



The Hong Kong
Shippers'
Council
香港付貨人委員會



Willy Lin
Chairman

'COVID' is the answer to city's future - COnnectedness, Visibility, Investment and Digitalisation

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Hong Kong, situated at the centre of Asia, is a major logistics hub for the region. But with the eruption of the 5th wave of COVID-19 in the city and the disruptions of cross-boundary land transportation, the future of this hub is under serious threat.

At the time of writing, the number of daily confirmed COVID-19 cases has dropped from over 30,000 to below 2,000. On April 1, trade routes to nine countries re-opened and air freight capacity is expected to increase as well. This should offer some relief to our heavily battered trade economy, but will it be enough?

The traditional arrangement of Hong Kong cross-boundary trucks driving north to factories in the Pearl River Delta (PRD) to load cargoes and return to Hong Kong has been halted due to the upsurge in confirmed cases reported amongst this cluster of drivers. There have also been cases of Hong Kong drivers violating quarantine measures, which certainly didn't help matters.

To combat this issue, the mainland and Hong Kong governments went to great pains to introduce measures such as mainland trucking-barging

from PRD ports and Hong Kong domestic trucking, as well as rail freight services from Dongguan. Some cross-boundary points also trialed a system of swapping truck drivers at the border.

However, these convoluted processes were not only costly but highly inefficient and unsustainable, as transit time lengthened substantially and traffic shrank.

Even on FOB terms, these inflated costs and longer transit times would have to be borne by exporters.

Export cargoes, including time-sensitive air freight cargo, need at least 4-5 days to travel to Hong Kong. And to keep costs down, many shippers opt to export cargoes directly from the mainland to avoid transshipment via Hong Kong. But following a week-long city lockdown of Shenzhen and Dongguan in late March, it was reported that shipping lines have had to adjust their schedules; we should expect a capacity crunch and equipment shortage.

And to top it off, the air freight industry has experienced a 30% drop in cargo volume since mid-March and shows no signs of improving.



It is therefore imperative to increase our cross-boundary capacity in the short run. The proposal of allowing Hong Kong trucks and drivers to resume their drive-through operations to designated transshipment warehouses or depots on the mainland — under closed-loop and intensive checks — should be considered.

Hong Kong and Mainland trucks could swap cargoes and containers at these warehouses and depots to bypass complicated and time-consuming multiple handling.

The current number of operators providing cross-boundary services at present should be increased substantially so that freight prices can come down. If the issue persists, the function and roles of Hong Kong as a major logistics hub in the region will continue to suffer.

On a positive note, we are finally seeing the beginning of the end of the pandemic. I have full confidence in Hong Kong's resilience and vigilance, but we must begin looking ahead to our city's future.

I believe the answer is "COVID". Not the virus, but CoNnectedness, ViSibility, InVeStment and DiGiTalisation.

Hong Kong by nature is a small, open island economy so we need outside partners — such as the mainland and rest of the world — as economic allies. This means connectivity in all aspects, including air and sea trade, digital, cultural, financial, political, and so on.

Under the "Dual Circulation" strategy, Hong Kong has an important role to play in bolstering global connectivity.

Hong Kong needs to become more visible on the world stage. I recall that in the 80's, the city used to send out sizeable delegations to all the major global trade fairs. We should undertake a much more proactive approach to show the rest of the world what we are made of.

We also need to increase investments in technology, international relationships, human resources, and image building, to name a few. We need to actively invest in our future and become an even more enterprising city.

In terms of market, the Greater Bay Areas and ASEAN region should be prime focuses as well. These areas, including our traditional markets, carry higher growth potentials.

Finally, we must realise that digitalisation is undoubtedly the future, and the pandemic has accelerated this inevitability.

From what I've gathered from the Industry 4.0 and 4.0 projects — many of which have been conducted by the Hong Kong Productivity Council — the private and public sector have a lot of catching up to do in this respect.

Digitalisation is the way forward if businesses wish to expand their capabilities, increase their revenues, and keep costs down. Return of investment is favourable and desirable, so there are few downsides to digitising a business.

But speaking as a shipper myself, I am still concerned about our trading and logistics industries. Although cargoes will still need to be carried physically, there will be substantial changes in the business processes and digitalisation underlays all these changes. In short, we shippers have a long road ahead of us.

Whatever the case, I certainly hope the pandemic will soon be a thing of the past so that we can move towards the future. Meanwhile, stay "negative" and healthy.