

**The socio-economic impact of 24-hour
operation of land boundary control points on
Hong Kong
Executive Summary**

Submitted to Central Policy Unit

One Country Two Systems Research Institute

June 2002

Background

1.1 In October 2001, the HKSAR government announced that 24-hour operation of land boundary control points is a long-term goal of the government and the Mainland authorities. For a long time, there exist different opinions concerning the issue, since 24-hour operation not only involves future interaction and interflows between Hong Kong and Guangdong Province, but also have impacts on our property, wholesale and retail, catering, entertainment, transport, import and export, professional services and logistics industries. Moreover, it may trigger a series of problems involving employment, family relationships, law and order and juvenile delinquency, all of which require thorough and detailed research.

Research Objective

1.2 One Country Two Systems Research Institute was commissioned by the Central Policy Unit of the HKSAR government to undertake a research to investigate the social and economic impact of 24-hour operation of land boundary control points,

The Business Enterprises Survey

1.4 This survey covered business enterprises of the following sectors: (a) manufacturing (b) real estate and construction (c) wholesale, import/export and retail (d) restaurants and hotels (e) transport, storage and communications (f) financing, insurance and business services (g) recreational, entertainment and personal services. All the questionnaires were completed by the owners, chief executive officers, general managers or high-ranking staff of the business enterprises.

1.5 From the records kept by the Census and Statistics Department, 2 807 samples of business enterprises were selected by stratified sampling. A disproportionately larger sample of enterprises was allocated to sectors such as real estate, retail and Chinese restaurants more likely to be affected by 24-hour operation of land boundary control points. Weighting by the proportion of enterprises in each stratum was applied to avoid over-representation of particular business sectors.

1.6 To ensure representation and facilitate sub-group analysis, the samples were selected by systematic sampling after stratifying by economic sectors and size of enterprise. The collected data were cross-tabulated for in-depth analysis. Major issues identified were highlighted in the report.

1.7 The survey was conducted by mail questionnaires. Fieldwork was conducted between 28 January and 10 May 2002, lasting 15 weeks. Among the 2 807 samples, a total of 1 598 business enterprises were successfully enumerated. The overall response rate was 60.0%.

1.8 A pilot test of the questionnaire was done between 30 January and 18 February 2002. A total of 30 responses were collected. The questionnaire was fine-tuned to take account of the results of the pilot test.

1.9 The questionnaire was divided into the following sections: (a) company information (b) frequency of company staff using sea and land boundary control points in the past 12 months (c) the view of the company on 24-hour operation of passenger clearance (d) economic impact of 24-hour passenger clearance on the company (e) frequency of the company using land boundary control points for cargo clearance (f) impact on the company should Lok Ma Chau boundary control point open more lanes and increase its efficiency in clearing goods vehicles at the early hours.

Focus Group Discussions

1.10 In order to more extensively and thoroughly gather opinions of people from different sectors of society on 24-hour passenger clearance, especially those who could not be reached in the Household Survey or the Business Enterprise Survey (such as Hong Kong residents living in the Mainland, Mainland and Taiwanese businessmen who frequently travel between Hong Kong and the Pearl River Delta), a

series of focus group discussions were conducted. It facilitated more in-depth analysis of the impact of 24-hour passenger clearance.

1.11 Fourteen focus group discussions were conducted covering different target groups (i.e. shop operators in the northern districts of the New Territories, social workers and scholars, Hong Kong residents living in the Pearl River Delta, cross-boundary container truck drivers and factory owners; Mainland and Taiwanese businessmen who frequently travel between Hong Kong and the Pearl River Delta and shop operators in the Lo Wu district of Shenzhen). The main purpose was to gather their views on 24-hour passenger clearance and to investigate the possible behavioural changes in their way of living, business operations and travelling to and from the Mainland should 24-hour passenger clearance at land boundary control points be introduced.

1.12 The focus group discussions were conducted between 4 March and 24 April 2002, nine held in Hong Kong and the other five in Shenzhen, Dongguan and Guangzhou respectively. Each group consisted of approximately eight respondents. Each discussion session lasted for about two hours and was audio-taped and transcribed.

In-depth Interviews

1.13 The purpose of in-depth interviews is to collect opinions from prominent members of different professions and sectors of society on the need for 24-hour operation of passenger clearance and the efficiency of current cargo clearance at land boundary control points. They were also invited to comment on the possible social and economic impact of these arrangements. The gathered information supplemented the business enterprises survey and focus group discussions enabling more comprehensive and in-depth analysis of the issues.

1.14 A total of 103 persons were interviewed, including Legislative Council Members of different political parties and most independent councillors, chairman or vice-chairman of 18 District Councils and Heung Yee Kuk, members of major commercial organisations, representatives of chambers of commerce of foreign and Taiwan businessmen as well as representatives from the logistics, transport and communications, real estate, retail, catering, entertainment, tourism, financing and professional services industries, social services providers, education and academic bodies.

1.15 The interviews were conducted between 21 January and 26 April 2002. Among the 103 respondents, three were interviewed over the telephone, five with written replies, and the rest were done face to face which lasted from 45 to 60 minutes per session. All interviews were transcribed.

Key Research Findings

2.1 From data and information gathered from the business enterprises survey, focus group discussions and in-depth interviews, we make the following assessments of the social and economic impact of 24-hour operation of land boundary control points.

Economic Impact

Impact on business enterprises insignificant

2.2 On the whole, the impact of 24-hour operation of land boundary control points that may have on business enterprises can be regarded as insignificant. The possible impact to business enterprises would tend to be beneficial rather than detrimental. In the business enterprises survey, 42.3% of all business enterprises answered “no comments” when asked if their companies found 24-hour operation of land boundary control points useful. Over one-third said it would be “most useful” (12.1%) or “useful” (22.2%), which was much more than those 23.4% which answered “not useful”. Respectively, 38.4%, 41.9%, 44.4%, 59.8% and 69.2% of all business enterprises anticipated that their companies’ profits, business turnover, total cost, investments in Hong Kong and the number of Hong Kong staff employed would not be affected. It is worth noting that the number of companies which estimated that their profits would “increase” (18.5%) and “greatly increase” (1.5%) far exceeded the number of companies which anticipated a “decrease” (8.2%) and “greatly decrease” (6.4%). On the other hand, the number of companies which anticipated an “increase” (6.1%) and “greatly increase” (0.2%) in their number of Hong Kong staff employed was close to the number of companies which anticipated a “decrease” (4.6%) and “greatly decrease” (1.4%).

2.3 Different industries had different views on the impact of 24-hour passenger clearance. On the whole, productive service industries were more optimistic than consumptive service industries. Results from our business enterprises survey indicated that more enterprises than the average from the wholesale, import/export and communications industries found it useful to implement 24-hour operation of land boundary control points while more enterprises than the average in the retail, catering, recreational and entertainment industries held the opposite view.

Help to promote the development of productive service industries

2.4 Hong Kong is one of the most developed service economies in the world. To attract more Mainland and overseas businesses to make use of Hong Kong as their trade platform, it is necessary to remove as many obstacles as possible to the flow of factors of production and movement of people across the boundary. Results from our business enterprises survey indicated that productive service industries, such as import/export, financing, insurance and banking, business services and communications industries, had a stronger demand for early implementation of 24-hour operation of land boundary control points. Among business enterprises in

these sectors, 34.5%-39.6% held such a view, which was significantly higher than the average of 29% of all businesses. The proportion of business enterprises which anticipated that 24-hour operation of land boundary control points would bring about an “increase” or “greatly increase” of business turnover was much higher than the average among import/export, transport, storage and communications and business services industries.

2.5 During focus group discussions and in-depth interviews, there was a consensus among participants that the Hong Kong economy had been more integrated with the Mainland economy. There were views that 24-hour operation of land boundary control points should aim at promoting the long-term development of the Hong Kong economy instead of simply alleviating congestion at the boundary control points. They considered that it was more important to push for economic development, especially by assisting productive service industries to gain a foothold in the Mainland market. Due consideration should be given to this opinion.

Limited impact on the property market

2.6 The possible impact of 24-hour operation of land boundary control points on the property market is a concern of the public. Results from our business enterprises survey indicated that the number of business enterprises in the real estate industry which supported 24-hour operation of land boundary control points was more or less the same as those which held the opposite view. Of all the business enterprises in the real estate industry, 12.9% considered it “most useful” to implement 24-hour operation of land boundary control points, while 13.6% answered “useful”, which were just 2 percentage points lower than those which considered it “not useful” (28.7%). Some 44.8% answered “no comments”. On profit, 9.6% estimated there would be a “decrease” and 11.2% “greatly decrease”, which were higher than the number which expected an “increase” (11.6%) or “greatly increase”(3.7%). The rest 42.8% answered “no comments”. Similar responses were found in the estimations of business turnover.

2.7 The study covered enterprises of different business types in the real estate industry including property development, property ownership and sales, property agents and representatives, rental as well as maintenance, servicing and management businesses. If the reactions of these enterprises were analysed according to their sizes, most large and very large companies held a positive outlook. The proportion of large and very large companies which considered 24-hour operation of land boundary control points “most useful” (5.6%) or “useful” (35.2%) was higher than the average. The number of companies which preferred to see land boundary control points operating 24 hours as soon as possible (32.5%) or within 12 months (2.5%) was by proportion much higher than the number of companies which answered “the later the better” (5.6%). This is quite consistent with the opinions gathered from the in-depth interviews.

2.8 Interviewees in in-depth interviews all considered that the impact of 24-hour operation of land boundary control points on the property market would be very limited. The main reasons given were: firstly, the uncertainty associated with 24-hour operation of land boundary control points on the property market had mostly been digested by the market; secondly, 24-hour operation of land boundary control

points was not the major factor affecting people's decision of buying properties in the Mainland. There were more important considerations such as education, medical care and law and order etc. which Hong Kong still had an edge over the Mainland. Some interviewees pointed out that implementation of 24-hour operation of land boundary control points would remove the uncertainty and thereby benefit the property market. In the focus group discussion, there were views that many Hong Kong residents who had bought properties in the Mainland were intended to take advantage of lower property prices, convenience to work and better living conditions. Whether there would be 24-hour operation of land boundary control points was not of great concern to most property buyers.

2.9 On the whole, assuming all factors being unchanged, 24-hour operation of land boundary control points is not expected to have significant impact on Hong Kong's property market. Further analysis could be carried out in conjunction with data on housing demand gathered from the household survey.

Worries of consumptive service industries

2.10 The business enterprises survey revealed the worries of the retail, catering and entertainment industries about implementing 24-hour operation of land boundary control points. In the catering sector (i.e. Chinese restaurants, bars (including karaokes), restaurants other than Chinese restaurants, fast food stores and other eating houses), more than half of the business enterprises expected a "decrease" or "greatly decrease" in profits, which was significantly higher than the average (14.6%). Business operators in recreational and entertainment services (covering billiard centres, electronic games centres, dance halls and massage parlours) all shared the same pessimistic view. The retail sector was relatively optimistic, but still nearly 40% of the business enterprises in clothing, footwear and allied products as well as foodstuffs, alcoholic drinks and tobacco, fuel, motor vehicles and other durable goods expected a "decrease" or "greatly decrease" in profits.

2.11 As to the changes in the number of staff employed in Hong Kong, similar responses were encountered. Operators of Chinese restaurants and bars (including karaokes) were the most pessimistic. Among these enterprises, 22.8% and 20.7% estimated a "decrease" in the number of staff employed, 5.9% and 18.0% "greatly decrease" respectively.

2.12 Similar views were expressed during focus group discussions and in-depth interviews. All business operators in recreational and entertainment services interviewed were against 24-hour operation of land boundary control points. They stated that business was already slow due to recession and shrinking market. Introduction of 24-hour operation of land boundary control points would aggravate the difficulty further. As to the business operators in the retail and catering industries, their opinions were not that one-sided. Those who supported 24-hour operation of land boundary control points felt that the trend of cross-boundary consumption was irreversible. Implementing 24-hour operation of land boundary control points would not pose any direct and immense threat to the already shrinking business. Those against the arrangement held the view that since Hong Kong could not compete with its neighbouring rivals because of higher rent and wages, round-the-clock operation of

land boundary control points would make it more difficult for enterprises to do business in Hong Kong.

2.13 The worries of recreational and entertainment services business operators were understandable. Despite the fact that entertainment businesses in Shenzhen should officially be closed by two o'clock in the morning, most of these venues are open illegally 24 hours a day. Therefore, 24-hour operation of land boundary control points might lead to a further loss of business across the boundary. As for retail business, Shenzhen operators indicated that they did most of their businesses in the afternoon hours. Extending their business to late night might not be cost-effective. Restaurant operators in Shenzhen shared this view. These are the opinions of service suppliers. On the demand side, the impact of 24-hour operation on local consumption depends on the number of Hong Kong people who would travel north to shop and spend their leisure time at the early hours. In this regard, the household survey may be able to shed some light. Further analysis is needed to ascertain whether the worries of retail, catering and entertainment business operators are well founded or just psychological, resulting from recession and poor business prospects in the past years.

Social Impact

No direct correlation with family problems

2.14 The social impact of 24-hour operation of land boundary control points on family and youth is a great concern of Hong Kong people. The issue was discussed extensively in the focus group discussions and in-depth interviews. The prevalent view was that cross-boundary extra-marital relationships were long-standing problems related to changing social behaviour and moral standards. The problem had no direct correlation with the implementation of 24-hour operation of land boundary control points. The crux of the problem was the significant economic disparity between Hong Kong and the Mainland. Restricting people from travelling north at the early hours would not help alleviate the problem.

Drug abuse of youth raises concern

2.15 Juvenile delinquency is the major concern of most interviewees. Drug abuse by youth has become more serious in recent years. Interviewees and participants in focus group discussions generally worried about this problem. Given that illegal drugs were much cheaper in the Mainland and more accessible, it was feared that the problem of drug abuse by youth across the boundary would become more serious if the land boundary control points were opened round-the-clock. This might also give more opportunities for triad and illegal activities. It was considered that precautionary measures should be devised by the HKSAR government like closer co-operation with the Mainland authorities to step up enforcement and provision of counselling services to youth at boundary control points or even across the boundary in Shenzhen.

Impact on crime insignificant

2.16 The concern on law and order was raised in most of the interviews and focus group discussions. In general, participants considered that the problem of triad societies and drug trafficking existed for a long time and would not become more

serious following the implementation of 24-hour operation of land boundary control points. Should the HKSAR government work more closely with the Mainland authorities to maintain law and order, illegal activities could be kept under control.

Cargo Clearance at Land Boundary Control Points

Dissatisfaction with present arrangements

2.17 During focus group discussions and in-depth interviews, even those who had reservations to 24-hour operation of land boundary control points considered that cargo clearance at land boundary control points should operate round-the-clock to complement the operation of the Hong Kong International Airport and the Container Terminals. Otherwise, it will greatly hamper the efficiency and competitiveness of the port and airport. Efficient 24-hour cargo clearance at land boundary control points was a “must” to the development of Hong Kong’s logistics industry and to reinforce its role as a logistic centre.

2.18 However, container truck drivers and business operators in the transport industry felt strongly about the present inefficient arrangement at the early hours (from 12 midnight to 7 a.m.) at the Lok Ma Chau/Huanggang check point. They pointed out that the number of southbound lanes was insufficient and the efficiency was low. The long waiting hours at control points had discouraged enterprises from using the facilities. Results from our business enterprises survey confirmed their grievances. Of those companies which needed to transport goods to and back from the Mainland, 10.4% answered that if Lok Ma Chau control point were to open more lanes and increase its efficiency at the early hours, they would use it “frequently” (an increase of 6.1 %), while 29.8% answered that they would use it “occasionally” (an increase of 12.3 %). 1.9% of all business enterprises surveyed anticipated a “greatly increase” and 22.2% an “increase” in profits. This showed that if the present cargo clearance arrangement was improved, usage of the land boundary control points at the early hours would increase.

2.19 According to container truck drivers and business operators, the main problem rested with the Mainland authorities. They considered that co-operation of customs authorities in different parts of the Pearl River Delta was necessary to make 24-hour cargo clearance a success. There were suggestions that that relevant departments of the HKSAR and the Mainland should promulgate service pledge to ensure that all procedures were duly followed and queues could be cleared within reasonable time. This required negotiation and co-ordination of concerning parties including the central government, HKSAR government and the local authorities .

Other problems discovered by our research

Congestion is a more urgent problem

2.20 From the business enterprises survey, 34.4% of all the business enterprises considered the present arrangement of passenger clearance at the land boundary control points inconvenient. The share was particularly high in the wholesale and import/export industries: 46.5% and 53.0% respectively. When asked what measures

should be taken to improve the situation, 31.6% considered “relieve traffic congestion during peak hours on weekdays” as the first priority while 15.6% answered “24-hour operation of land boundary control points”. Accumulative count of the top 3 priority measures indicated that 49.2% of enterprises selected “relieve traffic congestion during peak hours on weekdays”, whereas 23.7% chose “24-hour operation of land boundary control points”.

2.21 This is consistent with the opinion we gathered in focus group discussions and in-depth interviews, which regarded the alleviation of traffic congestion at the land boundary control points as a more urgent matter than 24-hour operation. Anyhow, it is worth noting that relieving traffic congestion and 24-hour operation are two different subjects that should not be mixed up.

Non-Hong Kong Citizens should receive equal treatment

2.22 All the time when we discuss 24-hour operation, we always look at the problem from the point of view of Hong Kong residents without considering the needs of cross-boundary travellers who do not carry Hong Kong ID cards. During focus group discussions held in the Mainland, many participants complained about the poor services they received at the boundary check points. They said that unless it was absolutely necessary, they would refrain from travelling to Hong Kong in view of the unpleasant experience of crossing the boundary through Lo Wu. Many businessmen indicated that increasing number of foreign businessmen going to the Pearl River Delta for business deals and inspection had stopped using Hong Kong as their business base because of the tiresome queues in Lo Wu. They would rather stay overnight in hotels in the Mainland and stop making use of Hong Kong International Airport. Once the idea that non-Hong Kong residents will have a hard time crossing the boundary is deeply imprinted in foreign and Mainland travellers’ minds, Hong Kong’s role as an international trade platform will be irreparably tarnished and its attraction to tourists diminished. This is a problem that should not be overlooked or treated lightly.

What should be considered in implementation of 24 hour operation of land boundary control points

The aim is not to relieve congestion

2.23 Of all the business enterprises surveyed, although over one-third (34.3%) considered 24-hour operation of land boundary control points as “useful” or “most useful”, only 10.5 % of all those business enterprises which needed to use the land boundary control points said that their employees “frequently” crossed the boundary at the early hours. The majority of participants in the focus group discussions also stated that, under normal circumstances, they or their relatives would not use the land boundary control points at the early hours. This together with the data gathered in the household survey showed that not many users would make use of the land boundary control points at the early hours. Therefore, 24-hour operation of land boundary control points will not help relieve congestion during the day. Relieving congestion should therefore not be the main reason for considering 24-hour operation.

Few users do not mean there is no necessity

2.24 Despite the fact that there will not be many users of the land boundary control points at the early hours, it does not imply that there is no need for 24 hour operation. Results from our business enterprises survey indicated that 70.9% of those business enterprises which considered 24-hour operation “useful” listed their main reason as: “make it convenient for their staff to travel between Hong Kong and the Mainland any time”, 48.7% answered “my staff can stay in Mainland China for fewer nights”. More than half of those business enterprises (57.8%) which needed to use the land boundary control points estimated that, if there were 24-hour operation of land boundary control points, their staff would “occasionally” or “frequently” cross the boundary at the early hours. During focus group discussions and in-depth interviews, participants opined that there were different needs of crossing the boundary at the early hours e.g. businessmen might need to send their samples back to Hong Kong to meet deadlines and a Hong Kong employee whose wife was about to deliver a baby might have to rush home at the early hours. They considered that 24-hour operation of land boundary control points was comparable to the fire service or the emergency ward of a hospital—not many people would want to use it but most would not want to do without it.

Supplementary measures should be put in place

2.25 Views were expressed during focus group discussions and in-depth interviews that to make 24-hour operation of land boundary control points a success, supplementary measures should be put in place. Participants of focus group discussions held in the Mainland also emphasised the importance of supplementary measures like sufficient transport links and police patrol at both sides of the control points.

Make good use of resources and advance step by step

2.26 Of all the business enterprises, 41.9% considered it suffice to open one control point in case 24-hour operation of land boundary control points were implemented. Only 18.3% answered otherwise. Some 36% answered that it depended on which control point would be opened. When asked which land boundary control point their company would prefer to be operating 24 hours, 46.6% suggested Lo Wu whereas 14% chose Lok Ma Chau. Participants in focus group discussions and interviewees in in-depth interviews also considered that the HKSAR government should make good use of resources and implement 24-hour operation of land boundary control points step by step. There was no necessity to open the land boundary control points all at once.

Promote the two-way flow of people on both sides of the boundary

2.27 During focus group discussions and in-depth interviews, views were expressed that as a supplementary measure, the HKSAR government should encourage and promote the two-way flow of people as well as relax restrictions to allow more Mainlanders to visit, invest and immigrate to Hong Kong. Such measures would bring new business to Hong Kong’s consumptive service industries to offset

the adverse effects of implementing round-the-clock operation of boundary control points. They would also relieve the imbalance in cross-boundary consumption between the two places.