modern logistics centres around the KTCTs to meet the short and medium-term demand for logistics land. In view of the scarcity of land resources, we encourage the development of multi-storey modern logistics centres on logistics land to increase workspace to accommodate more different types of modern logistics operations at the same time so as to optimise the use of land. In addition, these centres can provide more modern and high-specification logistics facilities to better meet the requirements of modern logistics operators.

In the long run, in order to provide a suitable operating environment for the sustainable development of modern logistics services in Hong Kong, such as cold chain logistics and online shopping distribution services, we will develop different logistics clusters in NDAs of the Northern Metropolis to leverage on the clustering effect for enhancing the operational efficiency of the logistics industry.

#### Recommended Action (1): To stabilise supply of logistics land

- To facilitate the development of logistics industry in the high-end market, we have identified logistics sites with development potential around the KTCTs and have commenced feasibility studies. Depending on the actual market situation, we plan to dispose of a total of four parcels of logistics land covering about 19 hectares regularly from 2024 to 2027, providing a stable supply of affordable logistics land for the industry to develop multi-storey logistics facilities for modern logistics operations.



*The Government has preliminarily reserved 72 hectares of land in Hung Shui Kiu/Ha Tsuen New Development Area (HSK/HT NDA) and Yuen Long South Development Area (YLSDA) for industrial and logistics use. Pictured is an artist's impression of HSK/HT NDA.*

*(Source: Development Bureau)*

### Recommended Action (2): To optimise land use with multi-purpose development

- To enhance land use efficiency and provide more space for the development of the logistics industry, we will continue to promote vigorously the development of multi-storey logistics facilities on potential logistics land in order to support both modern logistics and port back-up uses, such as container storage, cargo handling and container truck/goods vehicle parking facilities, etc., with a view to achieving multi-purpose land use.
- Making reference to examples of existing integrated container storage and cargo handling facilities in the Mainland and overseas, we will encourage the industry to adopt an innovative approach in constructing multi-storey logistics complexes and incorporating technology application to enhance land utilisation and operational efficiency. We will also conduct feasibility studies on mixed-use development of multi-storey logistics facilities on potential land in Kwai Tsing District.

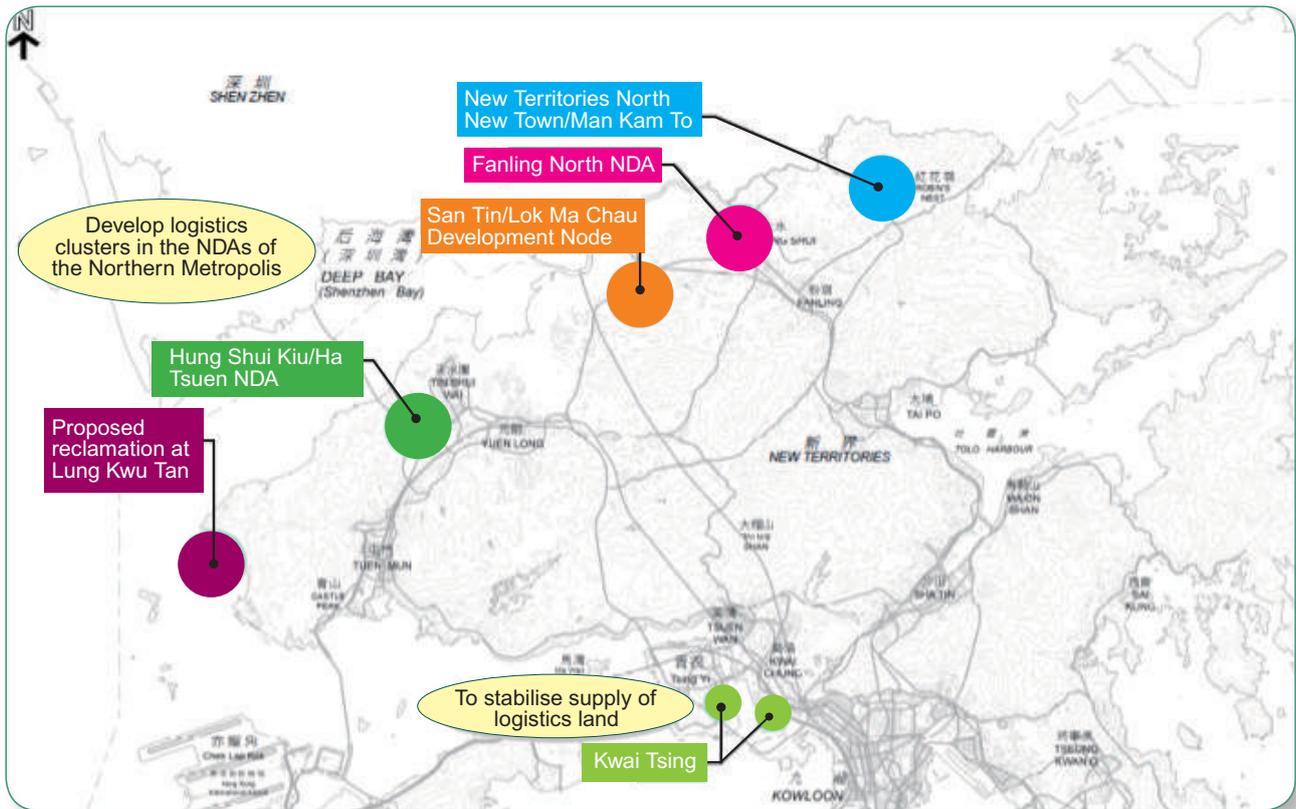
### Recommended Action (3): To provide affordable modern logistics facilities for the industry

- To address the industry's concerns on their business environment, including soaring rents and short lease terms for logistics facilities, we will make reference to the development model of multi-storey modern industrial buildings in Hung Shui Kiu/Ha Tsuen NDA and near Yuen Long InnoPark adopted by the Development Bureau, and to explore in 2024 the requirement for developers/owners of multi-storey logistics buildings to reserve a certain portion of floor area for leasing to suitable logistics SMEs at affordable rents for a specified lease period through specific land sale terms, thereby facilitating the transformation and upgrading of the industry and its longer-term development.

### Recommended Action (4): To develop logistics clusters in the NDAs of the Northern Metropolis

- The Government has reserved logistics land of a total of about 37 hectares for modern logistics development in the NDAs of the Northern Metropolis, including the Hung Shui Kiu/Ha Tsuen NDA. We will continue to work with relevant departments to plan for more logistics land in other NDAs, such as the San Tin/Lok Ma Chau Development Node, New Territories North New Town/Man Kam To and the proposed Lung Kwu Tan reclamation project (see Figure 12) to support the continual development of the modern logistics industry.
- Unlike previous development models for logistics land, the Government will conduct more comprehensive planning in the NDAs with an aim to develop logistics clusters with different functions. To this end, we will commence planning studies with relevant policy bureaux/departments in 2023 on the necessary conditions for the development of sustainable logistics clusters with flexibility to cope with future changes in logistics services. The study will cover the scale, planning parameters, dedicated supporting facilities, operational characteristics, project implementation model, impact assessment and financial assessment of logistics clusters. We expected that the findings of the study will be released in 2025, so that the logistics land in the NDAs can be put on the market as soon as possible.

**Figure 12 Logistics land reserved/planned in Kwai Tsing District and the NDAs**



**A logistics cluster** refers to the clustering of various logistics infrastructure facilities, including modern transportation, distribution, warehousing, loading and unloading, handling and packaging, mobile processing equipment, related freight passageways, financial services and other logistics supporting services in the same area for mixed development to develop a vibrant logistics ecosystem.

### 3.6 | Strategy (6): To Strengthen Collaboration with the GBA and Grasp New Development Opportunities

The HKSAR Government spares no effort in playing the role of a "market facilitator" and "enabler" to provide a favourable operating environment for the development of the logistics industry. In the future, we will continue to work closely with the industry and the LOGSCOUNCIL to strengthen the collaborated development with other cities in the GBA and the Mainland, and dovetail with national development strategies proactively. The Government will also encourage the industry to enhance the overall quality of logistics services through collaborative effort with other GBA cities to formulate management guidelines and standards for logistics services on high-value goods.

#### Recommended Action (1): To enhance multimodal transport measures

- Hong Kong's inherent advantages in aviation and shipping, as well as convenient cross-border transportation, have enabled cargos from other GBA cities and other parts of the Mainland to be smoothly transshipped to the rest of the world through Hong Kong. We will continue to improve various multimodal transport, including the sea-air cargo inter-modal transport and the "HKIA Logistics Park" in Dongguan developed by AAHK, the "Single E-lock Scheme" and the "Air-Land Fresh Lane", etc., to better support the production lines and supply chains in the GBA.

#### Recommended Action (2): To make good use of the HZMB

- As an international trade centre and logistics hub, Hong Kong plays an important role in promoting and supporting economic development of the GBA, while on one hand to promote and support the economic development in the region for reinforcing the role and functions in the country's two-way development, at the same time to facilitate the development of those industries in which Hong Kong has strengths in the other cities in the GBA, and capitalise on Hong Kong's strengths to serve the country's needs. We will make good use of the HZMB to further explore the logistics development opportunities between Hong Kong and Zhuhai as well as other places in western Guangdong, so as to promote the interconnectivity of goods within and beyond the region.

Guangzhou



Hong Kong



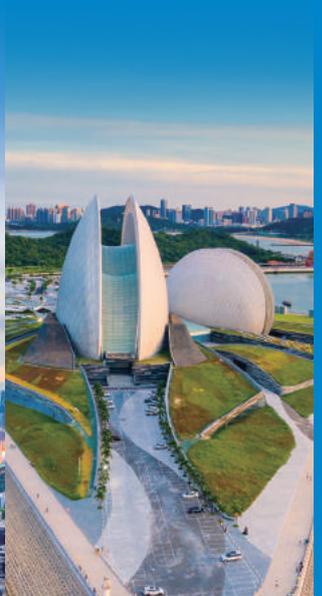
Macao



Shenzhen



Zhuhai



### Recommended Action (3): To collaborate with other cities in the GBA in formulating management standards for logistics services on high-value goods

- Logistics service providers in Hong Kong have capitalised on Hong Kong's air cargo advantages, such as its comprehensive flight network and efficient customs clearance, to provide high-end, high value-added logistics services for high-value air cargos (including cold chain cargos and pharmaceuticals) with higher requirements on time, temperature, safety and reliability, etc. These services include temperature-controlled cold chain management warehousing, as well as customised value-added services. The Government will continue to facilitate and support the industry to capitalise on its experience and strengths in high-end and high value-added logistics services through various measures.
- We will encourage and assist the industry in formulating management standards and guidelines for logistics services on high-value goods (e.g. cold chain goods) with other cities in the GBA from 2024. This will enable the industry to capture the new demand for modern logistics services in the GBA, and through this, to promote the high-quality development of Hong Kong's logistics industry and to develop Hong Kong into a modern, high value-added and smart logistics service centre.

### Recommended Action (4): To actively promote the “Hong Kong AEO Programme” and the network of mutual recognition arrangement

- Hong Kong Customs will continue to actively promote the “Hong Kong AEO Programme” and mutual recognition arrangement network, with a view to providing a favourable business environment for more enterprises, thereby strengthening Hong Kong's competitive advantage as a major international trade centre and regional logistics hub.

Foshan



Huizhou



Dongguan



Zhongshan



Jiangmen



Zhaoqing



### 3.7 | Strategy (7): To Promote Hong Kong's Unique Advantages and Actively Explore New Business Opportunities

**With Hong Kong's distinctive advantages of enjoying strong support of the Mainland and being closely connected to the world:** We will continue to actively open up new markets to support and promote the sustainable development of Hong Kong's logistics industry under the unique advantages of "One Country, Two Systems", with a view to consolidating and enhancing Hong Kong's competitiveness as an international logistics hub.

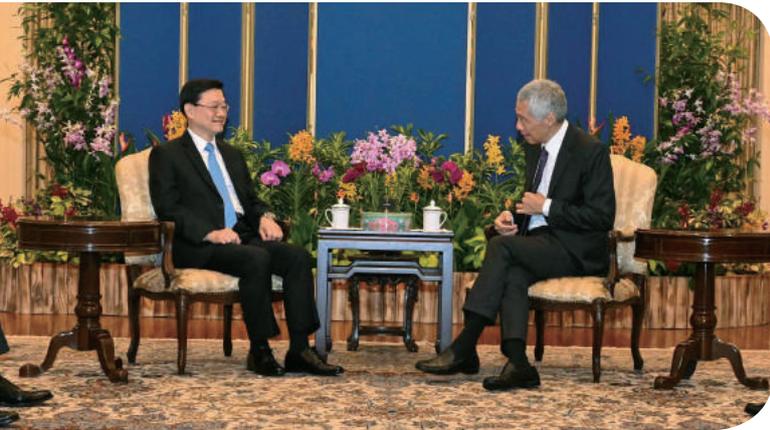
**Providing one-stop logistics and professional services by capitalising on our institutional strengths:** As an international logistics hub, Hong Kong has comprehensive and extensive multi-modal transport network by sea, land and air. Overseas and Mainland enterprises can make use of Hong Kong's modern logistics services and, at the same time, leverage on the combined strengths of Hong Kong's diversified financial and professional services as an international financial centre and international legal and arbitration services centre in the Asia-Pacific region, so as to meet their business development needs in various aspects.

**Recommended Action (1):** To explore new markets in the ASEAN, the Middle East and other countries along the "Belt and Road"

- The "Belt and Road" initiative put forward by President Xi Jinping has promoted regional economic cooperation and economic prosperity of the countries along the "Belt and Road". We will actively explore new markets in the ASEAN, the Middle East, and other countries along the "Belt and Road", promoting Hong Kong's strengths in finance, legal professional services, and modern logistics, and encourage collaboration with cities in the region with a view to expanding the footprint of the industry in other parts of the region, and at the same time to attract more Mainland and overseas companies to use Hong Kong's logistics companies for their regional distribution or even set up their regional distribution centres in Hong Kong, thereby strengthening Hong Kong's position as an international logistics hub.



*The Chief Executive visited Abu Dhabi, the United Arab Emirates*



*The Chief Executive visited Singapore*



*The Chief Executive visited Jakarta, Indonesia*

### Recommended Action (2): To actively promote the “Free Trade Agreement Transshipment Facilitation Scheme”

- Hong Kong Customs will keep promoting the FTA Scheme to facilitate more cargos between the Mainland and the contracting countries and regions, especially those Belt and Road countries, to be transhipped via Hong Kong to enjoy the stipulated preferential tariff, with a view to upholding Hong Kong’s status as a logistics hub.

### Recommended Action (3): To provide customised and high value-added business solutions

- Hong Kong's logistics service providers can further integrate various high value-added services to provide customised business solutions for customers, attracting Mainland and overseas companies to use the services provided by Hong Kong’s logistics companies. Examples include:
  - Vendor-managed inventory: sorting and packaging of parts and components according to the manufacturer's daily production schedules of purchase orders and then transporting them directly to the production line. The logistics service provider not only manages the inventory for the supplier, but also issues invoices to the manufacturer on a regular basis.
  - Reversed logistics: recovering dysfunctional products from end customers or down the supply chain and conducting tests. Functioning products can be repackaged and shipped to other secondary markets, while non-functioning products can be shipped back to manufacturers. With the global focus on sustainability, more companies are in need of reverse logistics services.

### The Eighth Belt and Road Summit



#### Recommended Action (4): To organise more promotional visits and large-scale promotional events

- The Government will continue to work with the LOGSCOUNCIL and the HKTDC to promote Hong Kong's logistics industry through organising regular visits to places outside Hong Kong and promotional activities.
- In Mainland China, Hong Kong logistics, aviation and maritime services would be promoted through "SmartHK", the flagship event for promoting Hong Kong's high-quality professional services. HKTDC would also organise the "Hong Kong Pavilion" at China International Import Expo and Marintec China. In addition, HKTDC is planning to organise a high-level business delegation to visit Chengdu and Chongqing, aiming to explore the opportunities brought by the Chengdu-Chongqing Economic Circle to different business sectors, covering logistics, science and technology innovation, cultural tourism, professional services, etc. For Asia, HKTDC's signature promotion campaign, "Think Business, Think Hong Kong" has been staged in Thailand in July 2023 to promote Hong Kong as an international logistics hub and trade platform. Also, a logistics services mission is planned to Central Asia in 2024/25 for obtaining first-hand understanding of the latest policies and developments of the region, and to explore business opportunities with the local enterprises.

- Starting from 2024, we will conduct promotional visits with the LOGSCOUNCIL to the Mainland or other GBA cities, as well as the emerging markets along the ASEAN, the Middle East or other "Belt and Road" cities every year for business promotion, so as to understand the latest logistics development in other cities/countries, which help the Hong Kong logistics industry to consolidate the Mainland market and expand overseas markets.
- In addition, we will also organise more large-scale promotional events in Hong Kong for the logistics industry, such as co-organising the "ALMAC" with the HKTDC, which brings together stakeholders along the supply chains, including logistics services providers, manufacturers, traders and distributors around the world to explore business opportunities and exchange market intelligence. Participants can extend their business connection worldwide through networking activities held during the Conference.



**The Secretary for Transport and Logistics speaks at the Asian Logistics, Maritime and Aviation Conference**



*The Government has introduced various funding schemes to continuously enhance Hong Kong's status as a trade centre, for example:*

- *the "Dedicated Fund on Branding, Upgrading and Domestic Sales" encourages non-listed Hong Kong enterprises to expand their business development in the Mainland and other 37 economies<sup>e</sup> that have signed free trade agreements and/or investment promotion and protection agreements with Hong Kong, through developing brands, upgrading and restructuring operations and promoting sales.*
- *the "SME Export Marketing Fund" provides matching funding to encourage SMEs to participate in export promotion activities, thereby helping enterprises tap into emerging markets and expand their global businesses, which in turn promoting Hong Kong's foreign trade and facilitating the sustainable development of Hong Kong's logistics industry.*

<sup>e</sup> Include the Mainland, New Zealand, the four member states of the European Free Trade Association (i.e. Iceland, Liechtenstein, Norway and Switzerland), Chile, Macao, the ten member states of the ASEAN (comprising Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam), Georgia, Australia, Japan, the Republic of Korea, Kuwait, Austria, Belgo-Luxembourg Economic Union, Canada, Denmark, Finland, France, Germany, Italy, Mexico, the Netherlands, Sweden, the United Arab Emirates and the United Kingdom.

### 3.8 | Strategy (8): To Enhance Cross-sectoral Coordination for Supporting the Long-term Development of the Logistics Industry

Trading and logistics are inter-related. While the policy on the overall logistics development of Hong Kong is overseen by the TLB, different policy measures would also have bearings on the development of the logistics industry, such as trade facilitation, Trade Single Window, customs clearance, taxation policies, re-industrialisation, and I&T development, involving various bureaux and departments. Better policy coordination within the Government and close collaboration with relevant sectors will be conducive to a more business friendly environment for modern logistics development.

Established in 2001, the LOGSCOUNCIL is a forum for the Government and industry stakeholders to advise on initiatives to promote the development of the logistics industry in Hong Kong. The LOGSCOUNCIL is chaired by the Secretary for Transport and Logistics, with 26 non-official members who are stakeholders from a wide spectrum with diverse expertise and knowledge from the supply chain sector.

**LOGSCOUNCIL** advises the Government on all aspects of sustaining and enhancing Hong Kong's position as a regional logistics hub to facilitate the flow of cargo through Hong Kong and the provision of value-added services for those cargo. Specifically, the LOGSCOUNCIL will continue to—

- assess Hong Kong logistics industry's needs and the supporting measures required to improve infrastructure and strengthen competitiveness;
- coordinate efforts of the Government and private sector agencies in devising and implementing development initiatives;
- provide a forum for consulting the stakeholders involved in Hong Kong's logistics industry;
- conduct marketing and publicity programmes to promote Hong Kong's strengths and opportunities; and
- undertake any other tasks relevant to the above as may be referred to it by the Government.

The representatives from logistics industry have been participating actively in the discussions in the LOGSCOUNCIL, and had provided advice on related issues concerning the development of Hong Kong's logistics industry in the past, including:

- The benefits of large-scale infrastructure projects to Hong Kong's logistics industry, such as how the commissioning of the HZMB can promote the development of the local logistics industry;
- Logistics land supply issues, including the feasibility of developing multi-storey modern logistics facilities in the vicinity of the KTCTs, and the study on land requirement for modern logistics and port back-up sites, etc.;
- Matters concerning local logistics development, including the establishment of a local air cargo security monitoring mechanism in line with the latest requirements of the International Civil Aviation Organisation, the sea-air intermodal cargo transshipment developed at the HKIA, etc.;
- Implementation of various schemes supporting the development and nurturing talents for the logistics industry, including formulating the implementation details of the Pilot Scheme, expanding the scope of summer internship scheme for local logistics companies, and subsidising the HKLA to organise various training courses for logistics practitioners.

**Recommended Action (1): To enhance the function of LOGSCOUNCIL for strengthening cross-sectoral coordination**

- To create a more business friendly environment for the sustainable development of modern logistics, we will expand the membership for the new term of the LOGSCOUNCIL in 2024. Currently, apart from the Chairman, Vice-Chairman, and Secretary being served by the Secretary for Transport and Logistics, Permanent Secretary for Transport and Logistics, and Deputy Secretary for Transport and Logistics respectively, Customs and Excise Department is the only government department represented at the LOGSCOUNCIL. We suggest appointing representatives from more relevant policy bureaux and departments as standing members, including the Development Bureau, Education Bureau, Commerce and Economic Development Bureau, Constitutional and Mainland Affairs Bureau, Labour and Welfare Bureau, Environment and Ecology Bureau, and the Innovation, Technology and Industry Bureau, as well as appointing professionals and representatives from related sectors and fields (including information technology sector etc.) as co-opted members, to discuss cross-sectoral issues related to logistics on the platform of the LOGSCOUNCIL. These issues include logistics land planning, manpower training and development, cross-border e-commerce logistics development, green and sustainable logistics, technology adoption, and business promotion, etc. The industry can discuss issues cutting across different bureaux and departments, which is conducive to policy nurturing and implementation of follow-up actions on cross- bureaux/departmental issues.





# Chapter 4

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## Action Overview

This Action Plan sets out the direction for the future development of Hong Kong's logistics industry. We have formulated eight strategies and 24 suggested actions to meet the short, medium, and long-term development needs of the logistics industry in the aspects of (i) smart logistics; (ii) industry innovation; (iii) logistics data connectivity; (iv) green logistics; (v) logistics land supply; (vi) collaborated development with other cities in the GBA; (vii) exploration of new business opportunities in the Mainland and overseas; and (viii) cross-sectoral collaboration; and to lead Hong Kong's logistics industry to further realise the vision of becoming a sustainable modern, high value-added, and smart logistics hub in Asia. Key measures of the relevant strategies are summarised in the table below.

The HKSAR Government, together with the LOGSCOUNCIL, will continue to review the implementation progress of implementation of the relevant strategies and their effectiveness, and to adjust the relevant initiatives according to the actual situation to ensure that the strategies can keep abreast of the development and respond to the needs of the industry in a timely manner.

**[Note: New initiatives are indicated in bold.]**

Action Overview		Implementation Time	
<b>Strategy (1) To Promote Digitalisation and Smart Logistics Development in the Industry</b>			
<b>Action Measures</b>	(1) To enhance and regularise the "Pilot Subsidy Scheme for Third-party Logistics Service Providers"	<ul style="list-style-type: none"> <li>- To complete the review of the Pilot Scheme</li> <li>- To implement enhancement measures for the Pilot Scheme</li> <li>- To regularise the Pilot Scheme after completion of the review and implementation of enhancement measures</li> </ul>	Within 2023  From 2024
	(2) To strengthen support for logistics enterprises in digitalisation	<ul style="list-style-type: none"> <li>- To expand the scale and enrich the content of the "LOGTECH Expo"</li> <li>- To organise various activities for promoting the interaction between the industry and logistics technology suppliers</li> </ul>	From 2024  From 2023
	(3) To provide smart logistics-related training	<ul style="list-style-type: none"> <li>- To provide modern and smart logistics training and certification courses through the MATF:                             <ul style="list-style-type: none"> <li>• to strengthen support for industry associations/ training institutions in providing modern and smart logistics training and certification courses to practitioners</li> <li>• to step up support for industry associations and tertiary institutions in offering more professional refresher courses and exchange activities related to smart logistics</li> <li>• to closely monitor the utilisation of the MATF and consider further funding injection to meet the training needs at an appropriate time</li> </ul> </li> </ul>	From 2023



Action Overview		Implementation Time	
Strategy (2) To Build and Promote the Image of the Industry as High-end and Innovative			
Action Measures	(4) To strengthen publicity and promotion to attract young people to join the industry	<ul style="list-style-type: none"> <li>- To collaborate with the LOGSCOUNCIL, industry associations, tertiary and training institutions, etc., in organising more publicity and promotional activities to promote the modern logistics industry and attract young people through multiple means, such as cultivating interest, enhancing understanding and deepening knowledge:               <ul style="list-style-type: none"> <li>• to provide diversified pre-employment internships, apprenticeships and training opportunities to young people</li> <li>• to organise innovative competitions and award schemes for secondary and tertiary students</li> <li>• to make good use of social media to disseminate more lively and interesting information, short videos and posts on logistics information</li> <li>• to conduct campus visits and organise interactive exchanges/promotional activities at primary and secondary schools</li> <li>• to organise local, Mainland and overseas exchanges and experience sharing workshops</li> <li>• to visit local, Mainland and overseas tertiary institutions to promote the prospect and career development of the Hong Kong's logistics industry</li> <li>• to organise and participate regularly in logistics industry related career Expos</li> <li>• to encourage local tertiary institutions to develop exchange programmes with Mainland and overseas tertiary institutions</li> </ul> </li> <li>- To encourage employers to provide flexible working hours or positions for young employees</li> </ul>	From 2024
	(5) To enhance the innovative and professional image of the logistics industry	<ul style="list-style-type: none"> <li>- To collaborate with the logistics industry to organise annual award scheme to encourage and recognise outstanding logistics service companies and practitioners (especially young practitioners) who have made remarkable contributions to modern logistics</li> <li>- To provide platforms for industry professionals to exchange industry information and discuss the latest developments through organising international and regional conferences</li> </ul>	From 2024
	(6) To make good use of different talent admission schemes to attract foreign talents to Hong Kong	<ul style="list-style-type: none"> <li>- To encourage the industry to make full use of various talent admission schemes to alleviate short-term manpower needs</li> <li>- To launch the "Labour Importation Scheme for the Transport Sector - Aviation Industry" which covers positions such as warehouse operators and cargo handlers, as well as frontline warehouse management positions, to relieve the acute manpower shortage of the logistics industry</li> <li>- To suspend the general exclusion of 26 job categories (including warehouse keepers) as well as unskilled/low-skilled posts under the "Enhanced Supplementary Labour Scheme"</li> </ul>	From 2023

Action Overview		Implementation Time
Strategy (3) To Promote Interconnectivity of Logistics Data for Enhancing Industry Competitiveness		
Action Measures	<p>(7) To facilitate interconnectivity and interoperability of logistics information</p> <ul style="list-style-type: none"> <li>- To develop a logistics data platform connecting the airport, port and other relevant logistics information platforms in order to facilitate the interconnectivity and interoperability of logistics data</li> <li>- To promote connectivity to logistics systems in other cities in the GBA and the Mainland, and to develop logistics data platforms to link up with electronic payment platforms and trade financing platforms in the Mainland and Hong Kong in the long run</li> <li>- To commence consultancy studies on connecting the airport, port and other relevant logistics information platforms</li> </ul>	From 2024

Action Overview		Implementation Time
Strategy (4) To Promote Green Logistics for Driving Industry Development		
Action Measures	<p>(8) To promote green and sustainable logistics development</p> <ul style="list-style-type: none"> <li>- To promote green and sustainable logistics development through a sub-committee under the LOGSCOUNCIL with relevant government departments, logistics industry representatives and research institutions, and to formulate a clear roadmap and concrete implementation commitments for green and sustainable logistics development</li> </ul>	From 2024
	<p>(9) To encourage technology application for promoting development of green and sustainable logistics</p> <ul style="list-style-type: none"> <li>- To encourage cross-sectoral collaboration in the development of ESG-related green logistics application by making use of the Government's existing research and development funding schemes on innovation and technology</li> </ul>	Continuous
	<p>(10) To strengthen industry's awareness of green and sustainable logistics through training</p> <ul style="list-style-type: none"> <li>- To strengthen on-the-job training and continuing education programmes with a view to raising the awareness of environmental conservation and sustainable development among SME employers and employees</li> <li>- To cooperate with the HKPC to organise certification courses and seminars related to green logistics, energy conservation and emission reduction</li> </ul>	From 2024
	<p>(11) To assist SMEs in implementing green and sustainable logistics</p> <ul style="list-style-type: none"> <li>- To encourage the logistics industry to adopt existing technologies for achieving green logistics through the Pilot Scheme and to provide advisory services through the HKPC</li> </ul>	Continuous

Action Overview			Implementation Time
<b>Strategy (5) To Stabilise Supply of Logistics Land and Develop Logistics Clusters with Different Functions</b>			
Action Measures	(12) To stabilise supply of logistics land	- To dispose of a total of four parcels of logistics land regularly for the industry to develop multi-storey logistics facilities	2024 - 2027
	(13) To optimise land use with multi-purpose development	- To promote vigorously the development of multi-storey logistics facilities on potential logistics land - To encourage the industry to adopt an innovative approach to construct multi-storey logistics complexes and to incorporate technology application to enhance operational efficiency	Continuous
	(14) To provide affordable modern logistics facilities for the industry	- To explore setting the rentals of the future multi-storey modern logistics buildings at a level affordable to SMEs	From 2024
	(15) To develop logistics clusters in the NDAs of the Northern Metropolis	- To work with relevant bureaux/departments to plan for more logistics land in the NDAs of the Northern Metropolis and to commence planning studies on developing logistics clusters with different functions	From 2023

Action Overview			Implementation Time
<b>Strategy (6) To Strengthen Collaboration with the GBA and Grasp New Development Opportunities</b>			
Action Measures	(16) To enhance multimodal transport measures	- To enhance various multimodal transport measures in order to better support the production lines and supply chains in the GBA	Continuous
	(17) To make good use of the HZMB	- To make good use of the HZMB to further explore logistics development opportunities between Hong Kong and Zhuhai and other places in western Guangdong	Continuous
	(18) To collaborate with other cities in the GBA in formulating management standards on logistics services for high-value goods	- To encourage and assist the industry in formulating management standards and guidelines for logistics services on high-value goods with other cities in the GBA	From 2024
	(19) To actively promote the "Hong Kong AEO Programme" and mutual recognition arrangement network	- To actively promote the "Hong Kong Authorised Economic Operator Programme" and mutual recognition arrangement network	Continuous

Action Overview		Implementation Time
Strategy (7) To Promote Hong Kong's Unique Advantages and Actively Explore New Business Opportunities		
Action Measures	(20) To explore new markets in the ASEAN, the Middle East and other countries along the "Belt and Road"	- To actively explore new markets in the ASEAN, the Middle East, and other countries along the "Belt and Road", promoting Hong Kong's strengths in finance, legal professional services and modern logistics  Continuous
	(21) To actively promote the "Free Trade Agreement Transshipment Facilitation Scheme"	- To actively promote the "Free Trade Agreement Transshipment Facilitation Scheme"  Continuous
	(22) To provide customised and high value-added business solutions	- To encourage logistics service providers in Hong Kong to further integrate various high value-added services to provide customised business solutions for customers  Continuous
	(23) To organise more visits and large-scale promotional events	- To work with the LOGSCOUNCIL and HKTDC to promote Hong Kong's logistics industry through organising regular visits to places outside Hong Kong, and promotional activities - To assist enterprises to expand their businesses through various types of funding schemes - To organise visits to other GBA or Mainland cities, as well as emerging markets in the ASEAN, the Middle East or other "Belt and Road" cities for business promotion - To organise more large-scale promotional events in Hong Kong to connect stakeholders in various sectors of the supply chain to jointly explore global business opportunities and exchange the latest market information  Continuous Continuous From 2024 Continuous

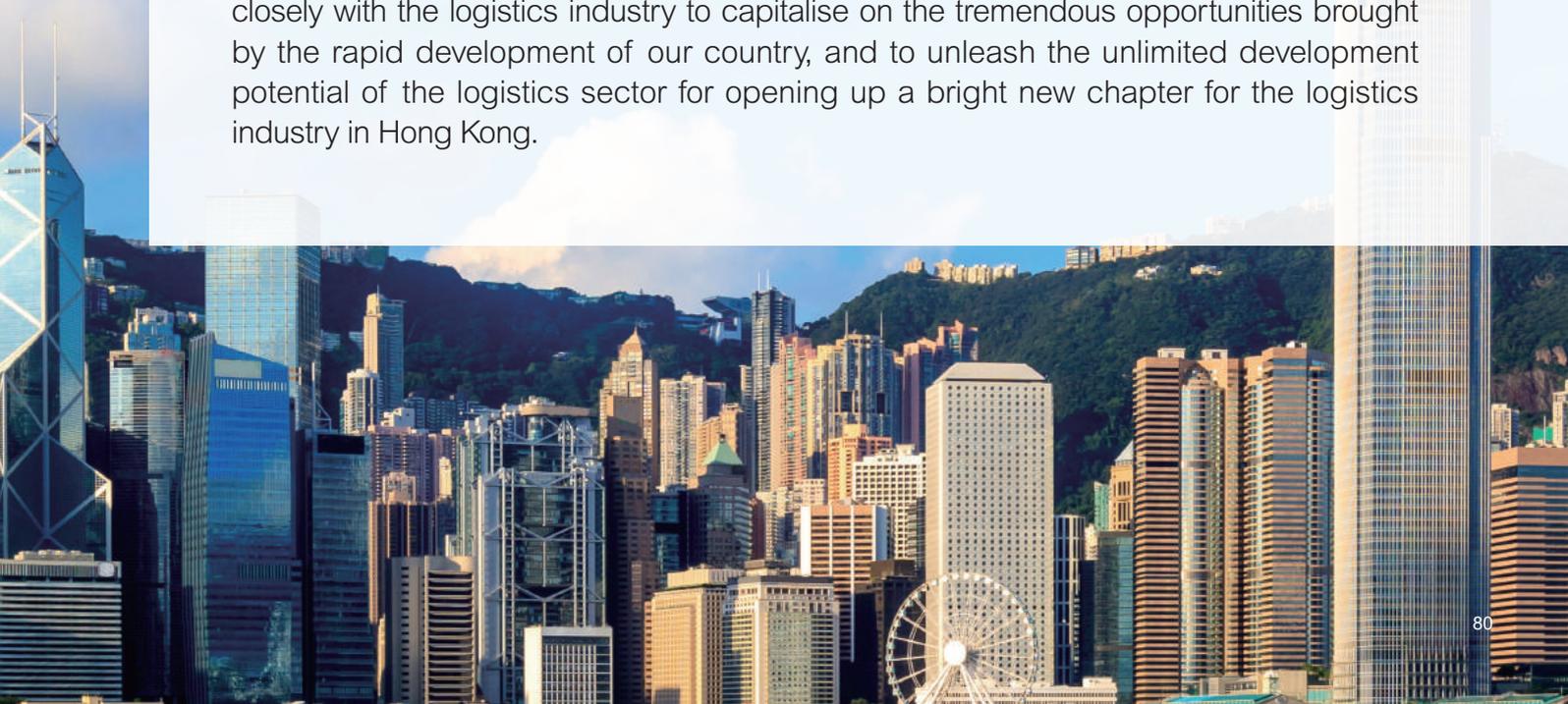
Action Overview		Implementation Time
Strategy (8) To Enhance Cross-sectoral Coordination for Supporting the Long-term Development of the Logistics Industry		
Action Measures	(24) To enhance the function of LOGSCOUNCIL for strengthening cross-sectoral coordination	- To appoint representatives from more relevant policy bureaux and departments as standing members of the LOGSCOUNCIL, and appointing professionals and representatives from related sectors and fields as co-opted members to address cross-sectoral issues related to logistics  In 2024

# Closing Remarks

Over the past few years, the global economy has encountered various challenges. The demand for goods from outside Hong Kong has been affected by the slowdown of the global economy due to the COVID-19 epidemic and the escalating geopolitical tensions. However, every crisis lies an opportunity, the epidemic has driven the rapid development of cross-border e-commerce and stimulated the demand for logistics services. At the same time, amidst the unprecedented global changes, the gravity of the global economy is shifting from the West to the East, and the economic and trade connections between our country and other economies have been strengthened continuously, thereby further enhancing its influential role in the global economy.

This Action Plan is a major document formulated by the HKSAR Government for the development of modern logistics, leading the future development of the logistics industry in Hong Kong. The HKSAR Government, together with the LOGSCOUNCIL, will continue to review the implementation progress of the relevant strategies and their effectiveness, and to adjust the relevant initiatives in light of the actual situation to ensure that the strategies can keep abreast of the development and respond to the needs of the industry in a timely manner, with a view to achieving our target to develop Hong Kong into a sustainable international smart logistics hub focusing on high-value goods and e-commerce markets.

As the country embarks on a new journey and Hong Kong enters into a crucial stage from order to prosperity, the HKSAR Government will fully leverage on its distinctive advantages of enjoying strong support of the Motherland and being closely connected to the world under the "One Country, Two Systems" principle. We will continue to work closely with the logistics industry to capitalise on the tremendous opportunities brought by the rapid development of our country, and to unleash the unlimited development potential of the logistics sector for opening up a bright new chapter for the logistics industry in Hong Kong.



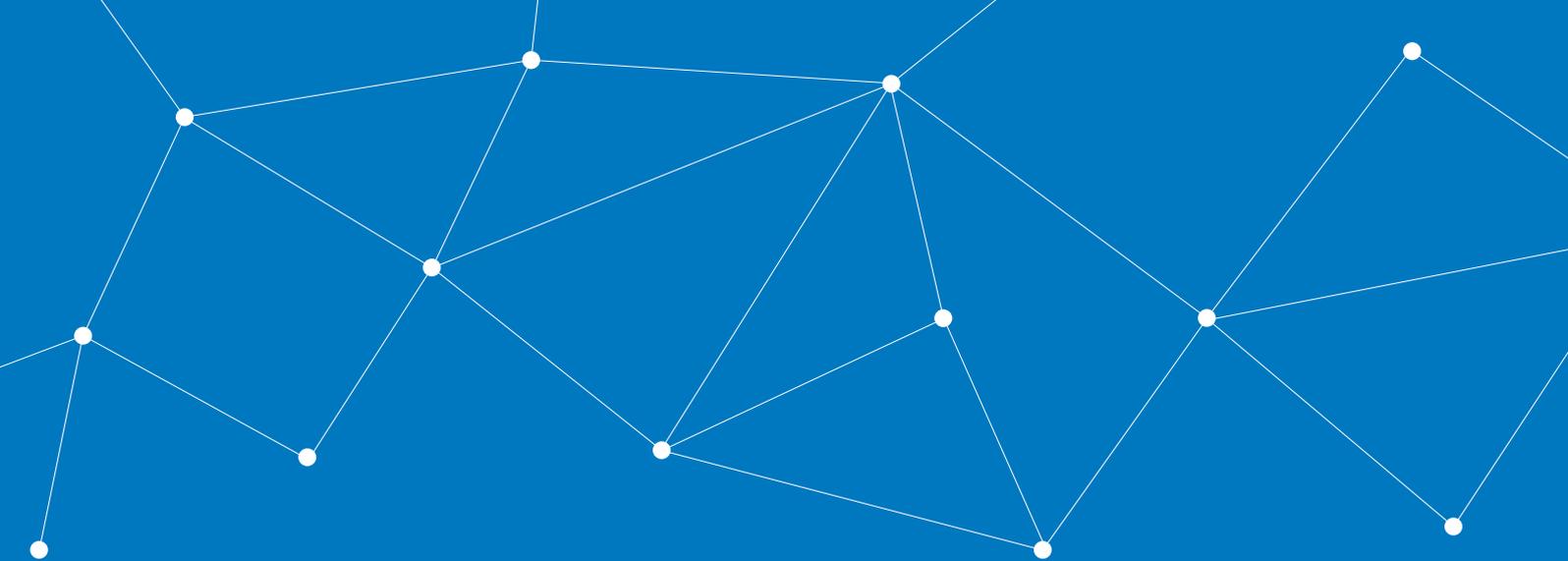
# Appendix

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- Hong Kong Logistics Development Council •
  - Airport Authority Hong Kong •
  - Board of Airline Representatives •
- The Chamber of Hong Kong Logistics Industry Limited •
- The Chartered Institute of Logistics and Transport in Hong Kong •
  - Cyberport •
  - GS1 Hong Kong •
- Hongkong Association of Freight Forwarding and Logistics Limited •
- Hong Kong Container Terminal Operators Association Limited •
  - Hong Kong Productivity Council •
- Hong Kong E-Commerce Logistics Association •
  - Hong Kong Logistics Association •
  - The Hong Kong Shippers' Council •
- SIMX Project X and Trade Cooperation Associated Limited •
  - Vocational Training Council •



## Transport and Logistics Bureau

The Government of the Hong Kong Special Administrative Region  
of the People's Republic of China