

HAFFA Meeting with Mr. C Y Leung, Chief Executive, HKSAR Government **19 September 2012**

1. Thanks to Mr. Wilson Yip (Kwun Tong District Councillor) for his great assistance rendered so that a meeting between the Chief Executive of HKSAR Government (CE) and HAFFA was convened on 19 September 2012. This first-ever meeting with CE marks an important milestone that HAFFA has achieved since its establishment in 1966.

2. The key objectives of the meeting were to express industrial grave concern on various issues that severely hinder Hong Kong competitiveness as a regional & international cargo hub and to give proposed solutions to address those issues with a primary aim at industrial survival and sustainable development. Through the meeting, HAFFA channeled the full picture of the cargo industry and our long term views/position to the new Government appointees, which in return will assist them when formulating relevant policies with cross-bureaus/departments in future.

3. HAFFA had a fruitful and constructive dialogue with the Government in the meeting. The CE heard attentively the industry's needs and committed to studying its proposals in depth with relevant bureaus. The list of attendees for the meeting is set out below:

Government Representatives:

- Mr C Y Leung, Chief Executive (CE)
- Miss Shirley Yung, Deputy Secretary for Security
- Ms Jenny Chan, Principal Assistant Secretary, Transport and Housing Bureau
- Mr Carlson Chan, Private Secretary to CE
- Ms Vivien Li, Assistant Private Secretary to CE

Industrial and HAFFA Representatives:

- Ir Dr Paul Tsui, HAFFA Chairman
- Mr Wilson Yip, Kwun Tong District Councillor
- Mr Cliff Sullivan, HAFFA Vice Chairman
- Mr Kenneth Ko, HAFFA Vice Chairman
- Ms Alice Lui, HAFFA Director

4. Four major industrial issues that were brought to CE's attention:

a. Global Security Compliance

i/ Centralized scanning facility at HKIA

Currently, the security screening process is conducted at the Cargo Terminal Operator (CTO), however, the original design of CTO was to mainly cater for pallet handling, not huge volume of shipment screening for security purpose. Security consignment screening at the cargo terminal will prolong the cargo acceptance process and adversely affect the efficiency of pallet cargo handling. In view of the growing security demand in air cargo screening in particular the new EU regulation (EC 859), **HAFFA urged the HKSAR Government to facilitate investment in and building of the Airfreight CFS warehouse facilities for the industry, in particular SMEs, at the airport island or the site of close proximity to HKIA giving immediate access to time-critical logistics businesses.**

- ii/ **Hong Kong Security Program and Mutual Recognition with other major trading countries**
In view of the more and more stringent requirements demanded by the US TSA, EU, WCO AEO and other countries, and given the complexity, the sheer range and multiplicity of players involved in supply chains, as well as the fluidity across international borders that characterizes modern supply chains, **HAFFA proposed the HKSAR Government to take the matter up with the foreign Government (in particular USA and EU) in order to expedite mutual recognition to addressing cargo security and facilitation.**

b. Common e-Platform to Facilitate Information Flow for Hong Kong

To cope with the impending global trend of e-freight and other international requirements (eg. WCO and ICAO), **HAFFA requested the HKSAR Government to initiate and host an open, stable, secure and trusted Common e-Platform** to facilitate trade information flow along the entire supply chain in Hong Kong as well as establish secured e-link to the world. The existence of the Common e-Platform will greatly enhance IT capability of small players, increase productivity and save costs as this is the holistic total supply chain approach, which in turn benefit the Hong Kong overall economy and demonstrate that HK is indeed a leading e-freight city in the world.

c. Introduction of a Transshipment Ordinance

While Hong Kong is positioning itself as a regional transshipment hub and a gateway for South China, we are of grave concern that there is no Transshipment Ordinance but only the Import and Export Ordinance in place. Only shipments with through-waybills are considered transshipments. This rigidity of the Import and Export Ordinance does not allow any transshipments be broken down for partial re-export to different on-forwarding destinations. As a result, shipments are required to be declared as import or export within 14 days and this leads to the bearing of the cost of stamp duties. This makes the regional distribution centre (RDC) type of warehouse operations very expensive to run. Consequently, we are losing out to Singapore and gradually to the various Bonded Ports in China like Guangzhou, which are positioned to imitate the free port status of Hong Kong. **HAFFA therefore strongly recommended the HKSAR Government to introduce a Transshipment Ordinance.**

d. To establish the mechanism of “Co-location Customs Clearance” (一地兩檢) at a bonded area in which Hong Kong freight forwarding and logistics companies can perform customs brokerage for all import cargoes to the Mainland

The Mainland, being the world’s largest factory, will very soon surpass the United States of America (US) or the European Union (EU) to become the biggest "Import" country of the world. However the customs clearance and CIQ procedure in China are extremely complex and lengthy while the customs brokerage could only be done by personnel located in various provinces of China. If the efficiency of Mainland’s customs clearance and CIQ are not addressed, it would be the major obstacle for Hong Kong logistics service providers to offering comprehensive services and solutions to customers. Therefore **HAFFA recommended the HKSAR Government to consider establishing the mechanism of “Co-location Customs Clearance” with Customs officers representing key provinces of the Mainland located in a designated bonded area.** This breakthrough arrangement will enable Hong Kong freight forwarding and logistics companies to receive Chinese Custom and CIQ Clearance in this location in the presence of the Customs officers from both Mainland and Hong Kong.

5. We look forward to establishing a channel of communication with the CE on an ongoing basis and to strengthening closer collaboration with the bureaus/departments so as to look after the best interest of Members and bring greater economic success to Hong Kong.

6. Photos taken at the meeting with CE are available at:
http://www.haffa.com.hk/CE_Meeting2012-Photo.html

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