



[For immediate release]

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Press Release**

LSCM Logistics Summit 2012
Technology is the Key to Retain Competitive Edge and To Excel

With its strategic location, unique history and flourishing international commerce, Hong Kong has long been the region's most important logistics hub for decades. Trading and logistics industry is one of the four pillar industries in Hong Kong, which accounts for one fourth of GDP. Hong Kong, Shanghai, Singapore and Shenzhen are known as the world's four largest logistics centres. However, as the sourcing base in Southern China disperses and goes inland, the container ports and airports in neighbouring cities rapidly develop, and free trade agreements proliferate across the Asian region, all these mean fewer cargoes are and will be coming to Hong Kong, and the industry needs to undergo a major overhaul to retain its competitive edge.

Experts Gathered for Logistics Summit

In view of this, the Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies (LSCM R&D Centre) has gathered industry practitioners, government officials, academic representatives and research experts to the "LSCM Logistics Summit 2012" at Hong Kong Science Park held on 3 September. Guests attending the event were **Miss Janet WONG, JP**, Commissioner for Innovation and Technology; **Mr Andy TUNG**, Chief Executive Officer of Orient Overseas Container Line Limited; **Mr Stanley HUI, JP**, Chief Executive Officer of Airport Authority Hong Kong; **Mr Clement CHEUNG, JP**, Commissioner of Customs and Excise; **Dr Paul TSUI**, Chairman of Hong Kong Association of Freight Forwarding And Logistics Ltd.; **Mr Sunny HO, JP**, Executive Director of the Hong Kong Shippers' Council; **Mr Tommy LUI**, Chairman of the LSCM Board of Directors and **Mr Simon WONG**, Chief Executive Officer of the LSCM R&D Centre,, etc. The industry key players have exchanged insights and thoughts on the key trends and how to drive the logistics industry forward and retain Hong Kong's competitiveness amidst intense regional competition.

Hong Kong has the most efficient and busiest ports and airport. According to statistics from the Census and Statistics Department, the air cargo throughput of Hong Kong was 3.94 million tones, which accounted for over one-third of the total trade value of Hong Kong in 2011. It runs the world's most active air cargo operation. Container throughput of Hong Kong ports grew from 23.7 million TEUs in 2010 to 24.38 million TEUs in 2011. Hong Kong is hence considered a transportation hub of international significance.



Behind the glory, Hong Kong logistics sector is facing business obstacles, i.e. high rent, high salary, high fuel price and low profit. In contrast, many container ports have sprouted around Southern China, which are less expensive, closer to the sources or destinations of the cargoes and increasing port operations efficiency, for example, Yantian, Shekou and Nansha ports in Shenzhen have become Hong Kong's big competitors.

A Step Forward

Fortunately, both local and foreign corporates are still eager to use Hong Kong as their gateway to mainland China. This is not only because Hong Kong provides the necessary intellectual property rights protection, but also because Hong Kong is a free port which thrives on free trade. It does not levy any Customs tariff on imports and exports. Even imports of wines from Hong Kong would enjoy duty free preference. Hence, many luxury goods suppliers choose to set up their headquarters in Hong Kong and distribute goods to the Mainland China.

However, if Hong Kong aims to retain its world-leading position and competitive edge in logistics industry, a more advanced techno-logistics system is required. The logistics and supply chain sector is becoming service and knowledge-driven. It has changed from handling cargoes physically, to adopting information technology for data analysis. Information technology is serving as an important channel in logistics management as it increases efficiency while lowering costs.

The LSCM R&D Centre, established in 2006 with funding support from the Innovation and Technology Fund of the HKSAR Government, aims to strengthen the local logistics industry by providing a one-stop shop for technology transfer and commercialization. It is hosted by three leading universities, namely The University of Hong Kong, The Chinese University of Hong Kong and The Hong Kong University of Science and Technology, providing a strong research basis for the development of applied technologies.

Commercialization and Partnership Synergy

“The challenge for LSCM is to strengthen the competitiveness of the logistics industry through technological innovation.” said Tommy Lui, Chairman of the LSCM Board of Directors.

Radio-frequency Identification (RFID) is one of the key research area for LSCM. RFID is a technology that uses radio-frequency electromagnetic fields to transfer data from a tag attached to an object for the purposes of automatic identification and tracking. Compared with traditional barcode, mini-size RFID chips can store much more information. Also, with radio waves, RFID readers can read the chip in a distance and from different angles. Thanks to these advantages, the RFID technology



has been widely applied in our daily lives. For example, it is used in Octopus Card and Autotoll etc.

Radiofrequency Identification Widely Used

“In the old days, barcode labels can only be read one at a time. The read range is low. Yet with RFID, many tags can be read together at once through radio waves. It is not necessary to present each tag to the reader separately as is required for barcodes, instead all tags within the range of the reader can be read almost simultaneously as they pass the reader. This greatly reduces time and increases accuracy.” Mr. LUI added.

“In addition, RFID can be adopted by any application without geographic boundary. It uses real-time tracking which provides instant access, management and storage to cargoes. Due to all these benefits, the RFID technology is advancing rapidly. For instance, the use of this technology offers fresh food and drug processors a way to monitor temperature and humidity data as products move from source to retails. The RFID technology has led to better safety handling of raw materials and finished products in the food industry.” Mr LUI added.

Mr. LUI said, in the past few years, LSCM launched various RFID technology projects which broke through technological obstacles in hardware, software, system, network design and development. Pearl River Delta companies can then adopt RFID technology based on industry standard, and develop a highly transparent logistics and supply chain management system.

HKIA Boosts Baggage Handling Efficiency with RFID

The RFID Baggage Handling system is now used in the Hong Kong International Airport (HKIA). HKIA is the pioneer in the world to adopt and fully apply this technology. Each day, around 70,000 baggages from more than 100 airlines use the RFID tag. HKIA uses more than 26 million RFID tags each year, making it the airport that applies the RFID baggage handling system with the largest scale.

In Search of High-value-added Solutions

“We must strengthen Hong Kong’s competitive edge in the world market.” said Mr. Simon WONG, Chief Executive Officer of the LSCM R&D Centre. “We have to look for high-value-added solutions and transport goods with high unit prices. Luxury goods like red wine and designer handbags have to meet strict transportation requirements. This prevents the wine from going bad or handbags being exchanged. Containers can be locked by E-Locks while C&ED can track it all the way through GPS. The vehicle does not have to stop when it passes through C&ED’s control points. It only stops at the airport cargo terminal. It used to take two hours for customs



clearance when a cargo item left Hong Kong. Now it only takes five minutes to check that the e-lock is in place. This greatly reduces time and manpower.”

To let the public better understand this new technology, a 1:87 miniature model of the E-Lock tracking system is specially made for this year’s Logistics Summit. Visitors can witness the difference between a vehicle with and without E-Locks when passing through the customs. As shown in the model, trucks circulate around control points including the PRC custom, Hong Kong custom, Tsing Ma Bridge and the Airport Cargo Terminal. The model is equipped with lights which makes it more like a real-life scene.

The E-Lock system is now used by about 16% of the cargo traffic between Hong Kong and mainland. Customs and Excise Department plans to extend the system to ports like Man Kam To, Sha Tau Kok and Shenzhen Bay.

“We hope to share thoughts on new applications of technology among logistics experts. The technology usage is more affordable for SMEs when more people use the technology. Though we are facing various challenges, Hong Kong can still keep its role as a well-established logistics hub in Asia through on-going research on new technologies.” Mr. WONG summed up this summit.

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