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## 2024 Policy Address - Suggestions on Building Sustainable Cities and Quality Living Spaces; and Reinforce Hong Kong's Position as a World-Class Logistics Hub

### The Chartered Institute of Logistics and Transport in Hong Kong (CILTHK)

The CILTHK is a learned and leading professional body in the logistics and transport industry in Hong Kong. We persistently expedite technology adaption and business development of our members for staying competitive in the industry and explore collaboration with the Hong Kong Government in relation to its development in Hong Kong and the Greater Bay Area as well as the rest of the world.

In light of our strong membership of over two thousand professionals, CILTHK is pleased to present building sustainable cities and quality living spaces; and reinforce Hong Kong's position as World-Class logistics Hub suggestions for the Chief Executive's consideration in the 2024 Policy Address.

Our suggestions on **Building Sustainable Cities and Quality Living Spaces** cover five main areas and they are:

1. Key issues regarding carbon neutrality and the electrification of transportation
2. Key issues related to the modernisation of public transport systems
3. Key issues concerning the utilisation of container terminal land
4. Key issues related to mobility regulation and infrastructure
5. Key issues on enhancing electric vehicle charging infrastructure and enforcing parking regulations

Our suggestions on **Reinforce Hong Kong's Position as a World-Class Logistics Hub** cover another five main areas and they are:

1. Achieving carbon neutrality and advancing transportation electrification
2. Enhancing the role of Hong Kong International Airport (HKIA) and improving connectivity
3. Modernising regulations and optimising customs processes
4. Strengthening maritime leadership and maximising container terminal efficiency
5. Embracing innovation, sustainability, and capitalising on unique advantages

We would like to elaborate our suggestions in detail as follows:

#### **Building Sustainable Cities and Quality Living Spaces**

In view of the carbon neutrality target for a number of less developed countries like Vietnam and Thailand are also 2050, Hong Kong should act as an exemplar to show the commitment of achieving carbon neutrality by a few years, say, 2047, which could also mark the 50 years of anniversary of the establishment of HKSAR.



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Hong Kong should accelerate the electrification of various means of transport modes or promote the usage of green hydrogen or other new energy sources to reduce carbon emissions.

The government should study the modernisation of the Hong Kong tram system, which occupies a major corridor through the urban areas on the Island. However, with a declining patronage from 279,200 per day in 1997 to 134,000 in 2023. This precious corridor should be used in a more effective way by introducing faster and modern trams to attract more public transport passengers.

In view of the continuing decline in container throughputs, which dropped 36% in the last 10 years, in Kwai Tsing Container Terminals, the government should study how to utilise the land areas of the terminals for usages other than logistics. The terminals are well located in the geographical centre of HKSAR territory with established and convenient transport systems and infrastructure, including three MTR lines - Tsuen Wan Line, Tung Chung Line and Tuen Ma Line, and a number of expressways - Tsing Kwai Highway, Tsing Sha Highway and West Kowloon Expressway.

In view of the need to upgrade the service quality of point-to-point transport services and to leverage on rapid development of online hire car hailing platforms, we recommend the government to expedite action to formulate the management and regulation regime for online hire car hailing platform to achieve a win-win situation for both the passengers, the operators and the public at large.

We also recommend converting significant number of the 19,000 roadside parking spaces to be equipped with charging points for electric cars to park and charge. This could further promote the usage of electric vehicles.

We recommend that the government to step up the enforcement against illegal stopping and parking on the roads of Hong Kong. This will enhance the traffic safety and facilitate smooth flow of traffic. Government may also wish to review the fine levels, which in light of inflation of parking charges in past two decades, appear under-valued.

Creating quality walking and cycling spaces is an essential component of sustainable city and good quality of life. Government should institute a mechanism to strengthen allocation of such spaces all around the territory.

### **Reinforce Hong Kong's Position as a World-Class Logistics Hub**

Hong Kong stands at a pivotal juncture in its journey as a global logistics leader. While our city boasts a rich legacy in trade and logistics, a rapidly evolving global landscape necessitates proactive adaptation and strategic foresight. This recommendation aligned with the directives of the “Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernisation” and the National 14th Five-Year Plan, outlines a comprehensive roadmap to reinforce Hong Kong’s position as a world-class logistics hub.



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By capitalising on emerging opportunities, addressing existing challenges, and embracing innovation, Hong Kong can solidify its competitive edge and contribute significantly to the nation's economic development.

Hong Kong's enduring success as a global logistics powerhouse is deeply intertwined with its strategic location, world-class infrastructure, and business-friendly environment. However, maintaining this leadership position in a rapidly transforming global landscape demands continuous evolution and strategic foresight.

This recommendation, informed by the strategic directions outlined in the two "Action Plans" released in late 2023, advocates for a multi-pronged approach to fortify Hong Kong's logistics sector. We urge the HKSAR Government to adopt a proactive stance in reviewing the effectiveness of existing initiatives, adjusting timelines and key performance indicators (KPIs) as necessary to ensure continued progress and relevance in these dynamic industries.

## 1. Capitalising on Hong Kong International Airport's (HKIA) Strengths

### a) Sustaining HKIA's Upward Trajectory

HKIA has demonstrated remarkable resilience and adaptability, evidenced by the significant growth in passenger volume, flight movements, and cargo throughput in recent months. This positive trend underscores the airport's enduring strength and its pivotal role in the global aviation network.

### b) Seising Future Opportunities

Several key opportunities can propel HKIA to even greater heights:

- *Post-Covid Recovery*: The ongoing rebound in passenger travel and air cargo demand presents a significant opportunity to reclaim and surpass pre-pandemic levels.
- *E-Commerce Boom*: The exponential growth of e-commerce necessitates a strategic focus on attracting dedicated cargo flights and expanding logistics operations to capitalise on this trend.
- *Enhanced Capacity*: The full operationalisation of the 3<sup>rd</sup> Runway System, HKIA Logistics Park, and DHL Central Asia Hub (Phase 2) etc. will significantly enhance capacity and efficiency, positioning HKIA as a regional powerhouse.

## 2. Recommendations for HKIA:

### a) Promote Sustainable Aviation

We urge the HKSAR Government to expedite the study and implementation of biofuel and Sustainable Aviation Fuel (SAF) usage at HKIA. This can include exploring potential incentives such as SAF duty adjustments to encourage adoption by airlines. This initiative will not only reduce the environmental footprint of the aviation sector but also position Hong Kong as a leader in sustainable aviation practices, enhancing its global reputation.



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- b) Strengthen Regional and International Connectivity  
Proactively pursue new air service agreements and expand existing ones to enhance connectivity with key markets, particularly those experiencing rapid economic growth. This will further solidify HKIA's role as a global aviation hub and attract more businesses and travelers to Hong Kong.

### 3. Modernising the Regulatory Framework for Enhanced Efficiency

a) Addressing Regulatory Bottlenecks

While Hong Kong has long been recognised for its business-friendly environment, certain outdated regulations, particularly the "Import and Export Ordinance" (Cap 60), are hindering the efficiency and competitiveness of our logistics sector. These outdated regulations create unnecessary administrative burdens and increase costs for businesses, potentially diverting valuable transshipment cargo to other hubs.

b) Recommendations for Regulatory Reform

Streamline Transshipment Regulations:

- *Review and Optimise Chapter 60G:* We propose a comprehensive review and optimisation of Chapter 60G ("Import and Export (Strategic Commodities) Regulations") to eliminate unnecessary permit requirements for transshipping high-tech goods. This will align Hong Kong's regulatory framework with its ambition as an international technology hub and attract more high-value transshipment cargo.
- *Simplify Procedures for Value-Added Activities:* Simplify procedures for goods requiring disassembly or repackaging during transshipment, eliminating redundant on-site supervision requirements. This will streamline operations and reduce costs for businesses, making Hong Kong more attractive for value-added logistics services.
- *Introduce Flexibility for "Processing" Activities:* Introduce a more flexible approach to defining "processing" activities during transshipment. This would allow for minor alterations or enhancements to goods without triggering full import/re-export procedures, aligning Hong Kong's regulations with international best practices and facilitating the flow of goods.
- *3Digitalise Customs Procedures:* Accelerate the digitalisation of customs clearance processes to reduce processing times and costs. This will enhance transparency, improve efficiency, and enhance Hong Kong's attractiveness for transshipment activities in a digitally driven global trade environment.

### 4. Strengthening Hong Kong's Maritime Leadership

a) Navigating Challenges in the Maritime Sector

While the maritime sector faces challenges posed by weak demand in the South China region, there are significant opportunities to enhance Hong Kong's position as a leading maritime hub.



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b) Recommendations for Maritime Growth

- *Capitalise on Regional Congestion*: Leverage congestion in neighboring ports to attract more transshipment cargo to Hong Kong. This requires proactive marketing of Hong Kong's strengths as a reliable and efficient transshipment hub, along with competitive pricing and service offerings.
- *Expand Value-Added Maritime Services*: Promote the growth of high-value maritime services such as shipbroking, registry, arbitration, insurance, and green maritime fuel bunkering. This can be achieved by providing targeted incentives, developing specialised expertise, and establishing Hong Kong as a center of excellence for these services.
- *Optimise Kwai Tsing Container Terminals*: Conduct a comprehensive feasibility study on the disposition and utilisation enhancement of Kwai Tsing Container Terminals. This study should consider current and projected throughput trends, technological advancements in port operations, and the potential for automation and digitalisation to optimise capacity and efficiency.

**5. Embracing Innovation and Sustainability across the Logistics Sector**

a) The Imperative of Innovation and Sustainability

In a rapidly evolving global logistics landscape, embracing innovation and sustainability is no longer optional but essential for long-term competitiveness. Hong Kong must position itself at the forefront of these trends to maintain its leading edge.

b) Recommendations for a Future-Ready Logistics Sector

- **Promote Smart and Green Operations**:  
*Drive Technological Adoption*: Lead the industry's transition towards smart and green operations by encouraging the adoption of advanced technologies such as artificial intelligence, blockchain, and Internet of Things (IoT) to optimise logistics processes, improve efficiency, and enhance transparency.

*Incentivise Sustainable Practices*: Implement policies and incentives to encourage the adoption of sustainable practices throughout the logistics value chain. This can include promoting the use of electric vehicles, optimising delivery routes, reducing packaging waste, and adopting circular economy principles.

- **Develop a Comprehensive ESG Framework**  
*Establish a Cross-Bureau Task Force*: Establish a dedicated cross-bureau task force to streamline the implementation of Environmental, Social, and Governance (ESG) policies in the logistics sector. This task force should comprise representatives from relevant government agencies, industry stakeholders, and sustainability experts to ensure a holistic and coordinated approach.





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*Develop Clear ESG Guidelines:* Develop clear and actionable ESG guidelines, benchmarks, and best practices tailored to the specific needs and challenges of the logistics industry. These guidelines should provide a roadmap for companies to enhance their ESG performance and contribute to a more sustainable logistics ecosystem.

*Facilitate SME Participation:* Provide targeted support and resources to facilitate the participation of Small and Medium Enterprises (SMEs) in ESG initiatives. This can include financial assistance, capacity-building programs, and access to technical expertise to help SMEs overcome barriers to adoption.

*Enhance Transparency and Data Sharing:* Promote transparency and data sharing related to ESG performance in the sector. This can be achieved through the development of a standardised ESG reporting framework, incentivising companies to disclose their ESG data, and creating a platform for sharing best practices and case studies.

*Explore Low Altitude Economy (LAE) Technologies:* Initiate a comprehensive study on the feasibility and benefits of integrating Low Altitude Economy (LAE) technologies into Hong Kong's logistics network. This study should:

- **Assess Drone Delivery Potential:** Evaluate the potential of drone delivery for cargo, particularly for last-mile delivery in urban areas and remote locations. This assessment should consider factors such as safety regulations, airspace management, noise pollution, and public acceptance.
- **Explore e-VTOL Applications:** Explore the feasibility of "Electric Vertical Take-Off and Landing" (e-VTOLs) for passenger transport, particularly for connecting Hong Kong International Airport with the Greater Bay Area and other key locations within Hong Kong.
- **Foster Collaboration and Review Legislation:** Foster collaboration between relevant government bureaus, aviation authorities, technology providers, and industry stakeholders to develop a comprehensive regulatory framework that ensures the safe, efficient, and sustainable integration of LAE technologies into Hong Kong's airspace. This may involve reviewing existing legislation and potentially enacting new regulations to address the unique challenges and opportunities presented by LAE technologies.

## 6. Leveraging Hong Kong's Unique Advantages

### a) Maximising Hong Kong's Strengths

Hong Kong possesses unique advantages that can be further leveraged to strengthen its position in the global logistics landscape.



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b) Recommendations for Leveraging Hong Kong's Advantages

Expand the Double Taxation Agreement Network: Actively pursue new Comprehensive Double Taxation Agreements (CDTAs) to enhance Hong Kong's competitiveness in the aircraft leasing industry. This will attract more leasing companies to establish a presence in Hong Kong, further strengthening our city's role as a global aviation finance hub.

Promote COMAC C919 Aircraft: Leverage Hong Kong's platform and international connectivity to promote the adoption of COMAC's C919 aircraft to airlines worldwide. This will support the development of China's aviation industry and enhance collaboration within the Greater Bay Area.

Reinforcing Hong Kong's position as a world-class logistics hub requires a collective effort from the HKSAR Government, industry stakeholders, and the wider community. By embracing innovation, prioritising sustainability, and fostering a collaborative ecosystem, Hong Kong can navigate the evolving global landscape and solidify its role as a vital logistics gateway connecting China to the world. We believe that the recommendations outlined in this proposal will provide a roadmap for the HKSAR Government to develop a forward-looking and comprehensive logistics strategy that will secure Hong Kong's continued prosperity and contribute to the nation's economic development.

Please contact the undersigned or our Institute for any areas of our suggestion that we are able to amplify further.

Thank you in anticipation for your kind consideration of our suggestions. Let us join hands to engineer a brighter future for Hong Kong.