

Sustainable economic growth

I am really glad to see that the Hong Kong-Zhuhai-Macau Bridge construction is moving ahead. The various governments have finally agreed on the financing scheme that has been a major topic of contention. While there are still questions, such as whether there would be enough traffic to facilitate a low toll for bridge usage; whether arrivals at the Hong Kong airport in Chek Lap Kok could expect to be transferred directly to Macau or Zhuhai; or if the bridge would benefit passenger, rather than cargo, traffic—what should not be overlooked is the core concept that connectivity is pivotal for Hong Kong's role as a regional logistics centre.

Without the bridge, Hong Kong would be at the far end of an inverted Y-shaped traffic network. The bridge is going to allow second access to the Mainland, other than access through the North. We are looking forward to the acceleration of the project in coming months.

We are equally glad to hear the Financial Secretary mention in this year's Budget, the carrying-on of the feasibility study for building Container Terminal 10. The shift of focus from Northwestern Lantau to Southeastern Tsing Yi reveals the complexity of the issue. Indeed, it is because of the long lead time arising from the resumption and decontamination of land that it is necessary for the government to speed up the study.

Shippers experienced very serious congestion at Kwai-Tsing terminals last summer. Actually, it is a common occurrence before major festivals like Chinese New Year, Labour Day or National Day, when bottlenecks and congestion is experienced.

Conjectures as to the need for CT10 and that there is ample existing capacity, are misleading. We should not ignore the basic fact that the Hong Kong port still commands a huge throughput and that cargo in South China catchment areas keeps growing. To cope with this, the industry must continuously add value to cargo handling in using the Hong Kong port.

This is why we support the Government's plan to allocate much needed land for building logistics centres in the Kwai-Tsing area. Over the last decade, no dedicated facilities have been built to support the logistics industry in Hong Kong. Rental is surging rapidly at existing facilities. The two pieces of land that are going to be made available for long term logistics facilities in Kwai-Tsing has been long overdue – but, better late than never.

While the Central Government is adjusting its policy with the objective of inducing Guangdong manufacturers to relocate their manufacturing facilities to the mid-western regions in the Mainland, the SAR Government, on its part, needs to allocate resources to help the manufacturing as well as the logistics sectors to cope with change. If Hong Kong manufacturers move from Guangdong to adjacent provinces, or even further to Indochina (Vietnam, Cambodia and Laos), they will need much more logistics support than available now. Most of the mid-western regions are inland areas and with no seaports.

Importation of raw materials and parts, as well as exportation of finished products, would be very different from current operations in southern China or the Pearl River Delta and other locales with waterways. Logistics costs will escalate and could dangerously become a major factor for profitability.

The Hong Kong logistics sector will also need the assistance of the Government to create inroads for them to operate in these areas and continue servicing their existing clients. Negotiations with the Central and regional governments in the Mainland needs to be made at an early stage.

The CEPA experience showed us that relying solely on the private sector to create investment opportunities is insufficient. There is still too much red tape and regulations to overcome, and assistance from government is strongly needed. Hong Kong logistics companies will need proper business and operation licenses, own or outsourced trucking and warehousing operations, direct-Hong Kong as well as Mainland-Hong Kong transfer trucking, money collection and remittance systems, air cargo forwarder licenses and so on, so forth. Out-contracting to local companies should be an option but NOT the only option as there might be compromises in service quality and business opportunities.

We can see substantial changes in the months to come: changes in the Mainland's labour law, increases in worker wages, tax reforms, new investment policies and practices, all of which spell a much more difficult business environment for Hong Kong manufacturers. There would be energy problems such as power shortages that have seen factories in Guangdong stop production several days a week in order to cope with the insufficient electricity supply. Furthermore, the problem of insufficient skilled labour continues to be a serious problem for factories. For all these reasons, we cannot exclude the possibility that quite a large number of factories may cease operations or would have to relocate.

Hong Kong manufacturers in the Mainland are also puzzled by the new labour law. While the objective of raising workers' income is understood, the measures should be adopted gradually so as to provide a buffer for the companies who have to adjust their books to meet new requirements. At present, a lot of taxes and levies are based on turnover and payroll. The new labour law will substantially inflate labour costs and the overall costs. Moreover, the new law does not differentiate between employers that already give the proper and necessary protection to workers, and those that are negligent. Indeed, measures like voluntary provisions that include income tax concessions that would enable better managed enterprises to provide good protection to their workers, should be considered.

In such a rapidly changing business environment, both Hong Kong's private and public sectors will have to take a pro-active approach to cope with these changes. Active involvement in the formulation and execution of Mainland policies with significant impact to manufacturers and logistics operators is an absolute must.