

Report of the Focus Group on
Maritime, Logistics and Infrastructure

January 2007

Contents

	Page
Chapter 1 Introduction	1
Chapter 2 Strategic Proposals	2
Chapter 3 Proposed Action Agenda	8
Appendix I Membership list of the Focus Group on Maritime, Logistics and Infrastructure	24
Appendix II Action Agenda Proposed by the Focus Group on Maritime, Logistics and Infrastructure	25

Chapter 1 Introduction

1.01 In the country's 11th Five-Year Plan, the Central Government unequivocally supports Hong Kong in the development of our logistics industry and in maintaining our position as an international maritime centre. Under the auspices of the 11th Five-Year Plan, the Mainland economy will continue to grow steadily, and its booming import/export trade will bring about ample business opportunities for the logistics industry of Hong Kong. Yet along with the rapid port development in South China, the competition between Shenzhen and Hong Kong in sea freight transport will intensify. Meanwhile, continuous liberalization of the air transport service industry in the Mainland will bring competition to Hong Kong's role as the gateway to the Mainland China. In the face of these opportunities and challenges, Hong Kong should make appropriate adjustments in its relevant policies and measures, with a view to providing infrastructure conducive to the development of the logistics industry and improving their business environment in order to enhance the competitiveness of the whole industry.

Chapter 2 Strategic Proposals

2.01 To this end, the Government held the Economic Summit on “China’s 11th Five-Year Plan and the Development of Hong Kong” on 11th September 2006, and set up under the Summit this dedicated focus group on Maritime, Logistics and Infrastructure (the membership list is at Appendix I) to gauge the views of the industry. From their discussion at three meetings in October, November and December 2006, the Focus Group is generally of the view that Hong Kong should focus on maintaining its position as the international and regional hub in air transport, sea transport and logistics, given its experience and current scale of operation. This will not only provide growth impetus for the local economy, but also complement the development of the country under the 11th Five-Year Plan. Against this background, the Focus Group puts forward the following strategic proposals, and consulted the Hong Kong Port Development Council, the Hong Kong Logistics Development Council, the Hong Kong Maritime Industry Council and their sub-groups, the Pan-Pearl River Delta Panel and the Cross-boundary Passenger and Cargo Flow Sub-group of the Greater Pearl River Delta Business Council on the proposals. Also, the industry and academics sectors were consulted through seminars.

Maritime, Logistics

Strategy 1: To enhance the cost-effectiveness of cross-boundary freight transport

2.02 Currently, a sizable proportion of the freight transport using Hong Kong Port (HKP) and the Hong Kong International Airport is either originated from or destined for the Mainland, particularly cargoes relating to the hinterland in South China. This is closely related to the role of Mainland as the global factory, and the vast consumption market there. Hence it is important to enhance the cost-effectiveness of cross-boundary freight transport, in order to strengthen the competitiveness of Hong Kong’s port and airport.

This will also allow the logistics sector to perform more effectively in the entire supply chain.

Strategy 2: Planning for the provision of port and related infrastructure from a macro perspective

2.03 Hong Kong has been the world's busiest container port for most of the time since the beginning of the 1990s. However, it ranked second to Singapore in 2005. This was related to the rapid expansion of Mainland ports, which altered HKP's premier position in handling South China cargoes. With Hong Kong port and our neighbouring ports both being gateway ports for South China cargo, it is necessary to take a macro view in planning for the provision of port and other related infrastructure in future, taking into account the handling capacity of the neighbouring ports. In addition, in view of the increase in transshipment cargo, it is necessary to develop policy and measures to facilitate the transshipment cargo trade.

Strategy 3: To strengthen the development of Hong Kong's maritime industry

2.04 Hong Kong is home to a thriving maritime community, providing comprehensive and quality services including ship brokering and management, ship finance, ship insurance, legal services, shipping arbitration and ship surveying. The facilitating business environment of Hong Kong is complemented by the rule of law and a simple tax system. These advantages do not only contribute to the development of the maritime industry, but also attract internationally renowned maritime service providers to set up representative offices or regional headquarters in Hong Kong, thereby further strengthening the position of Hong Kong as an international maritime centre.

Strategy 4: To strengthen Hong Kong's position as an international and regional aviation hub

2.05 The aviation industry in the Pearl River Delta (PRD) region has

been growing rapidly in recent years. To meet the growing demand for air services and to enhance Hong Kong's status as a hub for international and regional aviation, we should continue to expand the passenger and cargo handling capacities and related support facilities of the Hong Kong International Airport (HKIA). We will also need to, as a matter of urgency, strengthen coordination in the use of the regional airspace and enhance our air traffic management capability and runway capacity.

Strategy 5: To continue negotiation with major trading partners on avoidance of double taxation arrangements relating to shipping and air income

2.06 Double taxation refers to the imposition of comparable taxes in more than one tax jurisdiction in respect of the same source of income. Due to the international nature of air transport and shipping operations, airlines and shipping companies are more susceptible to double taxation. The Government has therefore been actively negotiating with our trading partners for the avoidance of double taxation on income arising from international air and sea transport. Such arrangements reduce the overseas tax burden of operators in Hong Kong and enhance their international competitiveness, facilitate developments of the aviation and shipping industries, and help enhance Hong Kong's position as an international aviation and maritime centre.

Strategy 6: To fully explore the competitive edges of Hong Kong's logistics industry, and to improve supply chain operation, so as to compete on the reliability and quality of its high value-added services in addition to being competitive in the total cost

2.07 With the rapid expansion of global sourcing and increasing specialization in production over the past decade, the supply chain has been extended to cover more and more regions around the world and there has been rising demand for integrated logistics services. Logistics service does not merely cover transportation; it also means achieving a seamless supply chain

from the sourcing of material to timely delivery of finished products. Hong Kong should sharpen its competitive edges to improve supply chain operation and to compete not just on cost, but also on the provision of reliable and quality high value-added services in a cost-effective manner.

Transport Infrastructure

- 2.08 In its discussion, the Focus Group considered that the Government should adopt more forward-looking and regional development perspectives to formulate a comprehensive development strategy for cross-boundary transport infrastructure, and develop cross-boundary infrastructure in a more active and proactive manner so as to enhance the overall competitiveness of Hong Kong. The Focus Group has proposed three strategies for cross-boundary transport infrastructure development:

Strategy 7: To study the establishment of a high-level cross-bureaux/departments co-ordination mechanism for formulating a comprehensive development strategy for cross-boundary transport infrastructure and co-ordinating various cross-boundary transport infrastructure projects more effectively

- 2.09 In light of the rapid transport infrastructure development and the new trend of fostering regional co-ordinated development in the Mainland, the Hong Kong Special Administrative Region Government should get hold of the latest thinking, layouts, development directions and functional changes in the planning of transport infrastructures in the Mainland, and co-ordinate the views of relevant bureaux/departments to make timely responses.
- 2.10 The Government should strengthen its planning and co-ordinating capabilities in the development of cross-boundary transport infrastructure. In this respect, it is proposed that the Government should consider establishing a high-level cross-bureaux/departments co-ordination mechanism to discuss the development of cross-boundary infrastructure from a macro perspective, formulate a comprehensive development strategy for

cross-boundary transport infrastructure, and co-ordinate such infrastructure projects. Besides, it may also undertake more in-depth studies on the control systems, procedures and policies relating to cross-boundary transportation, and explore initiatives to further enhancing the efficiency of people, vehicle and cargo flows.

Strategy 8: To develop cross-boundary transportation network by adopting a forward-looking perspective on regional development

2.11 In general, the triggering of transport infrastructure projects hinges on whether the projects are imminent. Thus, transport demand always becomes the determining factor in endorsing transport infrastructure projects. Although this mechanism may ensure effective utilization of existing facilities and resources, the regional development dimension cannot be thoroughly considered. Besides, given the uncertainties in cross-boundary transport demand forecast and the long lead-time for large infrastructure projects, we are prone to delay in activating the triggering mechanism.

2.12 To meet Hong Kong's economic development needs and promote overall competitiveness of the region, Hong Kong should adopt a forward-looking perspective for the development of cross-boundary transportation network that is conducive to regional development. Thus, Hong Kong should actively examine how to adjust the existing development mode and shorten the development lead-time for cross-boundary transport infrastructure projects.

Strategy 9: To optimize cross-boundary transportation networks so as to establish efficient and convenient direct links with neighbouring comprehensive transportation hubs, shorten the spatial distance with the Mainland and extend the hinterlands of Hong Kong's airport and ports

2.13 With the improvement of transport network in the Mainland, Hong Kong should aim at enhancing its ability to boost the

development of its surrounding areas and developing a well-planned regional transportation network with neighboring regions. By strengthening its interchange with neighbouring comprehensive transportation nodes, Hong Kong will be able to shorten the spatial distance to various provinces and cities in the Mainland, extend its economic hinterland and provide fresh impetus into the development of such sectors as trade, logistics, and tourism. Besides, Hong Kong International Airport plays an important role in Hong Kong's overall economic development. To further strengthen its role as an international and regional aviation hub, Hong Kong should seize the opportunities brought about by the improved transport network in the Mainland so as to enhance its connections with the hinterland and facilitate unimpeded passenger and cargo flows. It is proposed that the Government should embark on a thematic study as soon as possible to examine how to improve the regional transport network with a view to promoting the airport development.

Chapter 3 Proposed Action Agenda

- 3.01 In order to further develop Hong Kong's maritime, aviation and logistics industries effectively, the Focus Group considers that facilitation in terms of both infrastructure and policies are necessary, and agrees to submit the proposed actions (in Appendix II) for achieving the strategic proposals to the Chief Executive for consideration.

Maritime, Logistics

Strategy 1: To enhance the cost-effectiveness of cross-boundary freight transport

- 3.02 Cross-boundary freight transport is handled by land or river transport, with each accounting for around half of the total currently. In order to enhance the cost effectiveness of cross-boundary freight transport, it is necessary to examine how the operating environment for these two modes of transport could be improved. In addition, the application of information technology and customs facilitation will also lift the efficiency in cross-boundary freight transport. It is expected that improvements in these areas will help attract more South China cargoes using HKP, which will in turn strengthen the development of the logistics sector.

- (a) To review the current arrangement with cross-boundary land freight transport mainly undertaken by Hong Kong drivers

According to the Study on Hong Kong Port – Master Plan 2020, it costs about US\$300 more to move a 40-ft container by truck from Dongguan to US via Hong Kong than via Yantian. Among this total through cost difference, around US\$70 is related to the higher salary of Hong Kong container truck drivers as compared to Mainland drivers.

Proposed action: To examine the practical contribution of Green Lane and Mainland drivers in reducing the cross-boundary freight transport cost, including the expected magnitude of reduction in freight transport cost, expected impact on Hong Kong's port throughput and relocation of logistics activities. Taking into account the development trend of the overall cross-boundary freight transport sector, to assess the impact of these measures on Hong Kong's cross-boundary truck drivers, and to examine whether it is possible to lower the cross-boundary freight transport cost while at the same time also to safeguard the livelihood of local truck drivers. (*Recommendation M1-1*)

- (b) To help reduce the cross-boundary truck license fee charged by the Guangdong authorities

Of the total through cost difference in freight transport mentioned in (a) above, around US\$35 is related to the cross-boundary license fee imposed by the Guangdong authorities on cross-boundary trucks.

Proposed action: After consulting the industry and with their support, we would raise the following issues with the Guangdong authorities:

- (1) Lowering the cross-boundary truck license fee; and
- (2) Relaxing the minimum threshold of 20 trucks for the Hong Kong-Guangdong cross-boundary freight transport joint-venture enterprises.
(*Recommendation M1-2*)

- (c) To strengthen the river transport network connecting the river channels along the PRD, including the western PRD, with a view to providing "seamless connection" between river trade vessels and ocean-going vessels

River transport is more cost-effective than land transport, despite the absence of the convenience offered by door-to-door delivery. In addition, the cargo source has extended from the eastern to the western side of the PRD region in recent years due to cost consideration. Even with the supporting road connection fully developed, river transport will remain the key transport mode for cargoes from the western PRD. It is thus necessary for us to implement measures which can facilitate river trade vessel connection.

Proposed action:

- (1) To introduce multiple entry permits for river trade vessels, such that the application procedures will be streamlined and permit fees lowered. This will not only increase the operational efficiency of river trade vessels, but also lower their operating cost at HKP. Also, the Government will lower the license fees for local vessels, that will in turn lower their operating cost and enhance the competitiveness of the HKP. *(Recommendation M1-3)*
- (2) To provide more back-up land and barge handling facilities for the use of the industry so as to provide better/smoother connection between river trade and ocean going vessels. Meanwhile, in order to enhance the mid-stream cargo handling capacity, the Government will establish new service anchorages upon the requests of shipping lines and port operators. *(Recommendation M1-4)*
- (d) To promote the application of information technology in the logistics industry

Strengthening information connectivity is the key to smooth freight flow. Modern logistics services and

seamless supply chain management cannot be achieved without the application of advanced information technology. The Government will continue to promote further adoption of information technology in the logistics industry, and to strengthen the training for logistics practitioners in e-logistics techniques, with a view to enhancing the trade's operational efficiency.

Proposed action: The Government has adopted various measures to promote the development of e-logistics, and will continue to work together with the industry to promote the development of e-logistics. The measures include –

- (1) The Government works together with the industry to promote the implementation of the Digital Trade and Transport Network System (DTTN) services. DTTN, which is an open and neutral e-platform, can help the logistics industry to increase operational efficiency and lower cost, promote the adoption of information technology in particular by the small and medium-sized enterprises, and encourage the logistics industry to improve on the provision of high quality, high reliability and more efficient services.
(Recommendation M1-5)
- (2) The Government jointly runs a pilot project with the Hong Kong Logistics Development Council and the Hong Kong Productivity Council on an On-Board Trucker Information System (OBTIS). Through the installation of a display device with Global Positioning System (GPS) and wireless communication facilities on board the trucks, OBTIS will have such features and functions as track and trace, job dispatch, e-documentation applications, and printing etc., thereby enhancing the operational efficiency of the trucking business.
(Recommendation M1-6)

- (3) The Government enlists the assistance of the Hong Kong Productivity Council to organize a training programme for logistics practitioners. Through a series of workshops and demonstration sessions, the practitioners will get some knowledge of information technology and automation techniques applicable to e-documentation, warehouse management systems, fleet management, etc. We will continue to collaborate with training institutions to organize training courses on e-logistics applications.
(Recommendation M1-7)
- (4) The Government will, together with the industry, examine how best to follow up on the proposal of central processing of documents currently submitted by the industry to various departments.
(Recommendation M1-8)

Strategy 2: Planning for the provision of port and related infrastructure from a macro perspective

3.03 The 11th Five-Year Plan expressly supports Hong Kong in our development of the logistics industry and as a maritime centre. This is in line with the Strategic Plan for the National Coastal Ports recently announced by the Ministry of Communications in September 2006. It is stated in the Plan that development of the PRD port cluster relies upon the advantages of Hong Kong's economy, trade, finance, information flow, and international maritime centre; and that along with the further development of Hong Kong as an international maritime centre, the ports of Shenzhen and Guangzhou will perform as the main ports (幹綫港) for containerized cargoes. With Hong Kong port and our neighbouring ports both being gateway ports for South China cargo, it is necessary to take into account the cargo handling capacity of neighbouring ports in planning for Hong Kong's port and supporting infrastructure facilities, to study the cost-effectiveness of further port expansion and, if so confirmed,

to establish a mechanism to co-ordinate the port development in Hong Kong and Shenzhen with a view to avoiding the duplication of resources and the unnecessary competition.

- (a) To conduct the port cargo forecasts

The results of the Study on Hong Kong Port - Master Plan 2020 were released at end-2004. It recommends updating the port cargo forecasts (including the direct ocean and transshipment cargoes) by using a more comprehensive methodology that takes into account the latest development and data on the demand and supply of port facilities in South China, the competitiveness of Hong Kong Port and its likely demand.

Proposed action: In view of the rapid expansion in port facilities in the PRD region and the changing transport mode for South China cargoes, a new round of port cargo forecasts has already commenced at end-2005, and it is expected to complete in about a year's time. This round of the study will critically examine the projection of cargo growth at the Hong Kong/South China gateway ports (including the rapid growth in Hong Kong's transshipment cargo in recent years). This updating exercise has to take into account the competitiveness of the Hong Kong port, as well as the handling capacity of the neighbouring ports, and, on this basis, works out the optimal timing for port expansion. In order to avoid duplication of resources and unnecessary competition, effective co-ordination with the relevant Guangdong authorities would be critical. (*Recommendation M2-9*)

- (b) To study how we can fully utilize Hong Kong's land and coastline to develop logistics-related back-up land

To ensure that the industry can keep abreast of the international logistics development trends and to further

enhance the competitiveness of Hong Kong's logistics industry, the Government will make available more back-up land for the logistics industry. This will provide them with a suitable operating environment and facilitate the provision of integrated and diversified logistics services. This will also foster the development of related industries and create more employment opportunities.

Proposed action:

- (1) The Government will work out the way forward for the proposed Lantau Logistics Park at Siu Ho Wan, with reference to the development of the connecting infrastructure (such as the Hong Kong-Zhuhai-Macao Bridge and Container Terminal 10), freight flow from our hinterland particularly the western part of the PRD, financing arrangement and institutional set-up of the proposed Logistics Park. (*Recommendation M2-10*)
- (2) Through enhanced internal coordination, the Government will continue to actively identify suitable back-up land for logistics use. (*Recommendation M2-11*)

Strategy 3: To strengthen the development of Hong Kong's maritime industry

3.04 Under the principle of "One Country, Two Systems", Hong Kong retained its independent judiciary system, upheld the rule of law, established a robust financial system, and maintained an autonomous shipping register. These create a business-friendly environment and boost foreign investor's confidence in making investments in Hong Kong. To maintain Hong Kong's competitive edges as an international financial and maritime centre, the Government should enhance, as well as perfect, our various systems by building on our existing advantages.

(a) Enhancing the services of Hong Kong Shipping Register

Hong Kong Shipping Register is an autonomous shipping register. It has all along enjoyed a healthy growth, but also faced keen competition from other international shipping registers, as well as target by some members of the International Transport Workers' Federation and possible action they may take. Therefore, to attract quality tonnage and develop Hong Kong as a quality shipping registration centre, Hong Kong Shipping Register needs to further enhance its quality and standards, to extend the scope of its services, and also to actively conduct promotion in the overseas maritime sector.

Proposed action: Through the Customer Relations Group established by the Marine Department in early 2006, we would enhance the communication between the maritime industry and the Government, and solicit opinions and ideas of the industry to enhance Hong Kong's attractiveness as an international maritime centre and raise the quality of Hong Kong's shipping registration services. (*Recommendation M3-12*)

(b) Training local talents for relevant fields

In the course of expansion, the Hong Kong maritime industry is facing a shortage of manpower. To meet the manpower demand of the sectors like ship management, shipbroking, etc, the maritime industry and the Government need to consider the subject of manpower training, particularly the training for senior managerial posts that require sea-going experience.

Proposed action: To encourage the post-secondary educational institutes and other vocational training institutes to devote more resources to maritime courses, and to strengthen the on-the-job training opportunities for

seamen. Establish a Maritime Scholarship to attract local and Mainland talents to study maritime-related courses in Hong Kong and work for the Hong Kong maritime industry. (*Recommendation M3-13*)

- (c) To make reference to overseas practice to introduce Tonnage Tax as an alternative to the profits tax currently imposed on vessels

Proposed action: To consider making reference to overseas practice to make Tonnage Tax (TT) as an alternative to the profits tax currently imposed on vessels. The Government needs to further assess the feasibility and implications of the proposal and to consult the industry, including the Hong Kong Shipowners Association, on the impacts of TT on the policy to attract ship owners to register in Hong Kong and the current tax system. (*Recommendation M3-14*)

Strategy 4: To strengthen Hong Kong's position as an international and regional aviation hub

3.05 The following specific strategies should be pursued as a matter of urgency :

- (a) HKIA to continue to expand its cargo and passenger handling capacities, e.g. construction of an additional cargo terminal and examination of the need for an additional runway

Proposed action :

- (1) The Airport Authority to work as quickly as possible to introduce an additional cargo terminal. (*Recommendation M4-15*)

- (2) The Airport Authority to conduct a study on the

various factors affecting the capacity of the HKIA, and consult relevant departments and the aviation industry, to assess the need for a third runway and draw up a strategy for further expansion of the Airport's capacity as soon as possible.
(*Recommendation M4-16*)

- (b) The aviation authorities of Hong Kong, the Mainland and Macao should, through discussion and coordination, seek to rationalize and optimize airspace design in the region and open up more air routes to and from the Mainland

Proposed action: To work closely with the General Administration of Civil Aviation of China (CAAC) and the Macao Civil Aviation Authority (CAAM) to map out long-term solutions, including optimization of regional airspace design; standardization of interface and protocols of air traffic control systems; and striving for the establishment of additional air routes between PRD and the northern and eastern parts of the Mainland.
(*Recommendation M4-17*)

- (c) To enhance the air traffic management capability of Hong Kong with a view to increasing the runway capacity of the HKIA

Proposed action: To replace the existing air traffic control system, recruit more controllers, streamline flight procedures and apply new air traffic control technology with a view to enhancing the air traffic management capability of Hong Kong and increasing the runway capacity. (*Recommendation M4-18*)

Strategy 5: To continue negotiation with major trading partners on avoidance of double taxation agreements relating to shipping and air income

3.06 The specific strategies are as follows:

- (a) Hong Kong has made double taxation relief arrangements covering shipping income with thirteen tax administrations. Hong Kong will continue to negotiate and conclude avoidance of double taxation agreements with our major trading partners, so as to reduce the overseas tax burden of operators in Hong Kong and improve their international competitiveness, as well as to enhance Hong Kong's position as an international maritime centre

Proposed action: Hong Kong will actively negotiate and conclude avoidance of double taxation agreements with other trading partners. The Government will consult the shipping companies through the Hong Kong Maritime Industry Council on the selection of targets for negotiation and their relative priorities. (*Recommendation M5-19*)

- (b) As regards air transportation, Hong Kong already has avoidance of double taxation agreements that cover air transportation income with 26 aviation partners. Hong Kong would continue to negotiate with other aviation partners to establish similar agreements

Proposed action: To negotiate with aviation partners that have not yet had avoidance of double taxation agreements with Hong Kong to establish such agreements. (*Recommendation M5-19*)

Strategy 6: To fully explore the competitive edges of Hong Kong's logistics industry, and to improve supply chain operation, so as to compete on the reliability and quality of its high value-added services in addition to being competitive in the total cost

3.07 Hong Kong logistics industry should play to its strengths such as timely, quality and easily accessible services, as well as to

improve all the processes along the supply chain through strengthening the various ancillary supporting industries and value-added services for freight business. Hong Kong logistics industry should compete on the overall cost effectiveness in business operation, but not to compare with neighbouring regions on the costs of individual goods and services. The logistics industry should consider using more advanced information technology and applying e-logistics software, so as to enhance the reliability of logistics services and to save manpower and time.

Proposed action: The Government will continue to discuss with the industry how we can sharpen our competitive edges, promote the electronic transmission of logistics information, wider use of the DTTN System, and the Radio Frequency Identification (RFID) technology, etc., so as to facilitate supply chain service integration. (*Recommendation M6-20*)

Transport Infrastructure

Strategy 7: To study the establishment of a high-level cross-bureaux/departments co-ordination mechanism

3.08 With a view to formulating a comprehensive development strategy and strengthening the planning and co-ordinating capabilities in the development of cross-boundary transport infrastructure, it is proposed that the Government should actively examine the need for the establishment of a high-level cross-bureaux/departments co-ordination mechanism. The Government may consider restructuring, modifying or strengthening the existing set-up to deliver the same objective. In this connection, it is proposed that the Government should examine the scope of work, modus operandi and the required research and implementation mechanisms of the proposed co-ordination mechanism. Moreover, ways to tap the resources and wisdom of the trade and academic sectors should also be explored.

Proposed action: To examine feasible options for the establishment of a high-level cross-bureaux/departments co-ordination mechanism including its set-up, scope of work, modus operandi and the required research and implementation mechanisms. (*Recommendation M7-21*)

Strategy 8: To develop cross-boundary transportation network by adopting a forward-looking perspective on regional development

- 3.09 To promote co-ordinated development with the surrounding regions, Hong Kong should adopt a forward-looking perspective for the development of cross-boundary transportation network that is conducive to regional development. To ensure cross-boundary transport infrastructures can dovetail with regional development needs and Hong Kong's overall socio-economic efficiency, it is proposed that the Government should consider formulating a comprehensive development strategy with a view to identifying Hong Kong's position and development directions, and explore various feasible options to improve the existing development mode. Besides, feasible options to shorten the development lead-time for cross-boundary transport infrastructure projects should be explored.

Proposed action: To study feasible options for improving the existing development mode for cross-boundary transport infrastructure and shortening the development lead-time for cross-boundary transport infrastructure projects. (*Recommendation M8-22*)

Strategy 9: To optimize cross-boundary transportation networks

- 3.10 The improvement in the Mainland's transportation networks and the development of comprehensive transportation nodes in neighbouring cities have presented Hong Kong with new opportunities. Promoting regional integration, optimizing cross-boundary transportation networks and enhancing the efficiency in passenger and cargo flows will extend Hong Kong's

hinterland, intensify cross-regional movement of major economic factors, and provide fresh impetus to further development of Hong Kong's ports and airport. To improve cross-boundary transport infrastructures, consideration should be given to the following aspects:

- (a) Strengthen the communication and co-operation with the Mainland

The Government should continuously explore how to set up a more established communication and co-ordination channel with the Mainland Government at various levels, including the Mainland's national authorities responsible for transport infrastructure such as the Ministry of Communications, the Ministry of Railways and the Development and Reform Commissions at various levels, as well as the neighbouring regions. Apart from project-oriented co-operation, both sides should step up communication and exchange on transport infrastructure development strategies, initial studies on major transport infrastructure projects, as well as exchange views on transport policies. Besides, the Government should maintain close relationship with the trade and academic sectors to facilitate information exchange.

Proposed action: To continuously strengthen communication and co-operation with the Mainland's national authorities responsible for transport infrastructure as well as the neighbouring regions. (*Recommendation M9-23*)

- (b) Promote the development of the aviation sector through transport networks

To further strengthen the aviation hub function of HKIA, it is proposed to study how to improve the regional transport network to establish fast and convenient

road-based and water-borne connections between HKIA and the airports in the neighbouring cities, with a view to increasing its passenger sources, providing more co-operation opportunities with its neighbouring airports, facilitating unimpeded passenger and cargo flows, and continuously extending the aviation network.

Proposed action: To commence a thematic study with a view to exploring ways to improve the regional transport links of the HKIA so as to increase its passenger sources and provide co-operation opportunities between the HKIA and its neighbouring airports. (*Recommendation M9-24*)

- (c) Extend the coverage and upgrade the service level of through train services

It is proposed to examine ways to achieve seamless interchange between rail networks of Hong Kong and the Mainland. More innovative and feasible customs clearance methods between Hong Kong and the Mainland should be explored with reference to the customs clearance modes adopted by different countries such as Singapore, Malaysia, European Union and Russia. The coverage of through train services and the planning of rail-based boundary control points and ancillary facilities should be examined. The study of which should include the analysis on the need of providing more point-to-point cross-boundary through train services between Hong Kong and major cities in the Mainland.

Proposed action: To examine the need for providing more point-to-point cross-boundary through train services between Hong Kong and major cities in the Mainland. (*Recommendation M9-25*)

- (d) Linkage with the national express rail network via the

“dedicated corridor option”

It is proposed to engage an early study on how the capacity of “shared corridor option” of the West Rail could cope with the increase in frequency of passenger trains between Hong Kong and the Mainland, and its technical constraints on upgrading the level of cross-boundary through train services.

Proposed action: To adopt a more forward looking approach in considering the use of the “dedicated corridor option” in linking with the national express rail network to meet strategic development needs. (*Recommendation M9-26*)

- (e) Explore the opportunities and constraints in the development of freight rail in Hong Kong

The Mainland has decided to increase investment in enhancing the capacity and competitiveness of its rail system. This includes the increase in the freight handling capacity and train speed, and setting up 18 rail transportation centres. Hong Kong should acquaint itself quickly with the concept, location, function, and the implementation programme of these railway centers so as to study how Hong Kong can handle cargoes originated from the Mainland more effectively, including freight source, freight mode, land resources and ancillary facilities, etc.

Proposed action: To study the opportunities and constraints in freight rail development in Hong Kong. (*Recommendation M9-27*)

Focus Group on Maritime, Logistics and Infrastructure

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