

**Remarks by Ms Eva Cheng,
Permanent Secretary for Economic Development
at Logistics Awards Hong Kong 2006 Awards Presentation Dinner
on 21 November 2006**

Ladies and Gentlemen,

It is my pleasure to be with you at tonight's dinner. It is the second year that LOGSCOUNCIL has sponsored the event and I am delighted to be in the company of the many distinguished players of our logistics industry. The Awards Presentation Dinner tonight is a great opportunity to recognise their individual achievement. It is also a good moment for us to celebrate and reflect on the contribution that the industry has made to Hong Kong.

2. The logistics industry is one of the four pillars that buttress Hong Kong's economy. Not only does it make up 5.3% of our GDP, it employs almost 200,000 people in Hong Kong. With sustained growth for more than a decade, Hong Kong has established itself as a leader in port management and operation. Mainland China's burgeoning industrial production, consumer spending and external trade will continue to provide Hong Kong with ample business opportunities.

3. In terms of air cargo volume, the Hong Kong International Airport has been the world's busiest since 1996. Air cargo is time-critical, so our frequent flight schedules, worldwide network, efficient cargo handling system, and the simple and clear customs

procedures provide great advantages to customers. Over the past 10 years, there is an average annual growth rate of 9%. In 2005, we hit a record high of handling 3.4 million tonnes of air-cargo. In terms of contribution to our economy, air freight transport also registered the highest per capita income and the fastest growth among the different modes of freight services.

4. Economic growth in the region has also fuelled the expansion of ports in South China. There is no denying that the rapid sea port development in South China poses keen competition to the Hong Kong Port. That said, competition is a fact of life for Hong Kong. The government and the industry are working together to adjust to changes and sharpen our competitive edge amidst opportunities and risks in the port scene. A scan of the winners today provides the key to success in the current business environment: we can no longer compete merely on price, but on value-added services and quality.

5. We must also be on top of recent trends. For example, in recent years, Hong Kong's cargo hinterland has extended from the eastern to the western side of the Pearl River Delta region. We expect that this trend will continue, and that river trade transport will remain the key transport mode for cargoes from Western PRD. This new cargo source has consistently generated an annual growth of about 11% in river trade cargo to Hong Kong over the past 5 years. To further capitalize on this market niche, the Government has launched a series of measures to attract more river trade cargoes to Hong Kong. To expand the mid-stream cargo

handling capacity, we have established new anchorages in the north of Lantau and in the western part of Victoria Harbour. Anchorage dues have been lowered. The port facilities and light dues have been reduced. Legislative amendment is also in the pipeline for introducing multiple entry permits to encourage more river trade vessels to call at Hong Kong ports.

6. Hong Kong/Guangdong cross-boundary trucking remains a major link between Hong Kong and the South China cargo source. To help this important segment of Hong Kong's logistics industry, the Government has been making continuous efforts to promote the operational efficiency of cross boundary trucking. Good progress has been made in our discussion with the Mainland authorities for relaxation of restrictions on cross-boundary trucking and extension of operating hours of inland control points.

7. Capacity building through infrastructural development is also very important. The Government has endeavored to provide the necessary physical infrastructure by building new transport links, like the HK-Shenzhen Western Corridor which is scheduled for commissioning in 2007. We have also taken an active role in promoting information connectivity through the development of the Digital Trade and Transportation Network.

8. Practitioners here today long recognized that logistics is no longer a business about mere movement of boxes. Modern logistics requires professional skills that excel in warehouse management, inventory management, distribution management, just in time delivery and much more. By adding value through management, our logistics professionals have together built Hong Kong into a preferred logistics hub in the region. The Logistics Award is important not just because it gives due recognition to these high-achievers, but also because it provides role models for those in search of excellence. Let me take the opportunity to thank the Chartered Institute of Logistics and Transport, Hong Kong Association of Freight Forwarding and Logistics, Hong Kong Logistics Association, Hong Kong Productivity Council and Hong Kong Trade Development Council for organizing the Logistics Award. And I must also thank the hard work by the judging panel in selecting the award recipients.

9. Congratulations to all of you. Thank you.

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