

For discussion
on 26 June 2023

Legislative Council Panel on Economic Development

**Development of Hong Kong's Logistics Industry –
Action Plan on Modern Logistics Development**

PURPOSE

This paper briefs Members on the latest progress of our work in relation to the formulation of an action plan on modern logistics development of Hong Kong.

BACKGROUND

2. Hong Kong, underpinned by its strengths as an international aviation hub and an international shipping centre, has all along been an important logistics hub in Asia. The trading and logistics sector is one of Hong Kong's four key economic pillars, accounting for approximately one-fifth (around \$651 billion) of Hong Kong's GDP and providing over 610 000 jobs, with the logistics sector alone contributing 6.2% (around \$170 billion) to our GDP and around 184 000 jobs to our total employment. With our premier geographical location, free port status, well-developed infrastructure and experienced professionals, combined with a comprehensive sea, land and air transportation network, Hong Kong has always been playing a pivotal role in facilitating the flow of goods in the region.

3. Hong Kong's position as a regional logistics hub is also recognised by the Central Government. 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 Central Government has clearly affirmed Hong Kong’s positioning as an international aviation hub and international shipping 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.

4. In recent years, the global supply chain and the logistics industry have been affected by global political circumstances and pandemic situation. Hong Kong is no exception. Furthermore, our logistics industry has been facing increasing challenges, such as sapping global economic growth and keen competition from neighbouring cities. Hence, it is of paramount importance to leverage the traditional strengths of our logistics sector, and to further enhance our competitive edges through joint effort of the Government and the trade so as to facilitate the sustainable development of the logistics industry and to enable the trade to fully seize the immense opportunities arising from the national and regional development.

ACTION PLAN ON MODERN LOGISTICS DEVELOPMENT

5. As announced in the 2022 Policy Address, the Government is formulating an action plan, with a view to devising short, medium and long term development strategies to accelerate Hong Kong’s development into a modern, high value-added and smart logistics hub in Asia, which facilitates economic activities in the Greater Bay Area (GBA) and beyond by enabling efficient flow of goods between Hong Kong and the rest of the region as well as promoting the sustainable development of the logistics industry.

Consultation with the Logistics Industry

6. We have consulted the Hong Kong Logistics Development Council (LOGSCOUNCIL) and various stakeholders of the logistics industry in the past few months to gauge their views on the competitive edges of the logistics industry and challenges being encountered by the trade, as well as the strategic areas to be focused on in the action plan. The views collected during the trade consultation are summarised in the ensuing paragraphs.

7. As an international logistics hub, Hong Kong's competitive edges lie in the comprehensive intermodal transport network, our professional expertise in handling high-value goods including time and temperature-sensitive products (e.g. fresh produce and pharmaceutical products), as well as efficient customs clearance, amongst other institutional strengths. Our competitive edges have enabled the logistics industry to better grasp the new business opportunities arising from the rapid growth of e-commerce which require more efficient logistics service. Hence, there is a huge potential of Hong Kong to develop into an international premier logistics centre targeting at high-value products and e-commerce.

8. Similar to other industries in Hong Kong, the logistics industry also encounters development constraints in terms of supply of affordable logistics land and manpower, as well as keen competition from neighbouring hubs. The high land and labour costs affect the competitiveness of Hong Kong. Having encountered difficulty in recruiting young people, the industry commented that it is necessary to rebrand the traditional image of the industry, which is perceived as labour-intensive and low-end at present, so as to enhance the attractiveness of the industry to young people. It is also important to nurture more professional

talents to support the development of the logistics industry towards the direction of high-end and high value-added, for example, providing more dedicated professional training to industry practitioners on cold chain management and smart logistics. In addition, the Government should strengthen support to the industry in digital transformation and adoption of smart logistics solutions to lower the operating cost and increase productivity.

9. The industry reflected that as logistics and trading are interdependent, the performance of our logistics industry would be easily affected by geo-political factors and the volatile external trading environment. Apart from further stepping up our collaboration with Mainland cities in GBA and beyond, the industry also suggested diversifying the markets as well as exploring more new business opportunities in other regions. Furthermore, given that modern logistics development involves many different sectors and policy areas, it would be desirable to have a central platform for discussion of all relevant issues.

Four Major Areas for Enhancement

10. In the light of the industry's feedback as mentioned above, we have identified four major areas, namely (i) supply of affordable logistics land, (ii) manpower supply and training, (iii) new business opportunities and (iv) cross-sectoral coordination, for formulating strategies to meet the short, medium and long-term needs of the logistics industry.

(i) Supply of affordable logistics land

11. The Government has been sparing no efforts in identifying suitable logistics sites for developing multi-storey modern logistics facilities by the industry. We are reviewing the existing development mode of logistics land to

enhance land use efficiency and affordability to better meet the development and operational needs of the sector. Apart from the logistics sites in Kwai Tsing, additional land has been reserved in the New Development Areas (NDAs) in different parts of the Northern Metropolis. One possible direction is to develop specific logistics clusters for dedicated logistics operations in different NDAs.

(ii) Manpower supply and training

12. Human capital is key to the sustainable development of logistics industry, especially the high-end and high value-added logistics services that require multi-disciplinary workforce with specialised and professional knowledge. With the new injection of HK\$200 million to the Maritime and Aviation Training Fund as announced in the 2023-24 Budget, we would further consider how to make a good use of the dedicated funding to strengthen on-the-job logistics training for industry practitioners, as well as to provide more internship/placement opportunities to encourage more young people to join the logistics industry. In the long run, the Government will strive to enhance the image of the logistics industry to attract more young talents to join the workforce. Besides, the Government will continue to support the logistics industry, particularly the small and medium enterprises, in the digital and technological transformation to improve operating efficiency.

(iii) New business opportunities

13. In view of the keen competition from neighboring hubs, we are deliberating on how to better support our logistics enterprises to capitalise on new growth opportunities in the region and tell the good story of Hong Kong. We will explore new markets and business opportunities for Hong Kong logistics industry in the Association of Southeast Asian Nations (ASEAN) and other

emerging markets, so as to expand the footprint of Hong Kong's logistics sector in other parts of the region as well as attracting more Mainland/overseas companies to use Hong Kong logistics companies for their regional distribution or even set up their regional distribution centres in Hong Kong.

(iv) Cross-sectoral coordination

14. Trading and logistics are inter-related. Different policy measures would also have bearings on the development of the logistics industry such as trade facilitation, customs clearance, taxation policies, re-industrialisation, I&T developments. We will therefore deliberate on a suitable mechanism to strengthen the cross-sectoral coordination and collaboration with a view to providing a more business friendly environment for modern logistics development.

NEXT STEP

15. The Government will continue to refine the logistics development strategies in the light of the views collected from the industry and the Legislative Council, with a view to promulgating the action plan within this year.

ADVICE SOUGHT

16. Members are invited to note and comment on the content of this paper.

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