

## Transport infrastructure and logistics development

The development of transport infrastructure and logistics industry complement each other. Hong Kong's progress not only hinges on its traffic and transport system but also on the efficient flow of people and goods both domestically and internationally. The city will continue to consolidate and enhance its position as an international maritime centre, international aviation hub and regional logistics hub.

### Transport infrastructure

While **railway continues to be the backbone of the public transport system**, local and cross-boundary transport infrastructure projects are planned and developed under the **infrastructure-led and capacity-creating approach** and more **Smart Mobility initiatives** are launched. Stronger transport links between Hong Kong and the Mainland will facilitate the city's further integration into national development.

- **Hong Kong's public transport system was ranked first** among 60 global cities in "**Public Transit sub-index**" of **Urban Mobility Readiness Index 2022** based on factors including distance to public transit, diversity of public transit modes, affordability, operating hours and commute speeds (**research report published by Oliver Wyman Forum in partnership with the University of California, Berkeley in 2022**).
- **Hong Kong was ranked first** among 25 metropolitan cities in "**sustainable development index**" of **transport system** (**research report published by the internationally-renowned consultancy firm McKinsey in 2021**).
- **The Hong Kong-Zhuhai-Macao Bridge (HZMB) Hong Kong Section project was awarded the Institution of Civil Engineers People's Choice Award 2019** for its remarkable achievement in project management and contribution to the enhancement of regional transportation networks.

### Railway

- The Hong Kong Section of the **Guangzhou-Shenzhen-Hong Kong Express Rail Link** commenced services in September 2018, connecting Hong Kong to the over 40,000 km national high-speed rail network. To jointly develop the "Greater Bay Area (GBA) on the Rail", the governments of Hong Kong and Shenzhen have established the "Task Force for Hong Kong-Shenzhen Co-operation on Cross-Boundary Railway Infrastructure" to take forward the **Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu - Qianhai), Northern Link Spur Line**, as well as **enhancement of the Lo Wu Control Point and its transport connections**.
- The commissioning of the full **Tuen Ma Line** in June 2021 and the **East Rail Line cross-harbour extension** in May 2022 connects the New Territories, Kowloon and Hong Kong Island, providing passengers with more extensive and convenient railway services. Other local railway projects are also progressing in a timely and orderly manner, among which the construction works of the Kwu Tung Station, Tung Chung Line Extension, Oyster Bay Station and Tuen Mun South Extension are expected to commence in 2023. Detailed planning and design of the **Northern Link Main Line** and **Hung Shui Kiu Station are also in progress**.
- Currently, the extensive railway network, with a total length of about 271 km and 167

stations(including 99 heavy rail stations and 68 light rail stations), serves areas where more than 70% of people live and about 80% of people work.

## **Road**

- The HZMB, commissioned in October 2018, significantly reduces travelling time between Hong Kong and the western Pearl River Delta. To make good use of the HZMB, Hong Kong has been working closely with the authorities in Guangdong and Macao to take forward various cross-boundary transport initiatives, including the **“quota-free scheme for Hong Kong private cars travelling to Guangdong via the HZMB”**. The Scheme makes it easier for Hong Kong residents to drive to Guangdong for business, family visits or sight-seeing on a short-term basis. Under the Scheme, eligible Hong Kong private cars are allowed to travel between the two places via HZMB without the need to obtain a “regular quota” in advance. The State Council has approved the customs guarantee-free policy for the eligible Hong Kong private cars under the Scheme in November 2022.
- With the opening of the **Tuen Mun-Chek Lap Kok Link (TM-CLKL) Northern Connection** in December 2020, the TM-CLKL is fully commissioned. It significantly reduces the driving distance between Tuen Mun South and the Hong Kong International Airport (HKIA). It also helps divert traffic to and from Lantau Island.
- **Tseung Kwan O-Lam Tin Tunnel and Cross Bay Link, Tseung Kwan O** were commissioned on December 11, 2022, providing a new route between Tseung Kwan O and Kwun Tong as well as the Eastern Harbour Crossing, and helping to divert the traffic to and from Tseung Kwan O. **Tseung Kwan O-Lam Tin Tunnel**, together with the **Central Kowloon Route and Trunk Road T2 and Cha Kwo Ling Tunnel** which are under construction, form the **Route 6**, providing an east-west express link between Tseung Kwan O and West Kowloon. Upon completion, the **Route 6** will divert existing traffic between East Kowloon and West Kowloon and help relieve the traffic load on the existing major road links in Kowloon East.
- To meet the expected traffic demand arising from the progressive development in the Northwest New Territories, the Government is taking forward **Tuen Mun Bypass, Route 11 (section between Yuen Long and North Lantau), Tsing Yi-Lantau Link** and **the widening of Yuen Long Highway (section between Lam Tei and Tong Yan San Tsuen)**, so as to enhance the internal and external connectivity of the Northwest New Territories.
- The Government is taking forward the **improvement of Lion Rock Tunnel project** with a view to carrying out a full-scale tunnel rehabilitation and taking the opportunity to enhance the traffic capacity of the tunnel and its connecting roads.

## **Public Transport**

- Hong Kong has **an efficient, convenient and diversified public transport system**, including railway, franchised buses, public light buses, trams, taxis, non-franchised buses and ferries, **providing affordable, safe and reliable services** to the public.
- Every day, over 10 million passenger trips are made through different public transport services, representing close to 90% of daily commutes, which is among the highest rate of public transport usage in the world.

## **Smart Mobility**

The Government is promoting smart transport infrastructure, data sharing and analytics, which enhances

traffic management and services. Major initiatives include:

- Issuing **toll tags** to vehicle owners, in order to facilitate the gradual roll-out of the **Free Flow Tolling System (known as "HKEToll") at the Tsing Sha Control Area and all government-tolled tunnels within 2023** for more efficient and convenient payment.
- Providing funding support, through the \$1 billion **Smart Traffic Fund**, to local institutions and enterprises for conducting research and application of technology to enhance commuting convenience and efficiency of road network or space, and improve driving safety. As at end-November 2022, 24 projects have been approved by the Management Committee on Smart Traffic Fund, involving a total funding of around \$129 million.
- Actively implementing a number of **automated parking system (APS) projects** in suitable short-term tenancy car parks and public works projects. The APS project in Tsuen Wan was commissioned in November 2021 while that at Pak Shek Kok will be commissioned in December 2022.
- Rolling out **e-licensing initiatives** in phases to further enhance operational efficiency and improve convenience for the public.
- Implementing **Traffic e-Enforcement**, in order to serve Fixed Penalty Notices by electronic means for traffic contraventions, and developing a thematic portal through which members of the public can view their traffic offence records and handle related matters online.
- Improving the **Traffic Data Analytics System** to analyse traffic and weather data to disseminate real-time and estimated journey time information to the public. The System also provides high quality open data to encourage the industry to develop more innovative applications that would make it easier for people to travel around.
- Upgrading the service quality of various smart mobility measures such as the **new generation of on-street parking meters**, the **"HKEMobility" mobile app** and the dissemination of real-time parking vacancy information; and to develop appropriate smart mobility initiatives.

### **Logistics development**

Hong Kong's international airport and port facilities are consistently rated among the best and busiest in the world:

- With the strengths of high efficiency, good connectivity and wide coverage, Hong Kong serves as the gateway for trade between the Mainland and other places around the world and has also become an important regional logistics hub.
- The Government will seize the opportunities arising from the "Outline of the 14th Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035", the Belt and Road Initiative, as well as the Guangdong-Hong Kong-Macao GBA to further develop the maritime industry so as to support the development of the logistics industry; and to enhance co-operation with the Mainland on aviation, maritime and logistics development so as to complement the advantages of both sides.

### **Aviation**

- Prior to the COVID-19 pandemic, around 120 airlines offer **more than 1,100 flights daily to around 220 destinations worldwide**, including about 50 destinations in the Mainland.
- Hong Kong has **Air Services Agreements** or **International Air Services Transit Agreements** with about 50 countries involved in the Belt and Road Initiative.
- In 2019, **HKIA** handled 71.5 million passengers and around 420,000 flight movements. Air cargo

throughput amounted to 4.8 million tonnes. Total cargo throughput in 2021 amounted to 5 million tonnes, maintaining HKIA's leading position in cargo handling as the **World's Busiest Cargo Airport in 2021 (Airports Council International)** and **the Airport of the Year 2022 (Air Cargo Week: World Air Cargo Awards 2022)**.

- **Airport Authority Hong Kong (AAHK)** is pressing ahead with the **Three-Runway System** project. The Third Runway commenced operation familiarisation for aircraft take-off and landing on July 8, 2022, which signified an important milestone for the Three-Runway System project. After more than four months of familiarisation period, the Third Runway was officially commissioned for operation with effect from November 25, 2022. The **Three Runway System** is expected to be completed in 2024, which will significantly increase HKIA's passenger and cargo handling capacities.
- After its expansion, HKIA's annual passenger and cargo handling capacities are expected to increase to around 120 million and 10 million tonnes respectively from 2035 onwards.
- AAHK is taking steps to materialise the vision of transforming HKIA into an **"Airport City"**. Major projects of the **Airport City** include **SKYCITY, automated carparks** on the Hong Kong Port ("HKP") Island of HZMB and the **AirportCity Link**, which connects the HKP Island and **SKYCITY**.
- AAHK is constructing the **SkyPier Terminal** to provide direct transfer facilities for passengers travelling between HKIA and the GBA. AAHK is also expanding the **express air cargo terminal**, developing a **premium logistics centre** and strengthening the airport's capability in handling high-value, temperature-controlled cargo.
- **The Hong Kong International Aviation Academy**, established in 2016, will continue to nurture local and regional air transport management talents, in order to consolidate Hong Kong's position as a regional aviation training centre. Apart from continuing to partner with the National School of Civil Aviation of France to co-organise the **Advanced Master Programme in Air Transport Management** to attract prospective students from Belt and Road countries, the Academy will collaborate with aviation training institutions in the Mainland to launch a **GBA Youth Aviation Industry Internship Programme**, which aims to **send young people to the airports on each side for internship** in the first half of 2023.
- The Government will develop Hong Kong into the **preferred location for aircraft leasing in the region** by further enhancing the aircraft leasing preferential tax regime.
- **HKIA and Zhuhai Airport** will combine the Mainland destinations network of the Zhuhai Airport and the international destinations network of HKIA through enhancing intermodal connectivity, in order to boost the overall competitiveness and connectivity in passenger and cargo services and establish a high-end aviation industry cluster in Zhuhai.
- AAHK will set up an upstream **HKIA Logistics Park** in Dongguan and an **airside intermodal cargo handling facility** at HKIA, to facilitate seamless transportation of export cargo from the Mainland to the HKIA for transshipment to overseas destinations. A pilot scheme has commenced since end-2021.

### **Hub Port**

- Hong Kong is **one of the world's busiest and most efficient ports** with competitive advantages, including free port status, efficient customs and well-established port infrastructure. Water transport accounted for nearly 90% of freight volume to and from Hong Kong in 2021.
- Hong Kong Port, an important regional hub port, handled nearly 18 million TEUs in 2021. Every week, Hong Kong Port provides about 270 international container vessel sailings to nearly 600 destinations

worldwide, of which nearly 190 shipping services connect different ports in Asia. Such extensive liner services coverage underpins Hong Kong's position as an international maritime centre.

- **Ranked No.4 globally** in the **2022 Xinhua-Baltic International Shipping Centre Development Index**, which rates international maritime centres in terms of port factors, shipping services and business environment.
- Hong Kong Port maintains marine cargo movements with over 90 countries along the Belt and Road Initiative.
- Develop a "**Smart Port**" by promoting wider application of digital technology by the industry.

### **Maritime Services**

- The Hong Kong Maritime and Port Board was set up in 2016 to foster development of the maritime and port sectors and promote high-value-added maritime services.
- **The Hong Kong Shipping Register ranks 4th globally** in terms of gross tonnage. Over 11% of the deadweight tonnage of the world's merchant fleet is owned or managed by Hong Kong ship owners.
- With nearly 900 shipping-related companies, Hong Kong can provide a range of **quality maritime services**, including ship agency and management, shipbroking, marine insurance, and maritime legal and arbitration services.
- Hong Kong is a **leading centre for shipping and commercial contract formation as well as dispute resolution**. The High Court maintains specialist lists to deal with admiralty and commercial disputes. A judge of the Court of First Instance heads an Admiralty Court Users' Committee.
- Hong Kong is **one of the most significant international ship finance centres in Asia** – wide range of ship finance products available to suit various customers and investors.
- Over 80 local and foreign insurance companies provide marine insurance services in Hong Kong.

Measures to enhance the development of high value-added maritime services include:

- **Tax concessions to foster ship leasing business**, including exemption of profits tax for qualifying ship lessors and a half-rate profits tax concession for qualifying ship leasing managers, to attract more ship leasing companies to set up and expand business in Hong Kong.
- **50% profits tax concession to marine insurance businesses**, covering cargo insurance, marine hull insurance and marine liability insurance, etc.
- The Amendment Bill, **providing tax concessions for specified shipping commercial principals** (namely ship agents, ship managers and ship brokers), was passed by the Legislative Council in July 2022, with a view to attracting more maritime enterprises to establish business presence in Hong Kong.
- **Expanding the overseas service network of the Hong Kong Shipping Registry (HKSR)** to provide more direct and prompt support for Hong Kong registered ships, including providing technical support and responding to Port State inspection and emergencies. At present, there are seven HKSR Regional Desks in London, Shanghai, Singapore, Sydney, San Francisco, Tokyo and Toronto.
- The Hong Kong Polytechnic University Department of Logistics and Maritime Studies provides academic programmes ranging from undergraduate to postgraduate levels, with major areas of specialisation covering global supply chain management and international shipping and transport logistics.
- **Maritime and Aviation Training Fund** supports talent development, to enhance the overall

competitiveness and professional competency of the industries. **Maritime Services Traineeship Scheme** will be launched in 2023 to provide traineeship for young people who aspire to a career in maritime law.

- **The International Union of Marine Insurance** has set up its Asian hub in Hong Kong.
- **International Chamber of Shipping** has set up its first Asian liaison office in Hong Kong (Hong Kong (China) Liaison Office).
- **The Baltic and International Maritime Council (BIMCO)** has published BIMCO Law & Arbitration Clause 2020 to include Hong Kong as the fourth named arbitration venue, alongside London, New York and Singapore.
- Seven HKSR Regional Desks in London, Shanghai, Singapore, Sydney, San Francisco, Tokyo and Toronto provide more direct and prompt support for shipowners.
- Expanding the network of Comprehensive Double Taxation Agreements to attract more overseas ship owners and maritime service providers to set up offices in Hong Kong.

### **Logistics Sector**

- **The Hong Kong Logistics Development Council (HKLDC)**, established in 2001, is committed to enhancing logistics development and promoting high-end and high value-added modern logistics services.
- To encourage the logistics industry to **enhance productivity through technology application**, a **pilot subsidy scheme** was launched in October 2020 with an injection of \$300 million. Each eligible third-party logistics service provider will receive subsidies to implement up to four projects, subject to a cumulative subsidy ceiling of \$1 million. The Government's plan is to enhance the pilot subsidy scheme in the first half of 2023 to further encourage the logistics industry to use technology and make wider use of smart logistics solutions.
- **Suitable sites continue to be identified and released** for the trade to **develop modern logistics facilities**. Five sites in Tsing Yi, Kwai Chung and Tuen Mun have been granted through public tender since 2010 for modern logistics use. In addition, the AAHK granted the development and management rights of a piece of land covering an area of about 5.3 hectares at the south cargo precinct of the HKIA in June 2018 to develop the premium air cargo logistics centre.
- Enterprises in the logistics industry are subsidised to provide various **on-the-job training courses** for logistics practitioners, including supply chain management and cross-border e-commerce. **Summer internship programmes** are launched to nurture professionals for the long-term development of the modern logistics industry.
- The first ever **professional training and certification course on cold chain logistics management** equips practitioners with sound knowledge in the management and operations of cold chain logistics, thus leveraging Hong Kong's strengths in cold chain logistics services for high-value goods such as pharmaceuticals and perishables.
- The Government co-organises the annual **Asian Logistics, Maritime and Aviation Conference** with the Hong Kong Trade Development Council, providing a platform for logistics, maritime, air transport and supply chain management services providers to exchange market intelligence and explore the latest industry developments.

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