

Opening Address
At the 34th Executive Council Meeting Federation of Asia Pacific
Aircargo Associations (FAPAA)
31 August 2007

“Overview of the Hong Kong Freight and Logistics Industry”

Mr. McNamara, Mr. Nahr, Ladies and Gentlemen,

It is my pleasure to be with you today at the opening ceremony of FAPAA's 34th Executive Council Meeting. FAPAA, as a regional organization, has grown from strengths to strengths over the past 35 years in promoting closer relationship amongst its member countries in information exchange and experience sharing in enhancing the logistics chain and trade facilitation. Today's Executive Council Meeting is yet another good opportunity for industry leaders from different countries to shed light on how to further the logistics cooperation in the region. I am therefore honored to be invited to say a few words on Hong Kong's strengths as a regional air cargo hub.

2. First we are blessed with a very strategic geographical location. Hong Kong is right at the heart of Asia; half of the world's population is within our reach of 5 hours' flight time. Second, with sustained efforts made by both the government and the industry over the years, we have developed a comprehensive and reliable aviation network with a good mix of international and regional routes. Being a major aviation hub, Hong Kong is well served by some 86 airlines which operate more than 5,600 scheduled flights per week to over 150 destinations worldwide. Hong Kong International Airport has very good international connectivity in the region.

3. The Hong Kong International Airport has also held the “World's Best Airport” title for 6 years in a row from 2001. Of course, we would not forget about FAPAA's recognition of our being the “**Most Friendly Airport for Cargo**” in 2005. All this is testimony to our distinct competitive edge in the time-critical air cargo business.

4. In terms of air cargo volume, the Hong Kong International Airport has been the world's busiest since 1996. 2006 was another record-breaking year. Air traffic throughput set new records of 44.5 million passengers and 3.6 million tones of cargo, representing an increase

of 9.1% and 5.2% over 2005.

5. Notwithstanding that, the strengths of the Hong Kong International Airport in handling air cargo must not be viewed in isolation; a highly efficient, seamless and ever improving inter-modal transportation network is becoming more and more crucial to the sustained development of any cargo hub. For example, the sustained growth of our cargo throughput is highly attributed to the enhanced connectivity with the fast growing cargo hinterland in South China over the past decades. Apart from having direct flight connection to about 40 Mainland destinations, Hong Kong is a major logistic gateway to the Pearl River Delta Region. The Marine Cargo Terminal at the Hong Kong airport provides reliable sea links to 17 Pearl River Delta ports. The Hong Kong Shenzhen Western Corridor, the fourth cross-boundary land crossing, which was just commissioned this month, will significantly enhance our road connections to the eastern PRD.

6. On the other hand, there is no room for Hong Kong to be complacent. With the fast economic expansion in Mainland China comes an increasingly competitive environment for our operators. For instance, the development of such large-capacity airports as the New Guangzhou Baiyun Airport and New Bangkok International Airport has lifted the competition to a higher level. There is also the emergence of Low Cost Carriers (LCCs) in the region that prefer to operate from “second tier” airports. As always, Hong Kong is on the alert and strives to stay at the forefront. We are taking a multi-pronged approach in capacity building and enhancing our competitiveness.

- First, it is our standing policy to progressively liberalize our air services regime so as to expand Hong Kong’s aviation network, and strengthen our status both as an international hub and the primary gateway to the Mainland. So far we have concluded 58 air services agreements with our trading partners. Most of the recently concluded deals provide for unlimited capacity between Hong Kong and the countries concerned.
- Second, we have re-introduced the New Destination Incentive Arrangement (NDIA) to provide Landing Charge rebate to encourage airlines to develop new destinations.
- We keep on **upgrading our cargo handling facilities**. The Asia Airfreight Terminal (AAT) just completed its phase II

expansion this March. That expansion provides AAT an additional annual handling capacity of 910,000 tonnes. DHL is expanding its express cargo terminal to raise its handling capacity from 20,000 to 35,000 parcels per hour. The Hong Kong Airport Authority is constructing 10 additional cargo parking stands for completion by year end. It also aims to commission a new air cargo terminal in 2011 with a minimum additional annual handling capacity of 2.5 million tonnes. The tendering procedure is underway.

- We are also improving our air traffic management capability by replacing the existing air traffic control system, recruiting more controllers, streamlining flight procedures, and applying new air traffic control technology.

6. Indeed, a clear road map has been rolled out, and progress is being made across a broad front by both the government and our industry players. The shining records of Hong Kong as an aviation center and air cargo hub are attributed to the sustained efforts made by the public and private sectors alike. As the Hong Kong government, we are committed to providing the necessary infrastructure and a business-friendly environment. However, I believe the key driving force behind Hong Kong's success story will continue to be the power of entrepreneurship in an open and free society, as well as an international perspective to feel the pulse and rhythm of the world trend. FAPAA's Executive Council Meeting today presents a golden opportunity for industry leaders in the region to take the pulse and share your insights as to how members could join hand to move things forward. Before closing, I would like to wish you a fruitful meeting and a pleasant stay in Hong Kong. Thank you.

(970 words)

***Division 5
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