Strategic Land Development for Jobs: From Brownfields to Modern Logistics
Trading and logistics are the strongest pillars of Hong Kong’s economy.

Percentage share of value added by key industries to GDP (2018)

- Trading and Logistics: 21.20%
- Financial Services: 19.80%
- Professional Services and Other Producer Services: 12%
- Others: 42.70%
- Tourism: 4.50%

Percentage share of employment by key industries to total employment (2018)

- Trading and Logistics: 18.60%
- Financial Services: 6.60%
- Professional Services and Other Producer Services: 14.2%
- Others: 53.70%

Source: Census and Statistics Department
‘Trading’ and ‘logistics’ are symbiotic and inseparable

Trading brings business to logistics, and logistics fulfils trading
E-commerce is revamping traditional trading and retailing models

Sources: Various newspapers
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Logistics operation is getting larger share in product value chain

Source: Asian Institute of Supply Chains & Logistics and World Development Report 2020
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Revolution in global supply chain boosts logistics activities

Globalised supply chain increased manufacturing efficiency and logistics needs at the same time

**Traditional Manufacturing Model**

- Raw Material Supplier 1
- Raw Material Supplier 2
- Raw Material Supplier 3
- Product Manufacturer
- Distributor

**Globalised Manufacturing Model**

- Raw Material Suppliers
- Part Manufacturer 1 in Country A
- Part Manufacturer 2 in Country B
- Part Manufacturer 3 in Country C
- Product Assembler in Country D
- Distributor

Source: Lifewire
New retail model requires more land to fulfil demand of logistics providers

From retail-centred to customer-centred logistics, the new logistics model revolutionised the retail industry.

Source: Amazon

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Logistics operation is evolving with increased network coordination and system integration.
Supply chain digitalisation and data analysis are key to future logistics development.

Sources: Alibaba, Roland Berger, DHL Trend Research, and Frost & Sullivan
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Hong Kong enjoys excellent connection with the world by air

No.1
The world’s busiest cargo airport

4.8 million tonnes of cargo and airmail moved in 2019

2nd most well-connected airport in Asia

Connecting to over 220 destinations by 120 airlines

1st Partner Airport of IATA’s Center of Excellence for Perishables Logistics

Inter-modal transportation infrastructure

Bonded truck service and established cargo depots in the Pearl River Delta

Sources: The Airport Authority Hong Kong, OAG Megahubs Index 2019, IATA, and Pharma Aero
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Same story for sea transportation

Ranks **8th** in container throughput worldwide

**4th** largest ship registry in the world

**300** container vessel services per week

Connects to **420** destinations globally

Sources: Hong Kong Maritime and Port Board, Marine Department, Hong Kong Trade and Development Council, the United Nations Conference on Trade and Development, and Lloyd’s List
Cainiao Network chose Hong Kong as one of its six global e-Hubs

A Cainiao logistics centre will be established at the Hong Kong International Airport in 2023.

What is the Cainiao logistics centre in Hong Kong aiming for?

- Cross-border e-commerce
- 72-hour global delivery
- Data and technology

Why Hong Kong?

- Strategic location
- Excellent connectivity
- Efficient customs

Site area: 5.3 hectares
GFA: 4 million square feet
Capacity: 2.5 million tonnes per year

Investment: HKD 12 billion

Sources: Alibaba and the Airport Authority Hong Kong
Hong Kong hosts headquarters of global logistics and supply chain giants

Sources: Li & Fung, Kerry Logistics, DHL, and FedEx
But Hong Kong’s logistics performance has failed to fulfil its potential

Note: Logistics Performance Index by World Bank considers 6 factors: Customs, Infrastructure, International shipments, Logistics competence, Tracking & Tracing, and Timeliness.

Source: World Bank
Hong Kong’s weaknesses lie in cost, land availability, and government support

Comparison of factors as regional distribution centres of Hong Kong, Singapore, and Shenzhen

Source: Asian Institute of Supply Chains & Logistics
We are falling behind in government investment in logistics infrastructure

![Diagram showing comparisons between Hong Kong and Singapore in logistics infrastructure projects.]

- **Hong Kong**
  - Container Terminal 10
  - Siu Ho Wan Logistics Park
  - Route 11 (formerly known as ‘Route 10’)

- **Singapore**
  - Tuas Mega Port
  - Changi Airfreight Centre
  - North-South Expressway

Sources: Legislative Council, Marine Department, Hong Kong International Airport, Singapore Changi Airport, Jurong Port, and PSA Singapore
## Transhipment operation requires larger yard area, but Hong Kong’s port is small compared to its peers

<table>
<thead>
<tr>
<th>Port</th>
<th>2019 world ranking</th>
<th>International transhipment rate</th>
<th>2019 throughput ('000 TEU)</th>
<th>Port size (ha)</th>
<th>Yard-to-throughput ratio (ha per 1 million TEU)</th>
<th>No. of berth</th>
<th>Yard-to-berth ratio (ha per berth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>1</td>
<td>&lt;10%</td>
<td>43,303</td>
<td>835[1]</td>
<td>19.3</td>
<td>43</td>
<td>19.4</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>85%</td>
<td>37,196</td>
<td>858</td>
<td>23.1</td>
<td>72</td>
<td>11.9</td>
</tr>
<tr>
<td>Ningbo-Zhoushan</td>
<td>3</td>
<td>&lt;5%</td>
<td>27,535</td>
<td>968</td>
<td>35.2</td>
<td>61</td>
<td>15.8</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>4</td>
<td>18%</td>
<td>25,769</td>
<td>1,167</td>
<td>45.3</td>
<td>47</td>
<td>24.8</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>5</td>
<td>27%</td>
<td>23,223</td>
<td>873</td>
<td>37.6</td>
<td>74</td>
<td>11.7</td>
</tr>
<tr>
<td>Busan</td>
<td>6</td>
<td>50%</td>
<td>21,992</td>
<td>707</td>
<td>32.1</td>
<td>41</td>
<td>17.3</td>
</tr>
<tr>
<td>Qingdao</td>
<td>7</td>
<td>&lt;20%</td>
<td>21,010</td>
<td>450</td>
<td>21.4</td>
<td>25</td>
<td>18</td>
</tr>
<tr>
<td><strong>Hong Kong</strong></td>
<td><strong>8</strong></td>
<td><strong>71%</strong></td>
<td><strong>18,303</strong></td>
<td><strong>344[2]</strong></td>
<td><strong>18.8</strong></td>
<td><strong>73</strong></td>
<td><strong>4.7</strong></td>
</tr>
<tr>
<td>Tianjin</td>
<td>9</td>
<td>N/A</td>
<td>17,300</td>
<td>13,100[3]</td>
<td>757.2</td>
<td>25</td>
<td>524</td>
</tr>
<tr>
<td>Rotterdam</td>
<td>10</td>
<td>59%</td>
<td>14,811</td>
<td>8,114[3]</td>
<td>547.8</td>
<td>39</td>
<td>208</td>
</tr>
</tbody>
</table>

Notes:
[1] The figure indicates the area of storage space only. There is no available data on total port area.
[2] The figure includes Kwai Tsing Container Terminals (279 ha.) and River Trade Terminal (65 ha.)
[3] The figure includes the area of non-container terminals.

Sources: Relevant port authorities, 100allin, Hua Chuang Securities, Ningbo Economy, JOC International Technical Engineering, Yunlsp, Maritime Gateway, and Ship Technology

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Port size comparison between Singapore and Hong Kong

PSA Singapore Terminals (858 ha.)

Kwai Tsing Container Terminals (279 ha.)

Source: Google Earth
At the same time, 42.4% of port back-up land in Kwai Tsing Container Terminals area is not fully utilised…

<table>
<thead>
<tr>
<th>Current usage</th>
<th>Area (ha)</th>
<th>Percentage</th>
<th>Average years of under utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacant land</td>
<td>7.7</td>
<td>6.3%</td>
<td>16.8</td>
</tr>
<tr>
<td>Open air parking site</td>
<td>44.3</td>
<td>36.1%</td>
<td>21.9</td>
</tr>
<tr>
<td>Temporary container yard</td>
<td>55.2</td>
<td>45.0%</td>
<td>4.1</td>
</tr>
<tr>
<td>Buildings/ Barge berths</td>
<td>12.6</td>
<td>10.3%</td>
<td>4.0</td>
</tr>
<tr>
<td>Other temporary uses</td>
<td>2.8</td>
<td>2.3%</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Total port back-up area</strong></td>
<td><strong>122.6</strong></td>
<td><strong>100%</strong></td>
<td><strong>13.5</strong></td>
</tr>
</tbody>
</table>

Legend

- Vacant land
- Open air parking site
- Temporary container yard
- Buildings/ Barge berths
- Other temporary uses
- Terminal area
- Underutilised land outside port area

Source: Google Earth, Lands Department, Town Planning Board, and Our Hong Kong Foundation
Case Study 1:
A 21.1-hectare site that is an open-air parking and container yard, partly vacant for 26 years

Site at Container Port Road South and Mei Ching Road

<table>
<thead>
<tr>
<th>Area size</th>
<th>21.1 hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoning</td>
<td>Other Specified Uses (Container related uses and underground sewage treatment works)</td>
</tr>
<tr>
<td>Background and current usage</td>
<td>The site is largely under-utilised as an open-air parking and temporary container yard under Short Term Tenancy (STT), with a 1.61-hectare plot (top left) vacant for 26 years.</td>
</tr>
<tr>
<td>Current planning</td>
<td>The entire site area is included in a feasibility study for the development of a multi-storey heavy-vehicle parking and modern logistics facility. The study revealed that only a site of 5 to 6 hectares is planned for the multi-storey development. CEDD explained the rest of the site is saved for sewage plant for Harbour Area Treatment Scheme Stage 2B, which does not have a concrete implementation timeline yet.</td>
</tr>
</tbody>
</table>

Sources: Google Earth, Transport and Housing Bureau, Civil Engineering and Development Department, Town Planning Board, and Our Hong Kong Foundation

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Case Study 2:
A site allocated to government department that has been left vacant or used for parking for decades

Site north of Mei Ching Road

Aerial photo (2020)  Ground photo (2020)

**Sources:** Google Earth, Transport and Housing Bureau, Town Planning Board, and Our Hong Kong Foundation

<table>
<thead>
<tr>
<th>Area size</th>
<th>5.4 hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoning</td>
<td>Other Specified Uses (Container related uses)</td>
</tr>
<tr>
<td>Background and current usage</td>
<td>This government land allocation site has been <strong>vacant or leased under STT</strong> from time to time in the past decades. Currently, the site was lent to non-franchise bus operators to park their idle buses under the COVID-19 pandemic.</td>
</tr>
<tr>
<td>Current planning</td>
<td>According to a study done by the Transport and Housing Bureau (THB) in 2015 on port back-up land, the site together with an adjacent land plot was planned to lease to Container Terminal 7 to extend its yard area, with a <strong>projected timeline from 2016–2017 onwards</strong>, which has been significantly delayed.</td>
</tr>
</tbody>
</table>
Case Study 3: A large site used as an open-air parking and temporary container yard under STT, with no timeline on multi-storey facilities planned

Site at Tsing Hung Road

Aerial photo (2020)  
Ground photo (2020)  
Zoning (OU)

<table>
<thead>
<tr>
<th>Area size</th>
<th>4.6 hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoning</td>
<td>Other Specified Uses (Container related uses)</td>
</tr>
</tbody>
</table>

| Background and current usage | The land parcel includes two STT sites used as temporary container yard and open air parking. |
| Current planning | According to a study conducted by the THB in 2015 on port back-up land, the Government planned to conduct a feasibility study for multi-storey complex at the site. Whether and when the study will kick off is subject to the findings of the feasibility study done for the site mentioned in Case Study 1. There is no sign that the feasibility study for the site will be kicked off soon. |

Sources: Google Earth, Transport and Housing Bureau, Town Planning Board, and Our Hong Kong Foundation
The glory of Hong Kong’s ports fades as throughput stagnates

Ranking of container ports based on container throughput

Ranking in 2001
- Hong Kong (1st)
- Singapore (2nd)
- Busan (3rd)
- Kaohsiung (4th)
- Shanghai (5th)
- Rotterdam (6th)
- Los Angeles (7th)
- Shenzhen (8th)
- Hamburg (9th)
- Long Beach (10th)

Ranking in 2019
- Shanghai (1st)
- Singapore (2nd)
- Ningbo-Zhoushan (3rd)
- Shenzhen (4th)
- Guangzhou (5th)
- Busan (6th)
- Qingdao (7th)
- Hong Kong (8th)
- Tianjin (9th)
- Rotterdam (10th)

Source: Marine Department
Air logistics operators at Hong Kong International Airport also face challenges in land supply

<table>
<thead>
<tr>
<th>2019 ranking by cargo tonnage</th>
<th>2019 annual cargo tonnage</th>
<th>Airport size (ha)</th>
<th>Logistics land size (ha)</th>
<th>Logistics land size per million tonnes (ha)</th>
<th>GFA for logistics (sq m)</th>
<th>GFA per million tonnes (sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>1</td>
<td>4,809,485</td>
<td>1,250</td>
<td>55</td>
<td>11.4</td>
<td>996,000</td>
</tr>
<tr>
<td>Memphis</td>
<td>2</td>
<td>4,332,740</td>
<td>1,578</td>
<td>410</td>
<td>94.6</td>
<td>3,189,268</td>
</tr>
<tr>
<td>Shanghai</td>
<td>3</td>
<td>3,634,230</td>
<td>4,000</td>
<td>205</td>
<td>56.4</td>
<td>1,117,373</td>
</tr>
<tr>
<td>Louisville</td>
<td>4</td>
<td>2,790,109</td>
<td>610</td>
<td>53</td>
<td>18.9</td>
<td>5,200,000</td>
</tr>
<tr>
<td>Seoul[1]</td>
<td>5</td>
<td>2,764,369</td>
<td>3,900</td>
<td>338</td>
<td>122.1</td>
<td>1,183,708</td>
</tr>
<tr>
<td>Anchorage</td>
<td>6</td>
<td>2,745,348</td>
<td>1,865</td>
<td>68</td>
<td>24.6</td>
<td>18,694,946</td>
</tr>
<tr>
<td>Dubai</td>
<td>7</td>
<td>2,514,918</td>
<td>2,900</td>
<td>77</td>
<td>30.6</td>
<td>492,597</td>
</tr>
<tr>
<td>Doha</td>
<td>8</td>
<td>2,215,804</td>
<td>2,200</td>
<td>6</td>
<td>2.5</td>
<td>406,670</td>
</tr>
<tr>
<td>Taipei[2]</td>
<td>9</td>
<td>2,182,342</td>
<td>1,173</td>
<td>42</td>
<td>19.1</td>
<td>469,655</td>
</tr>
<tr>
<td>Tokyo[3]</td>
<td>10</td>
<td>2,104,063</td>
<td>1,137</td>
<td>45</td>
<td>21.4</td>
<td>650,000</td>
</tr>
<tr>
<td>Singapore</td>
<td>14</td>
<td>2,056,700</td>
<td>1,300</td>
<td>70</td>
<td>31.9</td>
<td>941,000</td>
</tr>
</tbody>
</table>

Sources: Relevant airports’ official websites, DB Schenker, Airport Council International, and Statista
Lack of infrastructure forced Hong Kong to take different approach to ICAO’s latest policy direction

International Civil Aviation Organization (ICAO) announced its new policy direction in 2016 to increase the air cargo screening percentage from unknown consignors to 100%.

Certify consignors and promote on-site screening at the airport

Certify freight forwarders to operate screening machines at their own premises

Consolidated screening at airport is impossible due to insufficient road infrastructure to cater for the increased flow of goods and trucks.

Freight forwarders have to bear their own cost for screening

Logistics operators facing increased operation cost and risk

Launch Known Consignor Regime to alleviate the demand for screening.

Provide consolidated screening facilities at the airport.

Burden of screening distributed to consignors and airport.

Sources: Civil Aviation Department, Singapore Police Force, the Export Council of Australia, and JOC.com
Hong Kong lags other economies in providing all-encompassing Trade Single Window

**Government Electronic Trading Services (GETS)** launched, to handle electronic submission of four documents to the Government

Government commissioned the development of **Digital Trade and Transportation Network (DTTN)** to facilitate information exchange within the industry

DTTN started operation

Consultation on **Trade Single Window (TSW)** began

Phase 1 of TSW rolled out

Full implementation of TSW

1997

2003

2006

2016

2018

2024

70 other economies have set up TSW

**South Korea:** Single Window (2008)

**Taiwan:** CPT Single Window (2013)

**Singapore:** Networked Trade Platform (2018)

All other GBA cities launched TSW by 2018

Sources: Legislative Council, Networked Trade Platform, and The Hang Seng University of Hong Kong
We lack high-quality logistics space to meet industry demand

General warehouse
- No temperature control
- Low plot ratio

Storage space in flatted factories
- Modified from existing flatted factories
- Low ceiling and floor loading
- No ramp access

Modern logistics centre
- Ramp access
- Large floor plate
- High ceiling and floor loading

Cold storage
- Temperature-controlled storage

Inadequate supply in Hong Kong

Source: Savills and CBRE Research
Modern logistics centre is much more than new and large warehouse space

Modern Logistics Centre

Value-added services
- Assembly
- Quality check
- Packaging

Advanced computer network facilities
- Order management
- Warehousing management

Modern warehouse facilities
- Direct vehicle access
- Ample parking space
- High ceiling
- Large floor plate
- Sufficient power supply
- Heavy floor loading
- Temperature-controlled area

Source: Savills
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Examples of value-added services

Packaging

Sortation

Secured storage

Industry-specific solutions

Fashion Industry
- Garment-on-hanger
- Creaseless garment transportation

Food & Beverage Industry
- First-expiry-first-out
- Gift packing
- Seasonal hamper assembling
Tight supply of warehousing space in Hong Kong drives up rent

Completion and vacancy rate of private storage in Hong Kong

2018 Top Ten Cities with Most Expensive Prime Logistics Rent
(Ranked on USD per sq ft per annum)

- Hong Kong: 1st
- London
- Greater Tokyo
- Shanghai
- Stockholm
- Singapore
- Oakland
- Beijing
- Munich
- Sydney

Note: Assuming private storage GFA is intended for logistics use.
Sources: Rating and Valuation Department and CBRE Research

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Revitalisation of industrial buildings removes space that could be used as urban logistics space

18 million sq ft (8% of total industrial space) were removed from stock of industrial properties under revitalisation scheme for industrial buildings between 2010 and 2018.

Urban logistics re-centralisation
Policy-driven re-industrialisation

Sources: Legislative Council and CBRE Research
Industrial land shortage will intensify

Growth in value added of the trading and logistics sector compared to built-up industrial area

HKD (billion) vs Hectare


Growth Graph:
- Value added in GDP (LHS)
- Projected valued add in GDP (LHS)
- Actual industrial land* (RHS)
- Projected industrial land* (RHS)

Approx 390 ha of brownfield will be phased out by 2030

Note: (*) Includes industrial land, industrial estates and warehouse and open storage

Sources: Census and Statistics Department and Our Hong Kong Foundation

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Lack of industry land forced logistics operators to spread onto brownfield in New Territories (NT)

Within new development areas (NDA) | 653 ha
---|---
Hung Shui Kiu / Ha Tsuen | 246 ha
New Territories North | 243 ha
Yuen Long South | 94 ha
Kwu Tung North and Fanling North | 70 ha

Within other development projects | 150 ha
Within conservation-related zones | 76 ha
Remaining brownfield sites | 700 ha

Total | 1,579 ha

Note:
NWNT refers to Northwest New Territories;
NENT refers to Northeast New Territories;
SWNT refers to Southwest New Territories;
SENT refers to Southeast New Territories;
NTN refers to New Territories North
Source: Planning Department
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Logistics-related industries occupy over 46% of active brownfield site area

Logistics-related Industries Active Brownfield Site Area

651 ha (46%)

Source: Planning Department
Brownfield operators provide considerable job opportunities to local logistics industry

Employment of logistics-related industries in Hong Kong

Employed > **180,000** people
(approx 5% of Hong Kong employed population)

15% are working in brownfields

**Estimated employment of logistic-related industries on brownfield sites:**

- **26,270**

Note: Employment of logistics-related industries on brownfield sites includes employment in general warehouse / storage, logistics, and port back-up (container-related)

Sources: Census and Statistics Department and Planning Development
Planned development of north-west New Territories for port back-up industry in 1990s has not been realised

An assumed development pattern for Scenario B by 2011 (1999)

Distant Vision Concepts (1999)

More land for port-related industry was expected in 2011 according to development plan in the *Territorial Development Strategy Review*

Distant vision concepts considered developing more land for container handling and rationalising brownfield in north-west NT

Brownfield emerges as result of inadequate land-use planning for industrial growth

Lack of holistic economic and land use planning

Organic development of brownfield is being fostered

Suboptimal operation on brownfield leads to negative externality

The way forward: Commitment to ensure adequate and timely provision of land and facilities for strategic industries
Operating space on brownfield will gradually be phased out…

About 50% brownfield sites will be affected by New Development Areas and other Development Projects

<table>
<thead>
<tr>
<th>Affected by New Development Areas / Development Projects</th>
<th>803 ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hung Shui Kiu / Ha Tsuen</td>
<td>246 ha</td>
</tr>
<tr>
<td>New Territories North</td>
<td>243 ha</td>
</tr>
<tr>
<td>Yuen Long South</td>
<td>94 ha</td>
</tr>
<tr>
<td>Kwu Tung North and Fanling North</td>
<td>70 ha</td>
</tr>
<tr>
<td>Other development projects[1]</td>
<td>150 ha</td>
</tr>
</tbody>
</table>

About 28% brownfield sites are classified as high or medium[2] possible Development Potential Areas (DPA)

<table>
<thead>
<tr>
<th>Possible Development Potential Areas (DPA) to be studied</th>
<th>450 ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>High DPA—Ping Shan, Lam Tei, Sha Po Tsuen, Shap Pat Heung, etc.</td>
<td>160 ha</td>
</tr>
<tr>
<td>Medium DPA—Ngau Tam Mei, Lau Fau Shan, Lung Kwu Tan South, etc.</td>
<td>290 ha</td>
</tr>
</tbody>
</table>

Notes:
[1] As the details of the 150 ha development projects have not been announced, the exact locations of these projects are not shown on the map.
[2] The Planning Department will study about 700 ha brownfield sites, which are to be classified as high, medium and low Development Potential Areas, of which 250 ha brownfield sites are classified as low Development Potential Areas.
Five recommendations to improve Hong Kong’s logistics competitiveness

1. Develop dedicated logistics nodes
2. Reform the site allocation mechanism
3. Relocate Kwai Tsing Container Terminals
4. Conduct economic reviews and form industrial policies
5. Establish a statutory body for development of strategic industries
Potential sites for development of dedicated logistics nodes

<table>
<thead>
<tr>
<th>Logistics Nodes</th>
<th>Roles and Functions</th>
<th>Size (ha)</th>
<th>Estimated job capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hong Kong Boundary Crossing Facilities Island</td>
<td>Airport Logistics Consolidation Centre</td>
<td>30</td>
<td>5,000 – 10,000</td>
</tr>
<tr>
<td>2. Lung Kwu Tang &amp; Tuen Mun West</td>
<td>Airport Logistics Support Hinterland</td>
<td>450 – 590</td>
<td>50,000 – 70,000</td>
</tr>
<tr>
<td>3. Northwest New Territories</td>
<td>GBA Logistics Gateway (Western)</td>
<td>150 – 160</td>
<td>15,000 – 25,000</td>
</tr>
<tr>
<td>4. North New Territories</td>
<td>GBA Logistics Gateway (Eastern)</td>
<td>110 – 150</td>
<td>10,000 – 20,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>740 – 930</strong></td>
<td><strong>80,000 – 125,000</strong></td>
</tr>
</tbody>
</table>

Source: Transport and Housing Bureau
The Planning of Topside Logistics Development at Hong Kong Boundary Crossing Facilities (HKBCF) Island should speed up

1. Topside development at the Hong Kong Boundary Crossing Facilities (HKBCF) Island

Planning, Engineering and Architectural Study for Topside Development at HKBCF Island of the Hong Kong-Zhuhai-Macao Bridge (HZMB), Hong Kong section

2015

2018

Double Gateway
Airport Logistics Consolidation Centre
2. Lung Kwu Tan & Tuen Mun West

Option 1: Airport Logistic Support Hinterland

- **Phase 1**
  - 1a. Tuen Mun Area 49
  - 1b. Current River Trade Terminal
  - 1c. Tuen Mun 40 & 46

- **Phase 2**
  - 2a. Current Lung Kwu Tan brownfield sites
  - 2b. Lung Kwu Tan reclamation

- **Phase 3**
  - 3a. Current fill bank, recycle plant, steel plant, and cement plant

Map illustrating the proposed developments in Lung Kwu Tan & Tuen Mun West, indicating
- Development zones
- Road expansions
- Buffer areas

Legend:
- Air Cargo / Modern Logistics
- Modern Logistics / General Warehouse
- Construction Industry
- Environmental Infrastructures
- Open-air Logistics

Total 450–470 ha

- Development dedicated logistics nodes
- Reform site allocation mechanism and operation model
- Relocate Kwai Tsing Container Terminals
- Conduct economic reviews and form industrial policies
- Establish statutory body for logistics sector
2. Lung Kwu Tan & Tuen Mun West

Option 2: Integrated Residential & Logistics Development

Total 570–590 ha

1a. Air Cargo / Modern Logistics
2a. Air Cargo / Modern Logistics
2b. Air Cargo / Modern Logistics
1b. Open-air logistics
3a. Air Cargo / Modern Logistics (interim development)
3b. Residential development
3c. Thematic leisure development
3d. Marine facilities

Develop dedicated logistics nodes

Reform site allocation mechanism and operation model

Relocate Kwai Tsing Container Terminals

Conduct economic reviews and form industrial policies

Establish statutory body for logistics sector

Phase 1

3a. Transform Current River Trade Terminal for interim development
1a. Tuen Mun Area 49
1b. Current Lung Kwu Tan Brownfield Sites
1c. Lung Kwu Tan Reclamation

Phase 2

2a. Relocation of Current Fill Bank, Recycle Plant, Steel / Cement Plant
2b. Relocation of Current Power Station

Phase 3

3a. Replace River Trade Terminal for long-term development
3b. River Trade Terminal Reclamation
3c. Tuen Mun Area 40 & 46
3d. River Trade Terminal Further Reclamation

Leisure

Marine

Air Cargo/ Modern Logistics

Construction Industry

Environmental Infrastructures

Offices

Hotel

Air cargo / modern logistics

Construction industry

Open-air logistics

Construction industry

Tuen Mun – Chek Lap Kok Link

Tuen Mun South Extension

Proposed Tuen Mun South MTR Further Extension

Planned Tuen Mun Western Bypass

Proposed Road expansion for existing Lung Mun Road

Proposed New Road to divert heavy vehicles away from Lung Kwu Tan village

Buffer area between Lung Kwu Tan village and Logistics Node
3. Northwest New Territories Modern Logistics Circle

Development Planned by the Government

1a. Hung Shui Kiu NDA
1b. Yuen Long South development
1c. Yuen Long industrial estate extension

Proposed Development

2. Lam Tei Quarry Site

- Modern Logistics
- Enterprise & Technology
- Open-air Logistics
- Wholesale Trade & Outlet

Planned sites
Proposed site
Brownfield

Planned Route
Existing Road
Existing Rail
4. New Territories North

Total 110 – 150 ha

1. Heung Yuen Wai
   - Science Park
   - Industrial Estate

2. Ta Kwu Ling
   - E-commerce
   - Modern Logistics

Planned Development

1. Heung Yuen Wai
   - Science Park
   - Industrial Estate

Proposed Development

2. Ta Kwu Ling
   - Proposed Extension of Northern Link
   - Proposed North-South Corridor and Rail
   - Proposed Rail Station
   - Planned Route
   - Planned Rail
   - Planned Station
   - Existing Road
   - Existing Rail
   - Existing Rail Station
   - Brownfield

Develop dedicated logistics nodes
Reform site allocation mechanism and operation model
Relocate Kwai Tsing Container Terminals
Conduct economic reviews and form industrial policies
Establish statutory body for logistics sector
How should these logistics nodes be operated?

Allocation Arrangement
- Level playing field for SMEs and established players

Admission Criteria
- Prioritise current brownfield operators and tenants with strong willingness to invest in technological upgrade

Pricing Mechanism
- Set rental below market level and review tenants against a set of milestones upon tenancy renewal

Strategic Clustering
- Reserve buffer space for other industries along the same value chain

Mixed development
- Create a vibrant environment for a mixed-use industrial and business hub
Examples of operation model from overseas experiences

**Concept and Price Tenders (CPT)**
Applicants are first assessed based on the strength of proposed business plan, and then on offered prices.

**Direct allocation**
Qualified companies get direct allocation of land with the support of government agencies.

**Readily-built facilities**
Readily built facilities are provided for operators of smaller scale to rent.

**Joint management with private entity**
Chambers and associations can participate in the management to share expertise with the public body.

Sources: JTC Corporation, and United Nation Industrial Development Organization

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Existing Kwai Tsing Container Terminals can be relocated

- Relocate the Kwai Tsing Container Terminals (KTCT) to artificial islands or outlying islands away from the metro area
- The new port could consolidate all container ports within the GBA area
Land of existing Kwai Chung Container Terminals can be redeveloped

Seamless / Work-live-play-learn / Intergeneration Community

- Total potential redevelopment area: 790 ha
  - Container Terminal site area: 280 ha
  - Container-related uses area: 150 ha
  - Industrial & incompatible uses area: 180 ha
  - Tsing Yi Southwest Reclamation area: 180 ha

Seamless new and old communities
- Connectivity—Vibrant and of walkable distance
- Functionality—Provision of balanced daily necessity services and choices
- Visibility—Harmonised landscape and building design

Work-live-play-learn community
- Various choices of job opportunities
- Affordable and sizable housing units
- Outdoor / indoor recreation and entertainments

Intergeneration community
- Integrated elderly home and core family residential complex
- Integrated nursery / youth / elderly / daily necessity services complex

1. Develop dedicated logistics nodes
2. Reform site allocation mechanism and operation model
3. Relocate Kwai Tsing Container Terminals
4. Conduct economic reviews and form industrial policies
5. Establish statutory body for logistics sector
Government should conduct regular economic review to form long-term industrial policy

**Economic Review**
Every 10 years

**Financial Secretary**

**Industrial Policy**
Based on economic review
- Facilitate trading activities to attract goods flow to Hong Kong
- Facilitate the development of logistics SMEs

**Strategic Land Use Planning**
Fit for purpose
- Plan and determine the optimal land use for logistics activities

**Bureaus with similar missions are best positioned to take the lead**

1. Develop dedicated logistics nodes
2. Reform site allocation mechanism and operation model
3. Relocate Kwai Tsing Container Terminals
4. Conduct economic reviews and form industrial policies
5. Establish statutory body for logistics sector

**Lead bureau**
- Commerce and Economic Development Bureau

**Support bureau**
- Development Bureau
- Transport and Housing Bureau
- Innovation and Technology Bureau

**Figure. Suggested governance structure for economic review, industrial policy and strategic land use planning**
Industry players have advocated for statutory body

It is recommended that a new statutory body outside the Government be set up and operate on its own.

Hong Kong Shipowners Association has been communicating with the Government on establishing a new statutory body.

We hope the Hong Kong Maritime and Port Board can become a statutory body with administrative power.

Sources: Various newspapers

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Advisory body lacks power to drive growth of logistics industry

Comparison of functions of advisory bodies and statutory bodies

<table>
<thead>
<tr>
<th>Nature</th>
<th>Hong Kong Logistics Development Council</th>
<th>Hong Kong Maritime and Port Board</th>
<th>Hong Kong Trade Development Council</th>
<th>Hong Kong Science and Technology Park</th>
<th>Hong Kong Airport Authority</th>
<th>Singapore JTC Corporation</th>
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<tbody>
<tr>
<td>Land under management</td>
<td>Advisory Body</td>
<td>Advisory Body</td>
<td>Statutory body</td>
<td>Statistical body</td>
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<td>- Properties</td>
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<td>N/A</td>
<td>Science Park, and industrial estates in Hong Kong</td>
<td>Hong Kong International Airport</td>
<td>Industrial land in Singapore</td>
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<tr>
<td>Financially independent</td>
<td>Advisory Body</td>
<td>Advisory Body</td>
<td>Statutory body</td>
<td>Statutory body</td>
<td>Statutory body</td>
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<td>Statutory body</td>
<td>Statutory body</td>
<td>Statutory body</td>
</tr>
</tbody>
</table>

Sources: Hong Kong Science and Technology Park Corporation, Hong Kong Airport Authority, JTC Corporation, Hong Kong Logistics Development Council, and Hong Kong Maritime and Port Board
Lands in logistics nodes can be injected into statutory body to ensure financial sustainability.

**Strategic Economic Statutory Body**
- Logistics nodes and facilities
- Under-utilised land in KTCT

**Financial Resource**
- Subsidised by ship registration fee and tonnage fee

**Land Resource**
- Logistics nodes and facilities
- Under-utilised land in KTCT

1. Develop dedicated logistics nodes
2. Reform site allocation mechanism and operation model
3. Relocate Kwai Tsing Container Terminals
4. Conduct economic reviews and form industrial policies
5. Establish statutory body for logistics sector
New body to be responsible for development of the logistics industry

**Active land and facility management**
Statutory body can manage resources more effectively, which also helps achieve self-funding

**Facilitate policy execution and support**
Statutory body has stronger will to drive policy execution to facilitate industry development

**Strong industry representatives for external affairs**
Statutory status makes the authority well positioned to negotiate deals on regional collaborations
We do not lack suggestions, but good execution

### Maritime industry
1. Devote resources for marketing and promotion to attract commercial principals
2. Establish sovereign-rate financial institution to provide funding for ship owners
3. Include maritime-related support services in the dedicated tax regime
4. Conclude more Double Tax Agreements with major shipping jurisdictions

### Labour force
5. Expand coverage of MATF[1] to support training and education initiated by private sectors
6. Review manpower demand and leverage on HKQF[2] to design suitable training and education

### Logistics R&D
7. Offer sufficient funding to incentivise SMEs to deploy new technology in operation

### Trade Single Window
8. Explore compatibility of Hong Kong’s Trade Single Window with those of other economies or other B2B systems

### Trade finance
9. Facilitate SMEs’ access to export insurance or guarantees amid Covid-19

### Need for effective and responsible leadership to ensure timely implementation

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Notes:

[1] Maritime and Aviation Training Fund  
[2] Hong Kong Qualifications Framework

Sources: Financial Services Development Council, Hong Kong Maritime and Port Board, Hong Kong Institute of Asia-Pacific Studies, Hong Kong Association of Freight Forwarding Agents, The Chinese General Chamber of Commerce, The Hong Kong Shippers’ Council, Asian Institute of Supply Chains & Logistics, and various news clips

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Thank you