

# Technology



## How Hong Kong can be a leader in logistics



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**THE LARGE NUMBERS** of cargo ships carrying millions of containers in and out of Hong Kong's container terminals bear testimony to the importance of logistics to our city.

Logistics, which has been identified as one of the four pillars of our economy, is much more than just ships carrying goods between ports.

It comprises the planning, coordination and execution of the flow of goods and information from the origin, for example, a toy factory, to its final destination – a store in Brazil.

In today's global market environment it is no longer possible for manufacturing and marketing departments to act independently of each other.

Most companies are global; their materials and components are sourced worldwide, manufactured offshore and distributed to countries all over the world. Therefore, logistics, an integrative concept that seeks to develop a system-wide view of the company, has become an issue of central concern.

Efficient logistics management lowers costs and helps a company to gain a competitive

advantage. In Hong Kong, logistics expenditures account for more than one-eighth of our entire GDP! Good logistics services keep customers happy and help to retain them.

Hong Kong, due to its geographical location, is a very important port city. It is the world's third busiest container port, measured in terms of number of containers handled yearly.

But our ports face ever increasing competition from those in the mainland, and doubts have been cast on the territory's future as a logistics center.

Some part of this is due to the difference in labor costs between Hong Kong and the mainland.

However, the biggest value of logistics is derived from management and planning decisions. So, as world trade increases and with it the importance of global logistics, the significance of Hong Kong as an important port will depend on our ability to innovate and lead in intelligent logistics planning and execution.

Recognizing the need for Hong Kong to remain a world leader in logistics, the University Grants

Committee is supporting a group of 13 university scholars from around the world to explore various aspects of ocean container logistics.

The team, including professors from Hong Kong University of Science and Technology, City University and Hong Kong University, is working together with professors from Korea and the Netherlands, to explore many problems faced by modern logistics operations.

One problem is how to reduce the costs of handling empty containers, which arise when there is a significant trade imbalance between two countries.

Another research problem is identifying the best pricing and term/volume contracts that can be employed by the different companies, including the shipper, third-party logistics company, and the carrier, that are involved in the logistics.

The solutions to these, and various other problems, can add billions of dollars of value to the logistics operations.

The team of researchers is collaboratively

working on a theme-based research project – Transforming Hong Kong's Ocean Container Transport Logistics Network.

This aims to establish Hong Kong as the research hub for logistics and supply chain management. The group looks at ocean container transport supply chain networks in a holistic view, and develops an in-depth understanding of the key operational characteristics and constraints of complex ocean container transport and logistics systems.

Their goal is to advance the state-of-the-art research methodologies for the design, operation and management of logistics systems, and assist Hong Kong, especially its ocean container transporting industries, to maintain and gain competitive advantages through more intelligent business decision-making technologies.

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