



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



Willy Lin
Chairman

Looking forward to a bright year in 2015

After a stressful year for the Hong Kong trading and logistics sector in 2014, I want to start by wishing you all a successful and rewarding 2015!

On the sea cargo front, we saw continued decline in export cargo over the last 12 months and the fact that Shenzhen Port also experienced falls indicated clearly the changing function of the Pearl River Delta.

As an exporter myself, I have to admit I am seeing deterioration in the trading landscape. Costs are rising quickly, but traditional overseas markets, especially Europe, remain weak. And, to be honest, the signs of recovery in the United States can only at best be described as moderate.

But it's not all doom and gloom. Despite export cargo decline, the Kwai-Tsing container terminals are very congested. Being busy has got to be seen as good news. The combined factors of growth in the size of container ships, development of shipping consortia, obsolete terminal design, insufficient back-up land, labour shortages, inadequate barge berths and increased in transshipment throughput all contribute to the congestion. Problems yes, but problems we should be looking to overcome.

The Hong Kong Container Terminal Operators Association called for additional barge berths and reservation of land under short-term tenancy for port back-up use in a White Paper released in the last quarter of 2013. While we support the association's proposals in general, we see limitations as conflicting interests are scrambling for land in the area and the terminal operators are unlikely to be the sole winners.

As a result, we are seeing diversion of vessel calls to other ports and slippage in terminal and liner services, which cannot be allowed to continue.

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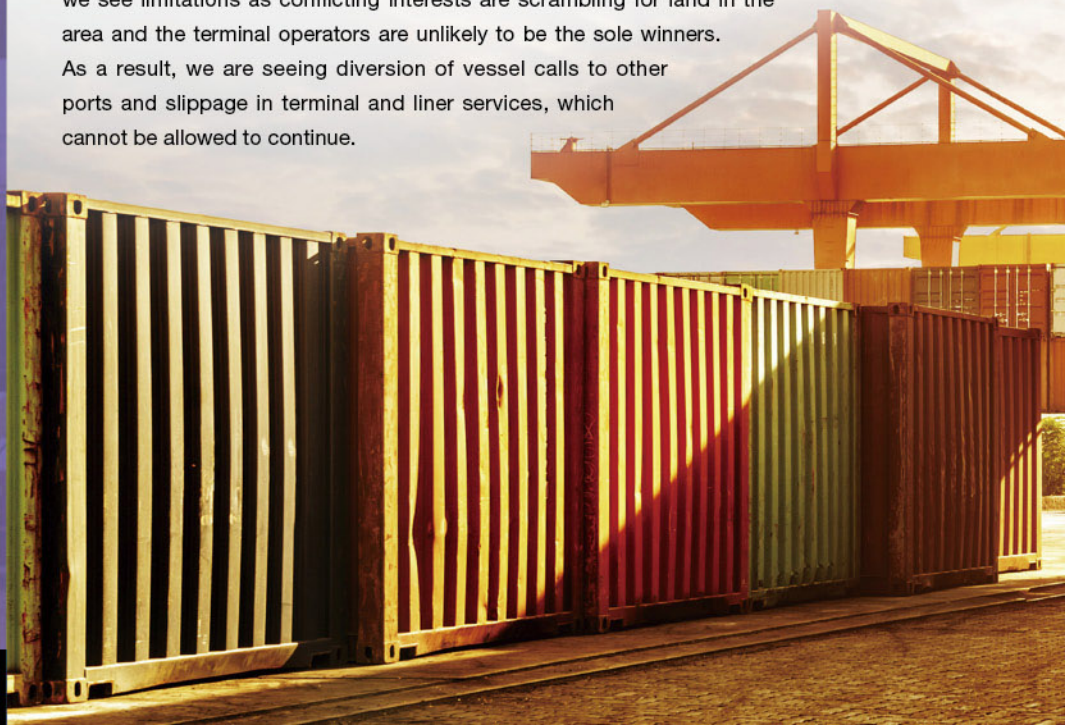
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Shortage of land also leads to sharp surges in rent for logistics facilities. Tenants are paying as much as \$14 per sq ft for ramped facilities and \$8 per sq ft for multi-storey facilities; rent levels triple those in Shenzhen. Rental levels of Hong Kong's logistics facilities are among the top three globally and rents are expected to rise even further. This issue needs to be addressed.

The industry definitely needs more land for port back-up, for container stacking and storage, for vehicle parking and also for provision of high-value-logistics services. Nevertheless, the issue of land supply has become politicalised nowadays; land supply has been blocked by different interests – on the grounds of environmental protection, village life preservation, sustainable farming and inadequate compensation, capacity of the territory, among others.

It has to be doubted how determined and resourceful the SAR Government could be in meeting the diverse demands for land. But one thing is clear and that is that as users of logistics services, we see an immense industry need and unless new facilities are provided in a timely manner, the competitiveness of the industry will be lost quickly.

Another key area that needs to be addressed is the acute labour shortage within the industry. Despite claims by the government that the vacancy rate is low, that is not the case as all traders, logistics operators and service providers I have run into all claimed serious worker shortages, especially at the operative level.

To make progress it's important that the industry and the government work together to bridge the gap between the two camps. After all, solving the problem is in the best interests of everyone. One potential avenue for progress would be a rethink on imported labour. The industry has been calling for a relaxation on imported labour for years.

We hope the government, commerce and workers' groups can agree on a project-based import labour relaxation scheme. The scheme would allow Hong Kong to make short-term adjustments in labour supply. This type of scheme is most suitable for the construction industry and it's hoped that through the scheme, additional manpower could be filtered

down to other industries, including the trading and logistics industry.

We understand this is no easy task and recognise resources are scarce, while opposition for imported labour is strong. So it's therefore vital at this time that the industry speaks up for its own interests. While the logistics industry may account for only 5% of Hong Kong's total workforce, it must be remembered it's an essential sector and one which provides a livelihood for 700,000 people!

For many years Hong Kong has thrived as a trading port. With its open and small-size economy, international trading is in its DNA and will remain a fundamental part of the economy in the future. Trading and logistics are mutually supporting and mutually dependent. Therefore, I appeal wholeheartedly to all stakeholders in policymaking and execution to give sufficient support for the industry. After all, it's for the wellbeing not just of the trading and logistics industry, but of the whole of Hong Kong.

