



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

CHAIRMAN'S MESSAGE

Shippers hunt for opp competitive edge

There were encouraging signs for improved developments in shipping and logistics for the region brought about by the recently concluded Asian Shippers' Meeting (ASM) that was joined by the European Shippers' Council (ESC), in Bangkok on 8 March 2012. The ASM comprises The Hong Kong Shippers' Council, the Thai National Shippers' Council, the Indonesian Shippers' Council, the Korean Shippers' Council and the Macau Shippers' Association.



Willy Lin, Chairman

The meeting focused on cooperation between the ESC and ASM over industrial issues, particularly information and knowledge sharing. The ESC agreed to open its information platform to ASM members. The ASM made a reciprocal offer to entertain any requests on an individual basis, particularly if the information is available only in the local language.

Opportunities for organizing joint educational and training programmes, as well as surveys and research on various topics were discussed at the meeting. The prospect of cooperation over pragmatic issues is very encouraging.

The meeting also discussed the issue of freight rates, touching on the rate hikes that shipping lines implemented in January and March. Freight rates in the Asia to Europe trade almost doubled in January compared to the previous month. In the transpacific, rates are around 28% higher at present.

Meanwhile, shipping lines are planning to introduce further rate increases that they intend to implement in March and April. Apart from the short cargo rush before the Chinese New Year, there is

virtually no support for the rate hikes. The Hong Kong port and Shenzhen port ended 2011 with a mere 2.8% and 0.3% growth respectively. In January, both ports recorded significant negative growth.

The Asia to Europe trade is forecast to grow in 2012 by 1.5% only, just slightly better for the transpacific trade. Meanwhile, the world container fleet is set to grow by 8.3% in 2012. With so much redundant capacity in the market, shipping lines could only achieve rate increases through non-market, anti-competitive pricing actions.

Shippers naturally resent the shipping lines' manipulation of the market. In our view, shippers should not be asked to foot the bill for business mistakes made by the shipping lines. We are indeed pleased to learn that the Competition Authority in Europe has started an investigation into shipping lines' behavior, after listening to shippers' complaints.

The ASM meeting further reinforced my belief that Hong Kong should pay more

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opportunities while sharpening

attention to the ASEAN economies. A lot of developmental projects are now being carried out in the region. Indonesia and the Greater Mekong Region economies which consist of Cambodia, Laos, Vietnam, Thailand and Myanmar have been showing upward trends in economic growth. I visited Cambodia in January and from what I have seen, there is fast-paced development that Hong Kong needs to tap into as soon as possible, in order to keep pace with the growth curve.

Hong Kong manufacturers have invested in some 200 factories in Cambodia, which is substantially less than the investments there of the Taiwanese and South Korean manufacturers. In addition to manufacturing, there are ample opportunities in logistics and infrastructure developments. Because of the rapid pace of development particularly in manufacturing, logistics services are falling behind and there is a great need for freight forwarding and logistics solutions, particularly in setting up supply chains. This is an area of large business opportunities which has encouraged us to organize a Hong Kong Shippers' Council logistics opportunities fact-finding mission.

In Guangdong, Hong Kong manufacturers are having difficulties now. They have no illusions that the current screw-tightening policies of the Central Government will be lightened or lifted anytime soon. These policies are aimed at improving the local socio-economic situation, such as improving wages, labor protection, and eliminating environmental pollution. The Central Government is really discouraging the low value exporters that have multiplied in the coastal region these past years.

Comparing the 11th Five-Year-Plan with the current 12th Five-Year Plan for 2011-2015, the former is geared towards stimulating the economy while the latter is more on social reforms. The core theme is to achieve a more balanced economic development.

I will be leading a logistics mission to Wuhan and Zhengzhou on 16-19 March 2012. Geographically, Wuhan

lies at the centre of Mainland China. Zhengzhou is the largest city and the capital of Henan Province. Henan is the fifth largest economy in China and third most populated with somewhere around 94 million inhabitants. We expect to check out the business opportunities there.

For the first time, Hong Kong was given its own section in the 12th Five-Year Plan which means it gets a set of guidelines for development. The excellent infrastructure, free trade port status, legal, banking, financial and insurance facilities; large cluster of logistics providers—are all to be harnessed and consolidated to aim at becoming a Regional Distribution Centre. The government has commissioned a consultancy study on the subject and we look forward to a well-defined policy and action plan that will give Hong Kong logistics sector an edge over the competition.

