



The Hong Kong
Shippers'
Council

香港付貨人委員會



Willy Lin
Chairman

Pushing new government for strong sustainable logistics policy

EXECUTIVE COMMITTEE 2017

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The Hong Kong trading and logistics industries are facing a lot of challenges. The Hong Kong Shippers' Council in a submission to the Chief Executive of the Hong Kong SAR Government highlighted a few areas that the new administration should immediately tackle.

Provision of more land, especially for new logistics centres

In the past 20 years, despite substantial cargo throughput growth, only a very small number of logistics centres have been built. High rent has been forcing logistics operations to begin a large-scale relocation to the north western New Territories. Nevertheless, many of the facilities over there are temporary in nature and their full compliance of regulatory requirements is in doubt.

I therefore urge the government to accelerate provision of land for new logistics centres. These lands should have ample space to reserve for ramps, vehicle queuing, cargo storage and operations, buffering as well as supporting facilities like catering and banking. Hong Kong is the world's busiest air cargo hub and support for sufficient land provision is desperately needed.

A well-defined information and technology policy for trade and logistics

The application of "Logistics 4.0", "Made-in-China 2025", "Internet of

Things (IOTs)", no-man warehouses, transportation, retail and other services are expected to accelerate and have a substantial impact on our daily lives and economic activities. There needs to be a coherent mechanism within government policy to oversee the development and adoption of these technologies. Otherwise, Hong Kong could easily be swamped by these "disruptive" waves and start to lag behind its competitors.

Uphold a competitive freight market

Since the 2008 global financial crisis, there have been major merger-and-acquisitions in the liner shipping market. At present, the world's top four shipping lines account for over 70% of total capacity in major trade lanes. Other than the "Big 4", all other shipping lines have no more than 3% capacity wise, which means there is a serious lack of competition in this market. Moreover, as shipping lines have grouped themselves into alliances with tightly-knit operations, shippers are left with virtually only three alliances to potentially use.

Shippers are deeply concerned with the changing landscape and shipping liners' increasingly aggressive actions in pricing and market control. The Competition Commission's recent decision of granting a conditional block exemption order to liners' Vessel Sharing Agreements (VSAs) and not



their Voluntary Discussion Agreements (VDAs) on August 8 this year has provided some but still inadequate comfort to shippers. VDAs that allow shipping lines to collude over pricing and other commercial affairs will jeopardise competition in the freight and trading market. It is a key function of the administration to ensure that a competitive freight environment is in place.

Implementation of a new air cargo security regime

The International Civil Aviation Organization (ICAO) requires all cargoes not tendered by "Validated Known Consignor" to be screened before loading a commercial aircraft from September 2021. Hong Kong's current Regulated Agent Regime (RAR) obviously falls short of this requirement and thus a new security regime is needed. A lot of cargoes will have to go through screening in Hong Kong, so there will be substantial changes in work processes, as well

as the infrastructure requirements and its legislative changes. I urge the government to fully consult the industry at every stage and allow sufficient time for all stakeholders, in both the public and the private sectors, to prepare themselves for the challenges that lie ahead. Consequences could be catastrophic if we fail to carry out the new regime in time.

Construct a seamless trade platform with the Mainland and ASEAN countries

It is certainly pleasing to learn that Hong Kong will enter into a free trade agreement (FTAs) with the ASEAN member states shortly. With the ASEAN-China Free Trade Agreement (ACFTA) in place, Hong Kong will have the opportunity of continuing its function of being the regional distribution centre.

However, the two separate FTAs do not guarantee this role, unless

cargo can pass through Hong Kong seamlessly with the procedures accepted and recognised by all the parties involved – authorities including Customs, Quarantine, Commercial, as well as logistics operators, traders and cargo owners. This requires a trade platform through which all data and documents can be seamlessly passed, released and received; Hong Kong should actively pursue such a platform. It will not be an easy task as many other countries are involved, but it is a prerequisite for Hong Kong to maximise its benefits from the FTAs.

Fostering Hong Kong's participation in Belt & Road initiatives

We are glad that Edward Yau, Secretary for Commerce & Economic Development has been assigned to oversee the task. While the private sector fully realises that the Belt & Road Initiatives point to new investment opportunities, many of these opportunities are unfamiliar to them. With this in mind, I believe the government should allocate more resources for setting up think tanks and trade offices for assisting in research, exchanges and visits. The appointment of a senior official to oversee the task is a good start, but we are anxious to see proper structure in the government for such purpose and work plans. The chance of success would be much greater if the private sector could explore the markets under the auspices of the government.