CENTRAL POLICY UNIT
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SPECIAL ADMINISTRATIVE REGION

A STUDY ON
THE HONG KONG CONTAINER TERMINAL TRADE

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A Study on the Hong Kong
Container Terminal Trade

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Executive Summary

The rapidly changing free trade environment of the Asia Pacific Region in recent years has shaped the trade activities of related countries from predominantly outward-oriented to more internal demand driven, in particular China. Under these circumstances, the role of Hong Kong container port (HKCP), as one of the busiest gateways in the region, has inevitably undergone major transformation. Against such background, the Central Policy Unit of the Hong Kong SAR Government has commissioned a study with the objective to analyze the changing role of HKCP, and formulate the strategies to meet the challenge of such repositioning.

The study is based on trade and shipping statistics from the UNCTAD and the Census & Statistics Department of Hong Kong, supplemented by interviews with representatives of concerned government departments, carriers, forwarders, and terminal operators. Below are the key findings of the research:

1. Due to the free port nature and strong international shipping network, HKCP has redeveloped into one of the most important ocean-to-ocean container transhipment hubs in Asia, with transhipment throughput accounted for 42% of the total number of containers in 2010 as compare to 20% in 2001;

2. Although HKCP and the surrounding container terminals in Shenzhen and Guangzhou are similar in efficiency and facilities, the cost competitiveness of HKCP is still behind that of the latter for the manipulation of terminal operators;

3. The importance of inland water transport (IWT) or river trade for HKCP has been increasing in the past 10 years. The escalating demand for river trade due to outward relocation of industries in the Pearl River Delta (PRD), would reinforce the hinterland expansion of HKCP. In view of the lower container unit cost of IWT, it is an effective feeder transport mode for narrowing the cost difference between HKCP and other PRD gateway ports. Therefore river trade is an important tool for HKCP to compete with western Shenzhen ports. However, the inadequate supporting facilities in Hong Kong for IWT is a negative factor for the growth of this segment;

4. Average annual growth rate of the trade between China and ASEAN countries from 2004 to 2008 stood at 21.4% and that of the trade between Hong Kong and ASEAN countries also recorded at 11%; and

5. Under the framework of APEC, officials of member countries and areas have been actively involved in contemplating the implementation of trade
facilitation measures on a voluntary basis. However, due to different economic conditions and development progress of member nations, such non-tariff barrier elimination programmes have not been widely applied.

Based on the key research findings and focus on the sustainable development strategies of Hong Kong container trade, an International Trade Facilitation Centre (ITFC) and a Container-based River Trade Cargo Processing Area (RTCPA) are recommended to be set up in Hong Kong. Both facilities should be government-owned or controlled, while ITFC should have two major functions:

(1) facilitate single-location multilateral customs processing; and

(2) provide off-shore tariff financing services.

It might also serve as a regional hub for product assembly, distribution, and other value-added activities.

The ITFC should be developed in 2 phases, that is, mid-term (3-4 years) and long-term (5-7 years). For the mid-term pilot scheme, Tuen Mun River Trade Terminal (RTT) is proposed as the location for the first ITFC, in view of the lower development costs and shorter project time frame. Whereas Kwai Tsing Container Terminal is recommended to be the second ITFC, which should be larger in scale and serve more trading partners.

To further enhance the economic integration and trade collaboration among countries of the Asia Pacific Region, similar ITFC should also be developed in other strategic locations of the region.

For the RTCPA, it should be equipped with purpose-built quay cranes for efficient handling of river trade cargoes, and extended shoreline pier (e.g. jetty). Apart from strengthening the function of PRD regional hub, RTCPA would reinforce ITFC’s role as a regional distribution centre for businesses targeting the PRD market.

To avoid duplication of resources, the urban-area public cargo working areas should be phased out gradually after the operation of RTCPA. While the RTT at Tuen Mun with the first ITFC would strengthen its role as a consolidation point for river trade vessels.

In order to enhance the integrative function of ITFC and RTCPA, the 2 facilities should be closely located or might even consider designating an area around ITFC for RTCPA.
It is important to note that the two recommendations of this research: 1) to establish an ITFC; and 2) to build an RTCPA should have relative importance and priority as policy measures. That is ITFC should be the core policy measure, supported by the RTCPA in strengthening the long-term competitiveness of HKCP.