Logistics Business Sustainability

Hong Kong SME Service Provider Perspective

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Agenda

- Current Situation of Hong Kong
  - Logistics Services
  - Warehouse Supply & Demand
  - Labor Cost
- Sustainability
  - Government Policy Support
  - SME Macro & Micro Solutions

Logistics Services

- Transportation
- Warehousing
  - Local, regional, global hub
- Freight forwarding
- Value added services
  - Shipping administration
  - Packaging & labeling
  - Inventory management

Warehouse Supply & Demand

- Total supply of warehouse premises
  - 51 m ft^2 GFA in total (2013)
  - 40% or 20 m ft^2 in Kwai Tsing area
- Demand of 3 m ft^2 in 2014-2015

  (HKLA Survey September 2013)

Upcoming Warehouse Supply

High Quality Warehouses in Tsing Yi

- 2014-2015
  - 1.5 m ft^2
- 2017
  - 2.4 m ft^2

Choices of Local Warehouses

- Ramp access logistics centre



Choices of Local Warehouses

- Cargo lift access industrial/warehouse building





Choices of Local Warehouses

- Single level metal structure



Warehouse Rental Cost

- Basic Rent
  - HKD7.00 to HKD15.00 / ft^2 / month
  - Average HKD13.5 ramp access (Q2 2014) *
  - Average HKD9.3 cargo lift access (Q2 2014)*
- Management Fee
  - HKD0.5 to HKD1.8 / ft^2 / month
- Government Rent 3% & Rates 5% on rateable value

* Collier / HKSAR Gov't)

Labor Supply

- Unemployment rate – 3.3% (Nov 2014)*
- Total vacancies in logistics – 3,400 (Sep 2014)*
- Short of frontline/operation manpower

*C & S Department HKSAR

Minimum Wages May 2014

1 RMB = HKD1.25

City	Pay per Hour	RMB per Month	HKD per Month
Hong Kong	HKD30	4,800	6,000**
Shenzhen	RMB16.5	1,808	2,260
Guangzhou	RMB15.0	1,550	1,938
Shanghai	RMB17.0	1,820	2,275
Foshan Dongguan Zhongshan	RMB12.5	1,310	1,638
Jiangmen	RMB11.1	1,130	1,413

**Remark: Assume working 25 days x 8 hours

Labor Cost 2012 vs 2014

In HKD

Labor	2012	2014	Increase %
Warehouseman	$8,000 – 9,000	$9,500- $16,000	18 - 77%
Driver	$10,000 – 12,000	$14,500 – $25,000	45 – 108%
Vehicle Attendant	$8,000 – 9,000	$12,000 – $16,000	50 – 77%
Other Benefit	10% - 12%* on wages		

*Mandatory provident fund, employee compensation insurance (mandatory) medical, personal accident insurance (optional)

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Sustainability – Land Policy

Short term – stop industrial building revitalization program

Medium term - re-zone appropriated areas around Kwai Tsing district for logistics use

Long term - increase the supply of logistics land in Tsing Yi , Tuen Mun

Sustainability – Labor Policy

Short & Medium term – establish imported labor mechanism

Long term - move working population close/fast to the logistics areas

SME Sustainability – Macro

- E-commerce
- Migrate to high value added logistics
  - Cold chain for high value product
  - Regional or global hub service for prestige brands
- Leverage HZM bridge
  - Moving to low cost with growth potential cities

SME Sustainability – Micro

1. Don’t be too aggressive in getting new business
   - Find synergy with less resources demand



SME Sustainability – Micro



2. Be conservative in cost analysis & charges calculation
   - Commit short term service fees

SME Sustainability – Micro

3. Staff retention plan
   - Training / creative incentive scheme



SME Sustainability – Micro

4. Be smart in investment
   - Finding appropriated facility



SME Sustainability – Micro



5. More stringent location selection
   - Gate charge, parking fee etc can be killing
   - Short servicing radius oriented

Conclusion

- Maintain core values
  - Integrity
  - Fair
- Enhance hardware & software efficiency
- We are still competitive

Thank You