Will the Future of HK Logistics Industry be depending on Technology?

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Overview

- A Changing World
- A Competitive World
- Hong Kong’s Advantages
- Hong Kong Positioning
- Is Technology a Means to an End?
A Changing World

- Globalisation
  - Specialisation of Manufacturing Processes
  - High reliance on SCM and IT

- Transformation of PRD Industry Model
  - Move towards higher value added industry
  - Move towards Service oriented economy
Changing Paradigm in Global Manufacturing

- Single Point OEM Manufacturing - Traditional
  - Look for the most cost effective OEM manufacturer
  - OEM responsible for all material sourcing, sub-assembly production & final integration

- Distributed Manufacturing – New Trend
  - Look for individual sub-assembly manufacturers globally for best value for money
  - Final assembly of all semi-finished components performed at locations with the best capability
Single Point OEM
Distributed Manufacturing
Distributed Manufacturing – The Implications

- Significant increase in importance for:
  - **Logistics efficiency** - sub-assembled products shipped across geographies
  - **Supply Chain Management** – the reliance on IT to track & manage semi-finished sub-assemblies

- Specialisation & focus on region specific capabilities in logistics & manufacturing
### Table 13  Ranking of Container Ports of the World

<table>
<thead>
<tr>
<th>Container Port</th>
<th>2007 '000 TEUs</th>
<th>Rank</th>
<th>2006 '000 TEUs</th>
<th>Rank</th>
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<tbody>
<tr>
<td>Singapore</td>
<td>27 936</td>
<td>1</td>
<td>24 792</td>
<td>1</td>
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<tr>
<td>Shanghai</td>
<td>26 150</td>
<td>2</td>
<td>21 719</td>
<td>3</td>
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<tr>
<td>Hong Kong</td>
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<td>3</td>
<td>23 539</td>
<td>2</td>
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<tr>
<td>Shenzhen</td>
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<td>4</td>
<td>18 470</td>
<td>4</td>
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<tr>
<td>Busan</td>
<td>13 260</td>
<td>6</td>
<td>12 039</td>
<td>5</td>
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<tr>
<td>Rotterdam</td>
<td>10 791</td>
<td>6</td>
<td>9 653</td>
<td>7</td>
</tr>
</tbody>
</table>
Hong Kong’s Advantages

- Quality of Manpower
  - Knowledge
  - Quality of Work
  - Integrity
- Simple Taxation and Customs Regime
- Well established banking services
Hong Kong’s Advantages (2)

- Well established infrastructure
- Independent Landing Rights
- Innovative application of Technology
- Smooth and unrestricted flow of:
  - Goods
  - Information
  - People
  - Funds
Hong Kong Positioning

- Can HK still sustain to be a labour-intensive “Logistics Hub”?
- How to make the best of Hong Kong unique advantages – the differentiation of HK?
Hong Kong Logistics Industry must evolve

- Transformation from secondary to tertiary
- Focus
- Specialise
- Knowledge and Service based
- From a product idea to a finished product on the shelf – where parts of the value chain have the highest value add?
Way forward – the possibilities

- Hong Kong as a specialised transhipment hub – on products such as electronics parts, flower, luxurious goods, etc

- Hong Kong as a Supply Chain Hub – to be the Brain in Supply Chain Management
What about Technology?

- As a trend:
  - More and more IT platforms
  - More reliance on IT systems to perform:
    - Track and trace
    - Inventory control
    - Cost Control and Analysis
    - Production forecast
    - Supply Chain Management
    - Warehouse management
    - Fleet Management
    - Traffic control
  - Higher use of Telecommunications, Network, Data Interchange
What is Technology for?

- Ultimately, technology alone serves no purpose
- Technology must **help us to**:
  - Improve services to customers
  - Increase our value
  - Improve the business process
  - Maximise our control over a process
Conclusions

- Technology is only the means to an end.
- Technology is useful only if it can help use to improve our processes, our cost structure and our services.
- Technology **costs money**
  - to save money and find more money!
Thank You!