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Bottlenecks in Logistics—Cross-Boundary Road-Freight Industry

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In recent years, the government of the Hong Kong Special Administrative Region (HKSAR) has positioned the logistics industry as the future driving force behind the Hong Kong economy. Large-scale construction projects such as the Shenzhen Western Corridor, the Hong Kong-Zhuhai-Macao Bridge, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Container Terminal No.10, and the Value-Added Logistics Park have been undertaken to improve the infrastructure of the industry. The Digital Trade and Transportation Network System are being vigorously developed by the HKSAR government to serve as an electronic platform to increase the industry's efficiency.

In his 2003 and 2004 policy addresses, the Chief Executive of the HKSAR government proposed cutting the operating costs of the logistics industry. Much emphasis was placed on reducing the cost of road freight in 2004. Meanwhile, as an HKSAR government-sponsored report has concluded, the higher operating costs of Hong Kong's logistics industry (compared with Shenzhen's) can be attributed to the high costs of road freight and high port-handling fees, with the former accounting for about two-thirds of the difference. *The Report of Hong Kong Port-Master Plan 2020* published in November 2004 emphasizes that reducing inland transport costs is critical to Hong Kong's future port development.

Road freight has the advantage of transporting cargo from point to point without stopovers. As road networks improve, road freight will play a more significant role in the transportation of goods between Mainland China and Hong Kong. It will also play an important role in establishing a modern logistics system to transport goods between Hong Kong and the Greater Pearl River Delta or even the Pan-Pearl River Delta.

At the end of July 2006, the Shenzhen Western Corridor and its "One location two checkpoints" will be completed. It will have a design volume capable of transporting 2.5 times more than Huanggong ports. The Shenzhen Western Corridor will become the largest port in Asia. With improved port facilities, the completion of The Shenzhen Western Corridor, and the simplification of cross-boundary customs clearance, the cross-boundary road-freight industry will have more room for expansion and development. However, the licensing policy for cross-boundary freight trucks, regulations, customs and quarantine constraints, and other administrative measures will constitute impediments to the further development of the cross-boundary road freight industry. Transporters face formidable barriers to increasing their efficiency and lowering their costs. It has become critical that efficiency in cross-boundary road freight be improved quickly to meet this new challenge.

In this report, we look at the cross-boundary road freight truck licensing system, business constraints, the customs/quarantine system, and other bureaucratic administrative regulations.

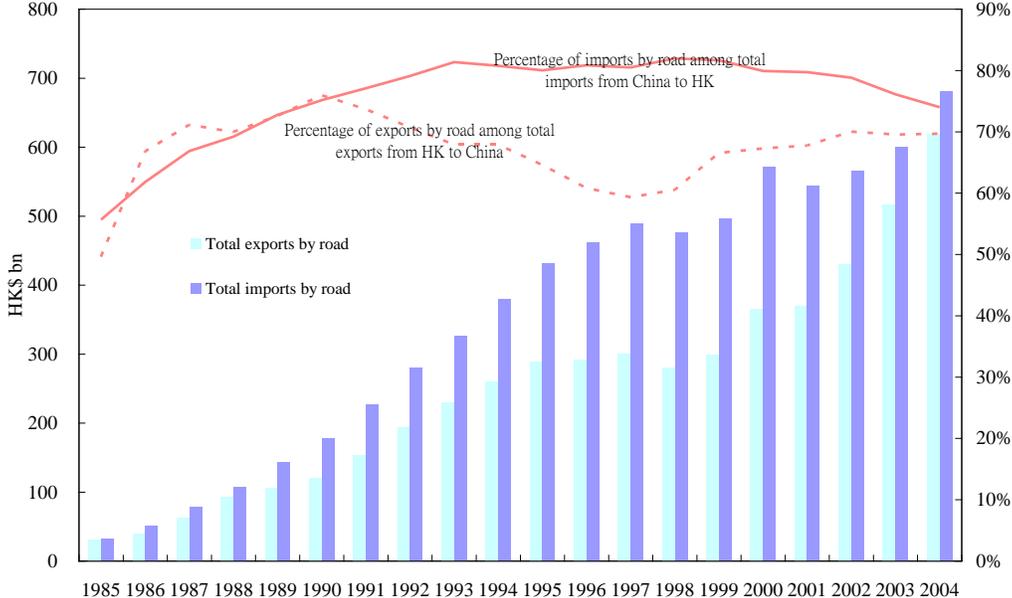
We show that relaxing just one regulation will not significantly improve the industry’s efficiency or enhance the economic performance of the Greater Pearl River Delta region or the Pan-Pearl River Delta Region. A coordinated effort by the government to overhaul the whole industry, including policies and regulations put in place by various departments and regulatory bodies, must take place to bring about significant improvement.

I. The Role of the Cross-Boundary Road-Freight Industry in Hong Kong’s Economy

The proportion of export of services in Hong Kong’s land-freight transport industry to total export of services was only 1.3% to 2% during the period 1995-2002. The percentage of total business receipts for cross-boundary freight trucks to total business receipts of the land-freight transport industry was estimated at around 31.3% to 38.6% during the same period. This reflects the fact that the direct contribution of value added in the cross-boundary road freight industry to gross domestic product is minimal, which can explain why the industry has been neglected for so long. Nevertheless, the cross-boundary road freight industry is an important part of Hong Kong trade with Mainland China and is also a key component of a modern logistics system.

Since the mid-1980s, cross-boundary freight trucks have been the most important transport mode for goods moving between Hong Kong and Mainland China. During the period 1990-2004, the average proportion of the value of Hong Kong’s exports by road to the total value of its exports to Mainland China was 67%. During the same period, the average proportion of the value of imports by road to the total value of imports from Mainland China was 79%.

Figure 1: Total Exports and Imports by Road, 1985-2004



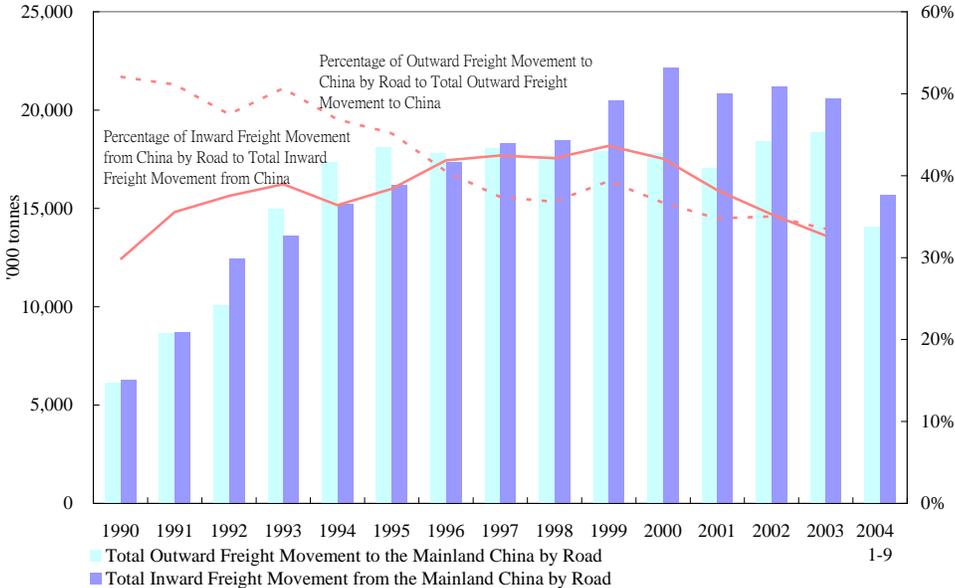
Source: CEIC

During the period 1990-2003, the average proportion of the value of total outward freight movement from Hong Kong to Mainland China by road to total outward freight movement to

Mainland China was 42%. During the same period, the average proportion of total inward freight movement from Mainland China by road to total inward freight movement from Mainland China was 38%. During the period 1990-1998, trucks were the most important transport mode for moving freight between Hong Kong and Mainland China. After 1998, the proportion of freight moved by river increased rapidly, and movement by river replaced movement by road as the most important traffic mode for freight movement between Hong Kong and Mainland China.

In 2003, the proportions of transshipment and direct shipment to total freight moved by various transport modes were quite different. Transshipment cargo moved by river – the major source of growth in recent years – represented about half of total freight moved by river in 2003. However, the proportion of transshipment cargo moved by road has been quite low lately, standing at only 8% in 2003.¹ That year, around 92% of the cargo moved by road were direct shipments. Bottlenecks induced by the cross-boundary road freight industry caused a significant proportion of Guangdong’s external trading firms to forgo moving cargo by road.

Figure 2: Total Inward and Outward Freight Movement by Road, 1990-2004 (January to September)

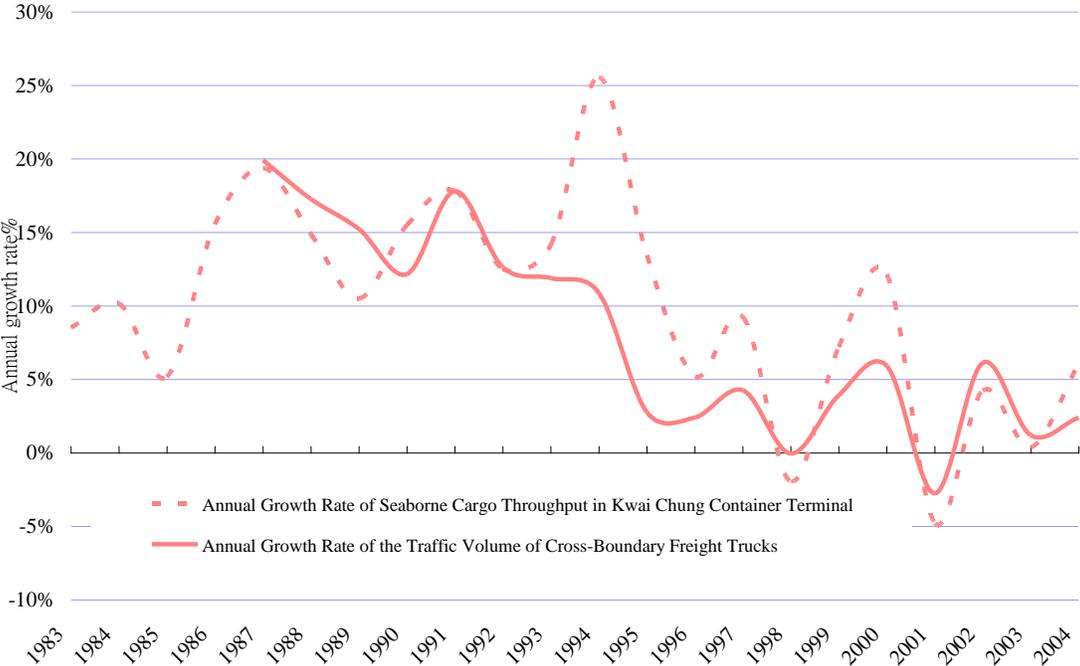


Source: CEIC

Since 1995, the value of imports and exports transported by air to and from Hong Kong grew, compared with the value of imports and exports transported by other modes of transportation. Despite the fact that the value of imports and exports transported by air amounted to one-third of total trade, for air freight, throughput was only 1.1% of all inward and outward cargo. For road freight, the amount of cargo throughput imported by air and reexported to Mainland China by land or imported from Mainland China by land and reexported overseas by air was low. Most cross-boundary road freight begins and ends at port terminals, which fosters a close relationship with seaborne cargo throughput in the Kwai Chung Container Terminal. The traffic volume

growth of cross-boundary freight trucks is directly proportional to the flow of seaborne cargo throughput of container terminals. Again, this reflects the close relationship between the cross-boundary road freight industry and Hong Kong ports. Without an efficient cross-boundary road freight industry, Hong Kong ports will be less effective in reaching its potential.

Figure 3: Annual Growth Rates of Seaborne Cargo Throughput in Kwai Chung Container Terminal and Cross-Boundary Freight Trucks, 1983-2004

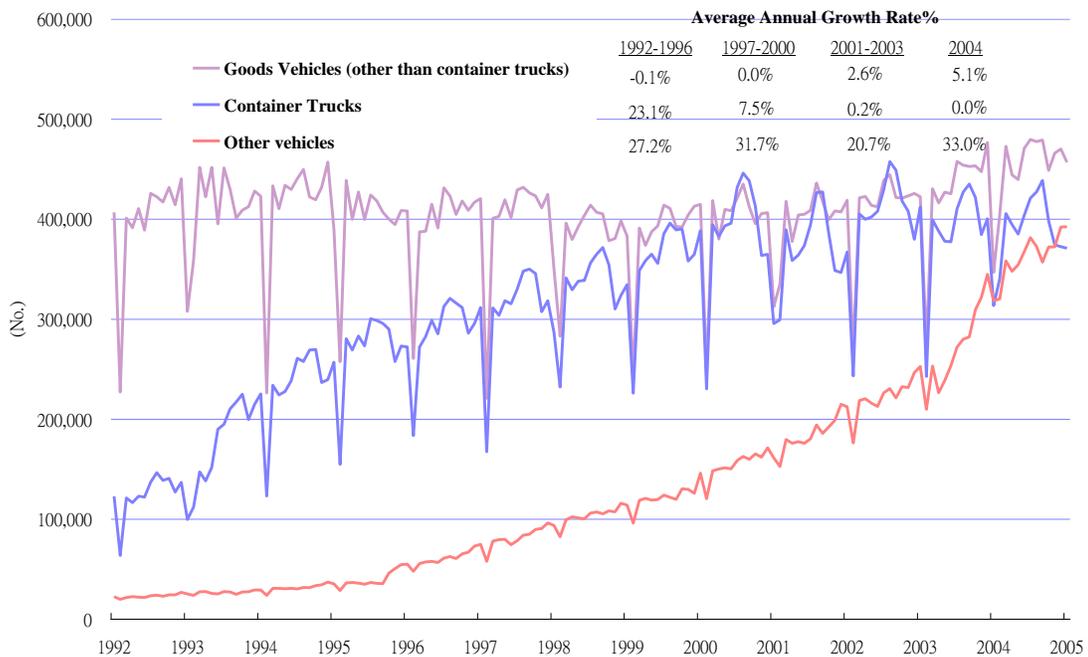


Source: CEIC, Hong Kong Port Development Council, HKSAR Transport Department

The growth of Hong Kong’s cross-boundary road freight industry has been sluggish since 2000.

All cross-boundary freight trucks can be classified as either goods vehicles (other than container trucks) or container trucks. The goods vehicles to container trucks ratio was 4 to 1 in 1991. In 1999, the ratio was approximately 1 to 1, and it remains so to the present day. Since 1992, the flow of goods vehicles has enjoyed steady growth, whereas the flow of container trucks has increased dramatically. The growth rate of the flow of container trucks increased by 23.1% from 1992 to 1996 and by 7.5% from 1997 to 2000, after which it leveled off to zero from 2001 to 2004.

Figure 4: The Traffic of Goods Vehicles, Container Trucks, and Other Vehicles in Three Major Crossings, August 1992-2004



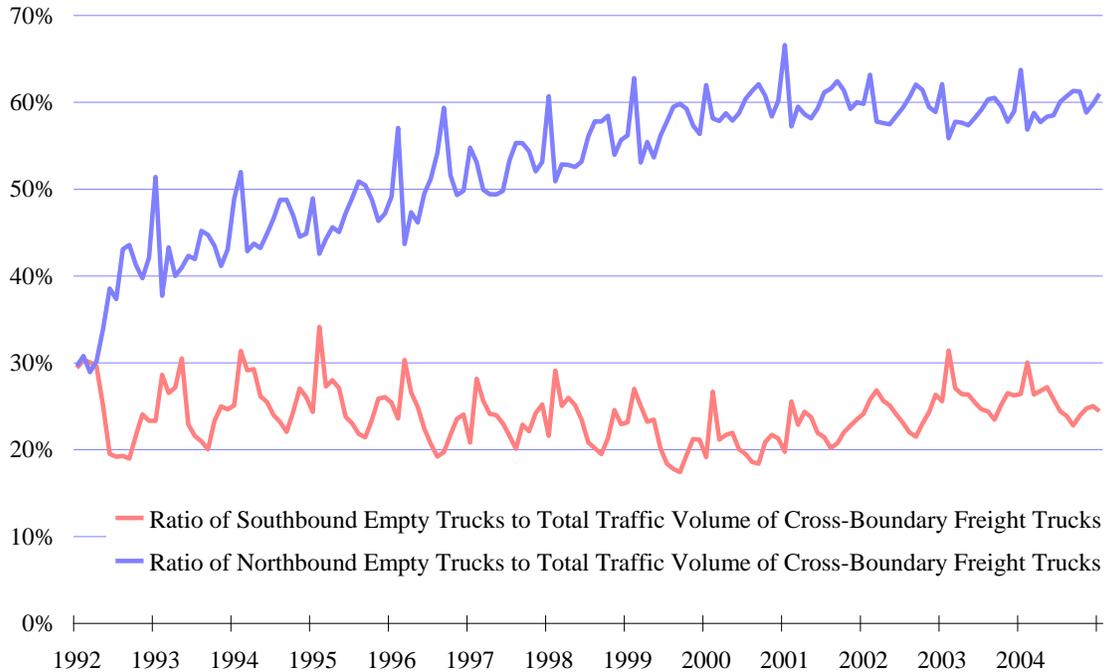
Source: Monthly Traffic and Transport Digest, HKSAR Transport Department, various issues

Since other ports of entry in Shenzhen entered the field in 1995, Hong Kong cross-boundary truckers no longer enjoy a quasi-monopoly but have to compete with Mainland China truckers. Despite strong growth in Guangdong's external trade, the traffic volume of cross-boundary freight trucks has maintained only single-digit growth over the past 10 years. The traffic volume growth of container trucks has slowed down more significantly than that of goods vehicles. There is no upturn in sight.

There are more southbound loaded trucks than northbound loaded trucks; the proportion of one-way loaded trucks to total traffic flow of cross-boundary trucks keeps increasing.

During the period 2003-2004, of every four incoming container trucks, three were loaded. Of every five outgoing container trucks, two were loaded. There is a discrepancy between the demand for incoming and outgoing container trucks, with more loaded trucks traveling south and fewer traveling north. The number of empty trucks varies with the season and the volume of imports and exports.

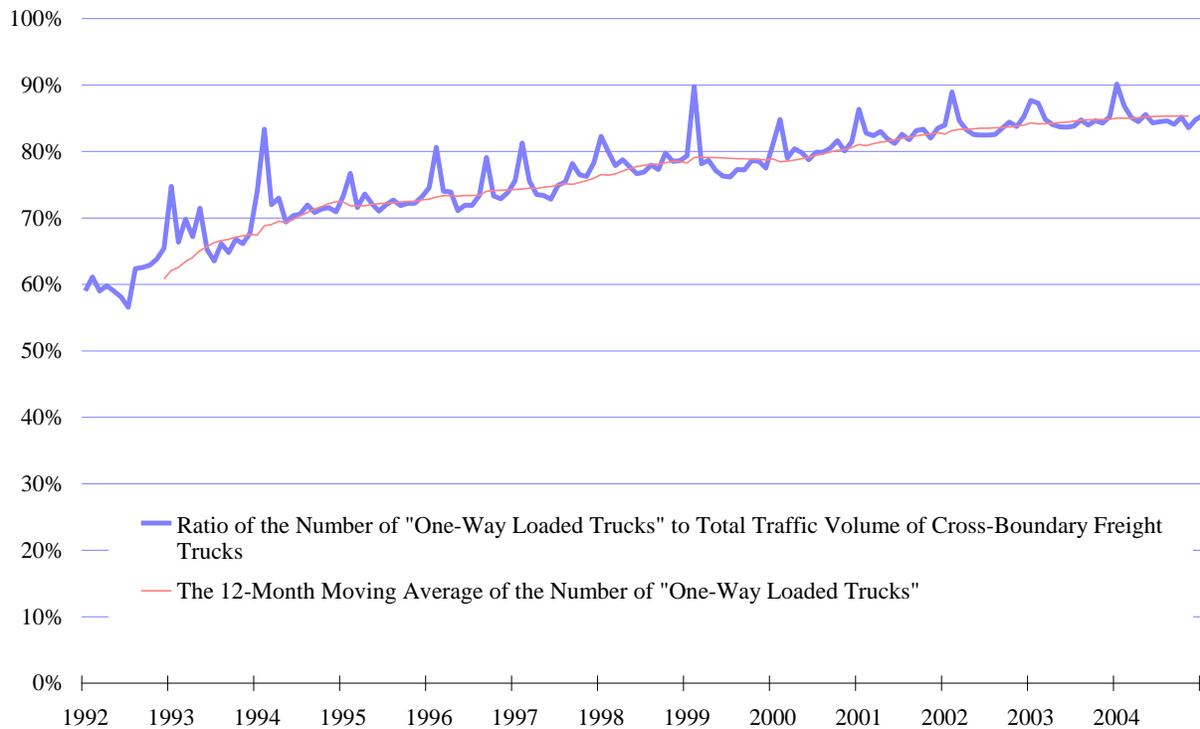
Figure 5: The Ratio of Southbound and Northbound Empty Trucks to Total Flow, 1992-2004



*For 1992-1993 no statistics for empty and loaded trucks are available for Sha Tau Kok, so this graph shows only the statistics obtained at Lok Ma Chau and Man Kam To.
 Source: HKSAR Customs and Excise Department

As shown in Figure 6, the proportion of one-way loaded trucks to total traffic flow of cross-boundary freight trucks increased steadily from 1992 through December 2004. In spite of simplified customs procedures and an improved road traffic network, the proportion of one-way loaded trucks to total traffic flow did not decrease. This may reflect difficulties with or inefficiency in the road system for short-distance transportation for two-way loaded trucks.

Figure 6: The Number of "One-way Loaded Trucks" to Total Number of Cross-boundary Trucks, 1992-2004



Source: HKSAR Customs and Excise Department

Despite the fact that the open-door policy has been in effect in Hong Kong for decades, over 80% of all incoming and outgoing cargo is loaded and unloaded in Shenzhen and Dongguan. This hampers the development of the Hong Kong road freight industry. It is also out of step with the rapidly expanding road network in Mainland China, especially in Guangdong.

Over 80% of cross-boundary road freight companies have fewer than five employees. The small-scale operations and fierce competition within the industry have left relatively few resources with which these companies can analyze the industry and lobby the government for restriction relaxation. In fact, restrictions placed on the development of the road network, the licensing system, cross-boundary road freight, and the customs and quarantine systems, along with transport constraints on cross-boundary freight trucks, all hamper the efficiency of the cross-boundary road freight industry.

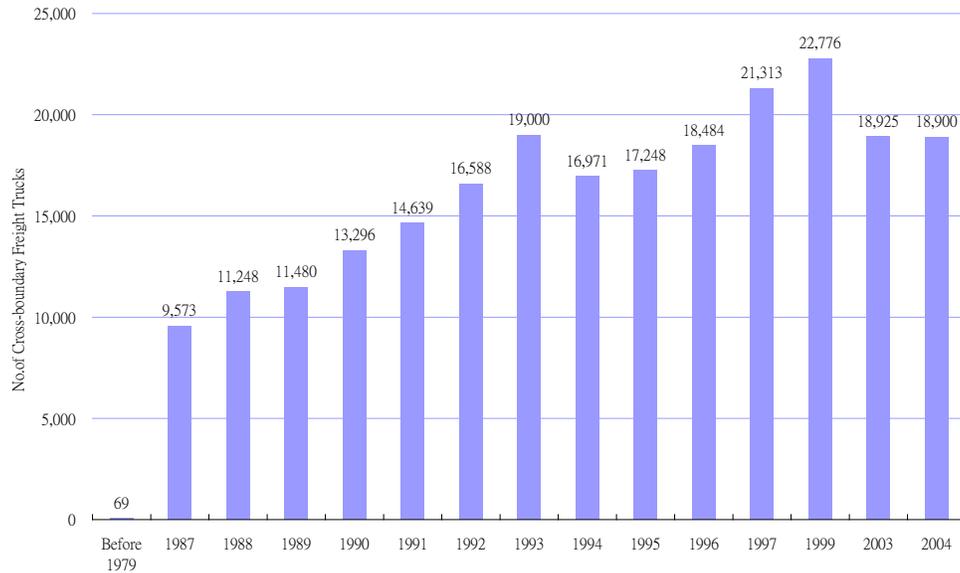
II. The Cross-Boundary Road-Freight Industry's Licensing System and Mode of Operation

The cross-boundary road freight industry is being consolidated.

Information on cross-boundary truck traffic is scarce. Neither the Guangdong provincial

government nor the HKSAR government regularly makes public the relevant statistics. In December 2004, about 18,900 Hong Kong cross-boundary freight trucks owned a valid closed road permit. According to The Hong Kong Transport Department, about 800 Mainland China truckers can operate in Hong Kong in accordance with an agreement reached by both governments in 1997. On the other hand, it is estimated that about 1,000 Hong Kong truckers can operate between Hong Kong and the Shenzhen Futian Tax Free Zone without applying for a cross-boundary license.

Figure 7: Number of Cross-boundary Trucks, 1979-2004



Source : One Country Two Systems Research Institute 港深兩地公路貨運流通問題(1994) HKSAR Transport Department, HKSAR Customs and Excise Department

A great deal of room remains for further relaxing licensing regulations.

Before 1993, a Hong Kong transport company, having established a joint venture company with its Chinese partner, could apply for and obtain cross-boundary freight truck licenses from the provincial government. Only Chinese-foreign joint venture companies could apply. The licenses lasted for up to three years. Before the mid-1980s, 20 to 30 license holders would form a group, owned by an independent “licensing company” and each “licensing company” might have up to 100 licenses. However, this type of licensing arrangement is rare nowadays. Regulations governing the road freight industry are relaxing; however there is still much room for further relaxation.

In 1993, the Guangdong provincial government held two public auctions to invite bidding on new licenses. The first was held in March and the second in September. In the same year, the Guangdong provincial government abandoned the charge-free policy and imposed a fee of HK\$180,000 per three years on cross-boundary freight trucks when these trucks renewed their licenses. Since then, this fee has been reduced to HK\$100,000 per three years.

The Development of Licensing Regulations for Cross-Boundary Freight Trucks

All Guangdong-Hong Kong joint venture transport company contracts have to be approved by the Department of Foreign Trade and Economic Co-operation of Guangdong Province. The following summarizes policy changes in the industry since 1984:

(1) Mainland partners are primarily enterprises related to the local government. Hong Kong transport companies are required to pay a fixed fee to their Mainland partners. In 1984, every cross-boundary freight truck owner paid HK\$300 per month to his Mainland partner. Since then, the fixed fee has increased to HK\$1,667 per month. In 1993, the Guangdong provincial government introduced the license fee on cross-boundary freight trucks.

(2) In the 1980s and the early 1990s, cross-boundary freight trucks were able to pass through only one of the Mainland-Hong Kong crossings. It was a rigid system. Since the mid-1990s, restrictions have steadily relaxed. Cross-boundary freight truck owners can now apply to use the three crossings.

(3) During the 1990s, there were regulations prohibiting the leasing of licenses, but these regulations failed. Since the late 1990s, 30% of licenses have been eligible for leasing. The remaining 70% must be used by truck owners. However, there is still a big discrepancy between regulation and reality.

(4) The licensing system is mainly for owners of cross-boundary freight trucks. For every 20 licenses, the licensing company is allowed one to two backup drivers. However, 90% of cross-boundary freight truck owners lease their licenses from licensing companies. Most of them thus have fewer than 20 licenses and therefore cannot have backup drivers, so the allowance is wasted.

(5) Under the Closer Economic Partnership Arrangement, the Mainland road freight industry opened up to Hong Kong and Macao investors. This arrangement allows Hong Kong and Macao service providers to wholly own cross-boundary freight truck companies not just in Guangdong but in other parts of Mainland China as well. This means that from 2004 onwards, all cross-boundary freight trucks should be able to operate across the whole country. However, in reality, the trucks are still unable to operate in all of China's ports. They are not allowed to pick up empty or loaded containers within the country and are restricted to routes from Hong Kong ports to factories/storage facilities in the Mainland. Although the licenses do not restrict the routes that trucks can use, departments of communications within local Mainland China governments impose restrictions that prevent cross-boundary freight trucks from operating in any Guangdong ports.

High fees paid to Mainland China's various government departments are hindering the industry's development.

The HKSAR government charges a license fee and a closed-road permit fee only for cross-boundary truckers. The fee is approximately HK\$774 per month, or about 1.4% of the total cost of operating a container truck. Fees charged by various levels of government in the Mainland amount to 15.8% of monthly costs (or not less than HK\$8,993). These fees include a highway-maintenance fee, a license fee, an operation fee, a seasonal tax, an industry and commercial consolidated tax, a fixed profit tax, and other charges for obtaining necessary documents. Additionally, because of the two governments' different insurance and vehicle examination

requirements, there may be cases in which cross-boundary freight truck owners end up with unnecessary double insurance coverage and vehicles examination fees, thus adding to their fixed costs.

The main cost of operating a container truck is truckers' salaries, which account for approximately 36% of total costs. Today, the industry suffers from an inability to attract young truckers, without whom the cross-boundary road freight industry cannot remain competitive. Truckers, whose educational level remains low, will lag behind in adapting to new requirements of the modern logistics industry. In the end, the industry will gradually fall out of touch with new developments.

Before the mid-1990s, manufacturers could determine how their merchandise would be loaded and transported. With more Chinese inland ports modernizing their services, more and more merchandise is being outsourced to logistics companies and agents. To remain competitive, Hong Kong-China transporters have to offer a one-stop service for cargo transport. To do this, they must either establish a branch company in Mainland China or form a joint-venture company with a Mainland partner. Inability to adapt to this new trend will result in loss of business.

III. The Constraints of Mainland China's Customs and Quarantine System

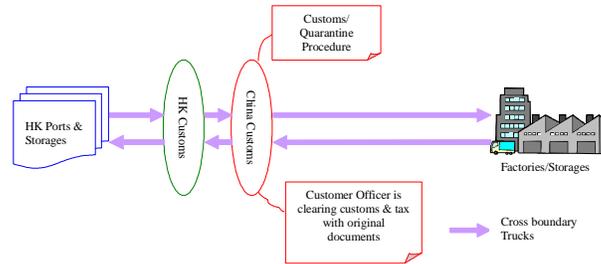
The Chinese government uses a variety of measures to regulate different types of trade, which are classified as general trade (一般貿易), processing and assembling with customers' materials (來料加工), processing and assembling with imported materials (進料加工), processing equipment (加工設備), foreign-funded equipment (外資投資), bonded warehouse (保稅倉庫), and so forth. General trade and processing trade account for most of Guangdong Province's trade. In 2004, these two types of trade accounted for 23% and 69% of Guangdong Province's total trade, respectively.

There are seven customs areas in Guangdong, including Shenzhen, Huangpu, Guangzhou, Gongbei, Jiangmen, Shantau, and Zhanjiang customs. In 2004, goods cleared at Shenzhen customs accounted for 48% of all Guangdong Province's exports and imports, while goods cleared at Huangpu and Guangzhou customs accounted for 24% and 13%, respectively. The remaining 15% were cleared at Gongbei, Jiangmen, Shantau, and Zhanjiang customs.

Different trade modes and different customs areas have different clearing practices in the cross-boundary road freight industry (see Diagram 1).

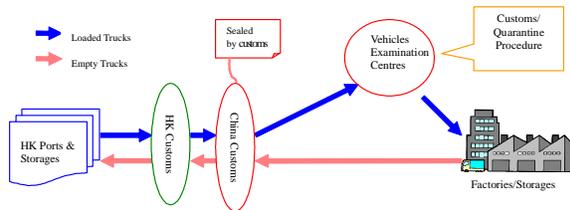
Diagram 1: Clearing Practices in the Cross-Boundary Road-Freight Industry

a. General Trade

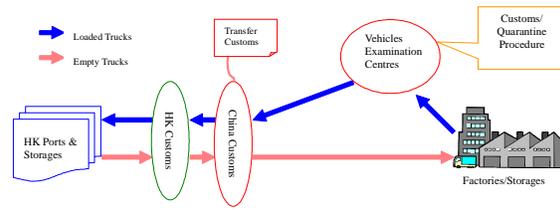


b. Processing Trade in other Guangdong Cities

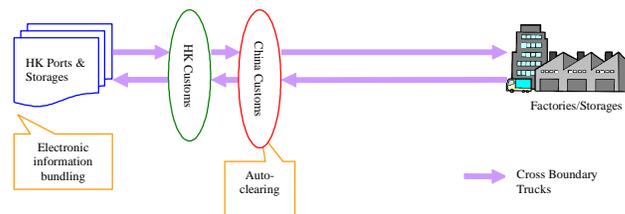
Container Unloading



Empty Container Loading



c. Processing Trade in Shenzhen



The difference between total trade in Guangdong Province and total trade by Guangdong's customs districts should more or less reflect the total trade of other provinces that make use of various ports in Guangdong Province for import and export. The proportion of the volume of goods from other provinces that make use of various ports in Guangdong Province for import and export dropped from 13% in 1995 to 6.4% in 2004. The value of goods rose only from US\$15 billion in 1995 to US\$24 billion in 2004. In the past 10 years, the average annual growth rate of total imports and exports of Hong Kong, Macau, Guangdong Province, and the other eight provinces in the Pan-Pearl River Delta has sunk lower than that of the country as a whole. It is worth reviewing the obstacles to growth. If the logistics industry can operate more flexibly, more enterprises in the Pan-Pearl River Delta can make use of ports in Hong Kong and Guangdong Province. An inefficient Hong Kong-China cross-boundary road-freight industry will decrease

the efficiency of the logistics industry in the Pan-Pearl River Delta and will have a negative effect on attracting goods from other provinces to make use of ports in Hong Kong and Guangdong Province.

According to customs and quarantine procedures now in effect, the restrictions on cross-boundary road freight companies are as follows:

The four-up, four-down policy

Beginning in 1994, to facilitate supervision, Mainland China customs stipulated that each cross-boundary trucker and his truck, trailer, or container must go “up” to the Mainland and come back “down” together. This regulation was abolished only very recently, on January 1, 2005. Shenzhen customs has indicated that from 1998 onwards, this regulation, although still in place, was not strictly followed. When electronic information bundling (電子網綁) is implemented, it is possible to separate the trucker from his truck, trailer, or container. Customs did its part to repudiate this outdated regulation; nevertheless, very few truckers operated separately from their trucks. This is because other departments did not follow suit to allow the improvement to take place globally. For example, the licensing department still bundle a driver and a truck into one license, making it impossible for the trucker and the truck to be separated. Thus, without parallel relaxation in this and other departments, the industry was still very much constrained by other legacy restrictions.

Shenzhen Municipal Bureau of Communications restrictions on depots of international containers

The Shenzhen Municipal Bureau of Communications has stipulated that all international containers must use special designated depots for transshipment and reexport. Hence, from 2002 onwards, cross-boundary truckers have been able to unload their containers and pick up empty containers in these designated depots. However, since the locations of these depots are far from their transport routes, few cross-boundary truckers make use of them.

The Huanggong Depot

The Huanggong depot can accommodate only 30 container trucks. Hong Kong cross-boundary freight trucks must arrive at the depot on time so that Mainland China cargo trucks can unload their containers, unseal them for customs inspection, and then load the cargo onto Hong Kong container trucks. Truckers complain that the depot is too small to make such operations efficient and to meet their demands. By 2007, Guangdong Province will open its outgoing road network to other provinces in the country. If, by then, customs clearance of cargo from other provinces to Guangdong Province and then to Hong Kong can be simplified, the cost of reexporting cargo via Hong Kong will fall, which will attract more reexport business to Guangdong Province.

The bottleneck at vehicle examination centers – Guangdong Province’s inspection points for goods vehicles crossing into Hong Kong and Macao

Cross-boundary trucks carrying goods with processing trade must go through customs and quarantine procedures at vehicle examination centers (see Diagram 1b, Processing Trade in Other Guangdong Cities). Despite the fact that many vehicle examination centers have become more efficient, some still operate in an outdated fashion implemented in the 1980s. Officially, truckers can clear customs between 8:00 a.m. and 10:00 p.m., but the actual hours of operation

are much shorter because customs officers take time off for meals and shift changes, and no backup personnel are available to relieve them. This periodic understaffing situation results in frequent congestion.

Twenty-four-hour counters

Since 2002, the number of 24-hour counters available for cross-boundary truckers has increased from one to four. However, many cross-boundary truckers are reluctant to use these counters at night. Customs units for checking documents and examining cargo operate separately. The night customs unit checks only documents. The drivers, once chosen for inspection, are required to wait until 6:00 a.m., when the cargo examination unit opens, to complete the customs process. Nighttime crossing thus may take longer than daytime crossing owing to an increased chance of being inspected and a longer waiting time. This explains why most cross-boundary truckers do not choose to clear customs at night but would rather wait until morning if they think they cannot clear customs by 10:00 p.m.

IV. Room for Improvement

With the expanded and improved road network as well as a more efficient customs system, it is crucial to implement a more effective licensing policy that would further relax regulations for the establishment of an efficient logistics system in the Pan-Pearl River Delta. The cross-boundary road freight industry would benefit if the following governmental restrictions were relaxed:

1. The Licensing Policy and Day-to-day Operations

(a) Relax the licensing policy

With the simplification of customs clearing and the opening of the Western Corridor, the present licensing policy is no longer efficient. The management model should be switched from a heavily regulated to a market-driven one. To start a transport company in Hong Kong, no minimum capital is required. Any company or person who can raise enough capital to buy cargo trucks or container trucks and to attract a sizable business turnover can launch a transport company.

The Guangdong provincial government should examine the feasibility of introducing the concept of market-driven licensing and should relax the existing policy. Regulations that can be implemented are as follows:

Lengthen the license period

We propose lengthening the license period to over three years. This will not only make applying for a license simpler and ensure continuity of business but will also attract long-term investments. At present, it is risky to invest in a new vehicle that has a license to operate for only three years.

Create a more transparent licensing system

After two public biddings in 1993, the government of Guangdong Province has put no new licenses up for public auction. It has also withheld information about the total number of licenses issued, the number of new licenses issued, and the number of old licenses withdrawn. We recommend that all this information be revealed in a timely manner so that investors can

determine whether they wish to continue to invest.

Review the charge levied on the licenses of cross-boundary freight trucks

During the 1990s, the monopoly on Hong Kong-China cross-boundary road freight collapsed. The charges laid down from 1993 to 1996 may have been too high, thereby impeding the industry's continued development. These charges should be reviewed and revised.

Permit Hong Kong transport companies to apply directly for cross-boundary freight truck licenses

Under the provisions of the Closer Economic Partnership Arrangement, a Hong Kong transport company can wholly own a transport company in Mainland China. There should be one registration standard for both wholly owned and joint-venture companies. Both should be allowed to apply for cross-boundary freight truck licenses.

(b) Relax restrictions on transshipment of containers

The Shenzhen Municipal Bureau of Communications has laid down regulations that distinguish between transshipment and reexport of containers to other provinces within the country and overseas. If these regulations can be relaxed, Hong Kong truckers will be able to operate in all Mainland ports, thereby increasing their flexibility and efficiency.

(c) Lower, simplify, and centralize taxes and charges for Hong Kong cross-boundary freight trucks

The total taxes and charges levied on Hong Kong cross-boundary freight trucks by various levels of government in Guangdong Province amount to 15.8% of the total cost of operating a truck.² This is a fixed cost, not a variable cost pegged to the profit margin. This is not advantageous to the industry. Shenzhen transport companies that transport goods from Shenzhen to other provinces are also burdened by heavy duties. The industry will benefit substantially if Mainland China's government lowers, simplifies, and centralizes taxes for Mainland cargo trucks and Hong Kong cross-boundary freight trucks.

(d) Simplify the license-renewal procedures, and separate the trucker from the truck

Every three years, truck owners have to go through a cumbersome and complicated process to renew their licenses. They must prepare their documents six months ahead of time. Applications must include the stature, minutes of board of directors meetings, commercial registration, permits, tax returns, and the like. Moreover, under the existing system, if a transport company intends to separate a trucker from his cargo truck or to change truckers, the company has to apply to the provincial government through its 燒 licensing company. The application must go through customs, where the trucker has to apply for a driver's license (司機簿) and receive a medical examination. This process may take up to one month. Simplifying such procedures would be advantageous to all parties concerned.

(e) Merge double examination and insurance requirements

The Guangdong Provincial government and the HKSAR government should coordinate and agree on a standard for vehicle-examination and insurance requirements, thereby saving truckers the cost and trouble of double examination and unnecessary insurance coverage.

(f) Promote fairness in relation to traffic accidents

In cases of traffic accidents, Hong Kong truckers have often complained of unfair treatment. The cargo transport industry unions are petitioning both governments to look into these cases. We recommend that both the HKSAR government and the Guangdong Provincial government take a proactive role in helping to solve the problem.

2. The Customs/Quarantine Systems

Under the best-case scenario, when goods arrive at seaports or airports in Hong Kong, they will already have cleared customs and/or quarantine. Goods can then be sent by cargo trucks directly to factories without any stopovers. To accomplish this, Hong Kong and Mainland China will have to adopt a common set of customs and quarantine regulations. This is the long-term goal. In pursuit of this goal, we recommend the following improvements:

(a) Increase the efficiency of Mainland China's vehicle-examination centers

Shenzhen customs and quarantine departments have improved efficiency by importing and exporting cargo at the factory instead of at customs. This example should be followed by other cities in Guangdong Province, especially Dongguan. At present, as much as 20-30% of all cargo from Hong Kong goes to Dongguan. If the Dongguan provincial government can follow the Shenzhen example, the waiting time will be significantly reduced.

(b) Allow more flexibility in the declaration of customs

At present, Mainland China customs at the port of entry allows a cargo truck to have more than one declarations form, as long as the form is for the same type of trade, such as general trade or processing trade. However, one form for several trucks or one truck with more than one type of trade is not permissible. It is recommended that flexibility (e.g., allowing one form for multiple trucks and one truck with more than one type of trade) be implemented.

(c) Move cargo examination from the port of entry to the factory

Shenzhen customs is now very accommodating to certain large export companies. Hong Kong customs officers do not examine cargo at the port of entry. Instead, the officers make an appointment with the company and accompany the cargo trucks to the factory and carry out the examination at unloading. Mainland China customs offices should consider making this standard procedure. Now that the system of random examination for risk management has been adopted, the adoption of this checking at unloading has become possible and would minimize the impact of the examination on the factory.

(d) Improve the efficiency of 24-hour cross-boundary customs clearance

Although 24-hour cross-boundary customs clearance has existed for almost 10 years, high-efficiency clearing is still not available. Nighttime truckers cannot enjoy the high-efficiency service available to daytime truckers.

(e) Simplify the transfer customs procedures for processing trade outside Guangdong Province

At present, the only staging depot that can be used for cargo to/from other provinces for transfer customs to/from Hong Kong is Huanggong. Simplifying the transfer customs procedures related to cargo with processing trade from other provinces and allowing this cargo to clear customs at any vehicle-examination center within Guangdong Province will facilitate its efficient transport

to Hong Kong. This will have a positive effect on the development of the logistics industry in the Pan-Pearl River Delta. Since Shenzhen customs has already computerized its system, simplifying relevant regulations, such as examining export cargo at the factory before clearing customs and examining import cargo at the factory instead of at customs, is feasible. Doing so will reduce congestion at the ports. Customs in Hong Kong, Shenzhen, and other ports in Guangdong Province can coordinate to achieve better-defined duties and responsibilities, which will boost the development of the logistics industry in the Greater Pearl River Delta and the Pan-Pearl River Delta.

(f) Increase the transparency of inland customs clearance at vehicle-examination centers in other cities in Guangdong Province

When Shenzhen customs has been relieved of some of its clearance procedures and quarantine duties, other ports and vehicle-examination centers will have to become more efficient, which will benefit the trucking and cross-boundary road-freight industries. Because detailed statistics on how much time Hong Kong truckers spend waiting in the 59 vehicle-examination centers in Guangdong Province are not available, it is impossible to assess the efficiency of these centers. It is necessary to increase the transparency of customs clearance at these centers to improve efficiency, thereby benefiting the logistics industry as a whole.

In recent years, new traffic regulations implemented in Shenzhen have impeded the development of the cross-boundary road-freight industry. Efforts are being made to persuade the Shenzhen municipal government to consider the cross-boundary road-freight industry's need for better traffic regulations when new plans are made and new traffic regulations declared. The Hong Kong and Shenzhen governments have spent a great deal of time exploring the possibility of cooperation between the two cities when developing new infrastructure. High-level officials have been involved in these discussions. However, to reach an agreement is by no means easy, since the two cities have different agendas and priorities. All Hong Kong-China cross-boundary cargo must pass through Shenzhen. Without cooperation in planning and coordination of the traffic network, development of the cross-boundary road freight industry will falter.

Expanding the road network, the cross-boundary freight truck licensing system, business constraints, customs/quarantine systems, and other bureaucratic administrative procedures are closely linked. If various levels of government cannot adopt new policies and measures to increase efficiency, the Pan-Pearl River Delta will be hard pressed to modernize its logistics industry to meet international standards and fully maximize the region's economic potential.

Notes:

¹ HKSAR Census and Statistics Department, Road Cargo Statistics, Hong Kong Monthly Digest of Statistics, December 2004.

² Figure in January 2004.

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