



## Addressing the Pain Points of Hong Kong's Logistics Service Providers in 2020

The HKSAR Government's HK\$30 billion Anti-epidemic Fund allocated to industries affected by the Coronavirus disease 2019 (COVID-19), coupled with the financial measures proposed in the 2020-21 Budget to "Support Employees", "Support Enterprises", and "Innovation and Technology" are welcoming news to the logistics industry in Hong Kong which has suffered from the double blow of the China-US trade war and the COVID-19 epidemic. However, on closer reading of relief measures, we have noticed considerable insufficiency.

Firstly, the local Logistics Bodies, including the Chartered Institute of Logistics and Transport in Hong Kong (CILTHK), had made recommendations to the Chief Executive on subsidies to support the survival of the industry, with HK\$200,000 emergency cash subsidy to logistics SMEs as first priority (*Seven Logistics Bodies' Recommendations to the Chief Executive, 19 February 2020*). We are disappointed with the outcome of the HK\$30 billion Anti-epidemic Fund which has an allocation of HK\$3.23 billion subsidy solely for the taxis and public light buses, franchised buses, local ferries and tramways, non-franchised buses, school private light buses, hire cars, goods vehicles and local commercial vessels, cross-boundary ferries. There is NIL for the freight forwarding and logistics service providers which are equally important constituents of the industry.

Secondly, there are relief measures for the transport industry in the Government Budget 2020-21 (the Budget), chief among which is the Government 100% guarantee concessionary low-interest loan for settling salaries and rentals for 6 months, subject to HK\$2 million ceiling. However, as there are lengthy administrative processes and procedures to go through, it will be months before the subsidy is available to the successful applicants. In the meantime, the logistics service providers, especially the SMEs, need to find their own means of business survival, and can only pray that they will not go bankrupt soon.

The COVID-19 outbreak has discouraged commercial activities and disrupted global supply chains. Indigenous and overseas operations have been hit by shutdowns and workers stranded by travel bans, with decimating effect on many businesses. The fall of China General Manufacturing PMI to 40.3 in February which missed the market consensus of 45.7, the forecast of world's maritime trade reducing to 2.2% from an earlier estimate of 2.5% (*Clarksons*), and the World Health Organization's declaration of the COVID-19 outbreak a pandemic on March 18 are the bellwether of the hard times ahead. Just as it is unlikely that the epidemic will go away anytime soon; so too is the diminution of the threat to the logistics service providers' survival.

As CILT HK, we urge the Government to take further supportive actions including:

1. Provision of immediate financial assistance to the logistics industry to survive the current difficult times and avoid massive lay-off of staff. The earlier mentioned HK\$200,000 emergency cash subsidy to logistics SMEs can be administered with thought leadership on the qualifications for entitlement such as business residence and years of operation, staff size and the corresponding subsidy level. Extra-ordinary circumstances demand



extra-ordinary measures; the immediate cash subsidy to the logistics category excluded from the HK\$30 billion Anti-epidemic Fund is a justifiable remedial measure.

2. Good policies need to be shared extensively and regularly with the stakeholders via a sustained communication programme, so that the benefits of initiatives such as the “Support Employees”, “Support Enterprises” and “Innovation and Technology” and the related eligibility and procedures for application can be clearly understood and duly appreciated.
3. On the Government 100% guarantee concessionary loan, we ask for
  - a) Early publication of the banks participating in the scheme
  - b) Speeding up of the application process with completion in 30 days
  - c) Extension of the repayment period from 3 years to 5 years
  - d) Moratorium on principal repayment to be extended from 6 months to 12 months.

We cannot stress enough the contribution of the transport and logistics industry to the economy of Hong Kong. The economic consequences of the disruption to supply chains due to the COVID-19 outbreak have luminously illustrated the critical importance of transport and logistics to supply chain efficiency. Many people in the industry in Hong Kong are currently grasping at the straws for their business survival, and are looking to the HKSAR Government for help. The Government’s supportive and facilitative policies for the industry need to be comprehensive, generous and timely, irrespective of category.

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