

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.

- The **Strategic Studies on Railways and Major Roads beyond 2030** recommended to build three strategic railway projects and three major road projects, namely Hong Kong-Shenzhen Western Rail Link (Hung Shui Kiu - Qianhai), Central Rail Link, Tseung Kwan O Line Southern Extension, Northern Metropolis Highway, Shatin Bypass and Tseung Kwan O-Yau Tong Tunnel. The Government will carefully study the views received during the public consultation exercise and conduct preliminary engineering technical assessments with a view to enhancing the recommended schemes and formulating the Major Transport Infrastructure Development Blueprint for Hong Kong in Q4 of 2023.

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. Guangdong and Hong Kong have reached a consensus on the implementation date of the policy which is now being reported for approval, with a target to implement within 2023. The State Council has already 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, with a remarkable effect in diverting 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 **vehicle tags** to vehicle owners, in order to facilitate the gradual roll-out of the **HKeToll, a free-flow tolling service, 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-March 2023, 36 projects have been approved by the Management Committee on Smart Traffic Fund, involving a total funding of around \$203 million.
- Actively implementing a number of **automated parking system projects** in suitable short-term tenancy car parks and public works projects. The short-term tenancy projects in Tsuen Wan and Pak Shek Kok were commissioned in November 2021 and December 2022 respectively, while the site for the short-term tenancy project in Sham Shui Po was granted in February 2023. The Government is inviting tenders for the project in Yau Ma Tei under short-term tenancy.
- 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 offered **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. Despite the impact of the pandemic in 2022, total cargo throughput amounted to 4.2 million tonnes, maintaining HKIA's edge in cargo handling as the **World's Busiest Cargo Airport in 2022 (Airports Council International)**, the **Airport of the Year 2022 (Air Cargo Week: World Air Cargo Awards 2022)** and **Asia Pacific's Cargo Airport of the Year 2022 (9th Payload Asia Awards)**.
- **Airport Authority Hong Kong (AAHK)** is pressing ahead with the **Three-Runway System** project. The Third Runway was officially commissioned for operation with effect from November 25, 2022, signifying an important milestone for the Three-Runway System project. The whole **Three-Runway System**, expected to be completed in 2024, 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 transform HKIA into an "**Airport City**" which will develop HKIA into a node of various economic activities with aviation as its core business, to support the economic growth of Hong Kong and neighbouring regions. Major projects of the **Airport City** include **SKYCITY**, **automated carparks** on the Hong Kong Port (HKP) Island of HZMB, the **AirportCity Link** and **Airport-Tung Chung-Expressway**, which connect the HKP Island and **SKYCITY**.
- The 200m-long **Sky Bridge** is in use since November 2022 which connects Terminal 1 (T1) and T1 Satellite Concourse, and brings convenience and new experience to passengers. **SkyPier Terminal**, which provides direct transfer facilities for passengers travelling between HKIA and the GBA, will commence operations in Q2 of 2023. AAHK has completed the expansion of the **express air cargo terminal** and is 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 and 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. To attract more young people to the aviation industry, the first-year training places of the programme will be increased to 450 to meet the

long-term manpower demand of the aviation industry in Hong Kong and the Mainland.

- The Government is developing Hong Kong into the **preferred location for aircraft leasing in the region** by further enhancing the aircraft leasing preferential tax regime. The enhancement measures include allowing tax deductions for the acquisition cost of aircraft and expanding the scope of leases and aircraft leasing activities.
- The AAHK, which is planning to **construct a new aviation business park on the Airport Island**, is exploring with Zhuhai authorities the feasibility of building an aviation industrial park in Zhuhai, to promote the aviation industry in the two places through cross-boundary co-operation.
- **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.
- AAHK will set up an upstream **HKIA Logistics Park** in Dongguan and an **airside intermodal cargo pier** within the restricted area of 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 over 90% of freight volume to and from Hong Kong in 2022.
- Hong Kong Port, an important regional hub port, handled nearly 17 million TEUs in 2022. Every week, Hong Kong Port provides over 240 international container vessel sailings to over 460 destinations worldwide, of which nearly 180 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 some 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 over 1,100 port and maritime-related companies, Hong Kong can provide a range of **quality maritime services**, including port services, ship agency and management, shipbroking, ship finance, 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** (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 a presence in Hong Kong.
- The Government, in consultation with the Hong Kong Maritime and Port Board and representatives of the high-end maritime services industry, will put forward an **action plan** in 2023 with the aims of (1) enhancing business sectors such as ship finance, marine insurance, maritime arbitration and ship management, to **make Hong Kong a leading high-end maritime service market**; (2) promoting the development of **smart initiatives and digitalisation** in the maritime industry; (3) promoting **collaboration among maritime industries in the GBA and around the world**; and (4) facilitating transformation of global maritime and port business towards **zero emission**. In this connection, \$20 million will be allocated to expedite studies on strategies to **promote the high-end maritime services industry** and enhance exchanges among industries in the international arena and the GBA.
- **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.
- \$200 million will be injected into the **Maritime and Aviation Training Fund** to support manpower training of the logistics industry, promote the development of high-end, high value-added and smart logistics, and encourage the industry to collaborate with tertiary institutions and professional organisations in attracting more young people to join the industry. The Fund has benefited more than 16,000 students and practitioners, and supported the industries in their promotional and publicity work since its establishment in 2014.
- **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 (International Chamber of Shipping (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.
- 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**, established in 2001, is committed to enhancing logistics development and promoting high-end and high value-added modern logistics services.
- The Government, in consultation with the Hong Kong Logistics Development Council and representatives of the logistics industry, will put forward an **action plan** in 2023 with a view to devising **logistics development strategies** along the following directions: (1) reinforcing intermodal transport by integrating air, sea and land transport to **strengthen the key role played by Hong Kong in the logistics chain of the GBA and beyond**; (2) leveraging our strengths in handling high-value goods to **promote the development of high-end and high value-added logistics services**; and (3) encouraging a wider application of smart logistics solutions by the logistics trade to **enhance competitiveness through technology**.
- 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 pilot subsidy scheme was enhanced in January 2023, with the Government's subsidy ratio raised from 1:1 to 2:1, 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. The Government has also reserved lands in the Northern Metropolis for the development of modern logistics industry, including about 37 hectares of land in the Hung Shui Kiu New Development Area for logistics facilities.
- 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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