

For discussion on
26 February 2001

LegCo Panel on Economic Services

CONTAINER TERMINALS AND PORT FACILITIES IN HONG KONG

Introduction

Members have requested a paper covering the areas set out below to facilitate discussion on the container terminals and port facilities of Hong Kong :

- (a) forecast growth and the construction of Container Terminal 9;
- (b) development in the region and the impact on Hong Kong's port development;
- (c) the level of terminal tariff charged by Hong Kong container operators.

Present Position

2. With a throughput of 18.1 million TEU, we have been able to maintain our position as the busiest container port in the world in 2000. The performance of the top five container ports in the world between 1996 and 2000 is set out in the chart at **Annex A**.

3. 80% of Hong Kong's port cargo originates from the Pearl River Delta area. The throughput of Hong Kong and the Shenzhen ports in the past five years are at **Annex B**.

Future Growth and Competition from Shenzhen and Taiwan

4. We have just completed a study to update the Port Cargo Forecasts (last carried out in 1997). Key indications from the forecast shows that :

- (a) our total throughput over the last five years has sustained an annual growth of 6.6%;
- (b) cargo demand for the Hong Kong container port in the next fifteen years will grow at an annual rate of 5.1%, which is faster than the forecast in the previous study in 1997 (4.6%);
- (c) the cargo pie for the Pearl River Delta is expected to continue to grow at a high rate – following continuing recovery of the 1997-98 economic slowdown; expected general increase in world trade and increase in foreign direct investment, generated by China's imminent accession to the WTO, leading to increased imports and exports, especially for the Guangdong province. Hong Kong is expected to benefit from the continuing growth in Southern China.

Implications for the Future Development of the Port of Hong Kong

5. Although the development and expansion of the northern Mainland ports and increasing competition from the Shenzhen ports will divert some of the cargoes that might otherwise flow through the port of Hong Kong, the Study on Port Cargo Forecasts has concluded that cargo from Southern China will grow sufficiently fast to support the planned expansion of ports in the region, including Hong Kong and Shenzhen. The port throughput of Hong Kong is expected to grow from the base figure of 18.1 million TEU (for 2000) to 30 million TEU in 2010 and 40 million TEU in 2020.

6. To cope with the expected growth in demand in the coming years the construction of Container Terminal 9 commenced in the summer of 2000. When fully completed in 2004, it will provide 6 new berths with an additional capacity of 2.6 million TEUs to support the growth of the port of Hong Kong.

7. Given the current projection in the updated Port Cargo Forecasts, the additional facilities provided by Container Terminal 9 will enable Hong Kong to cope with the cargo growth over the next few years. A separate updating exercise on the Port Development Strategy Review has begun to consider strategies to cater for the situation after the capacity of Container

Terminal 9 has been reached. The study is scheduled for completion in mid 2001. The Administration will be happy to brief Members on the findings when available.

Port of Hong Kong : Our Current Strength

8. The Port and Maritime Board has been monitoring the competitiveness of the port of Hong Kong. It has set up a Sub-Committee on Container Port Competitiveness to develop measures to strengthen our port's competitiveness. It has also set up a Committee on Logistics Service Development which looks at how our port can be better integrated with other elements in the logistics supply chain.

9. The strength of Hong Kong's port is that we have been able to build on our strategic location as a hub port, a free port and a business friendly port at the western rim of Pacific. As a hub port, we are close to our cargo source – the Pearl River Delta, one of the world's largest export zone. Most of our cargo comes from or is destined to this area and it is the reason we are the southern gateway to China. The port is now served by over 80 international lines. There are now 380 weekly container services to over 500 destinations in the world.

10. The port of Hong Kong is user-friendly. We employ a liberal export declaration system in which vessels can use electronic declaration within 14 days after vessels' departure. Customs clearance procedures are kept to the minimum.

Observations of the Commission on Strategic Development on Strategy for Future Port Development

11. The Commission on Strategic Development has identified "trade, transportation and logistics" as one of the seven areas to support Hong Kong's long term growth. It has also observed that Hong Kong's position as one of the business container ports in the world faces challenges from ports elsewhere in Southern China, given their cost advantage. However, it went on to observe that Hong Kong's long term port development must focus on the provision of

higher value-added services which complement rather than compete with the lower cost services provided by other ports particularly elsewhere in Southern China.

Maintaining Our Port Competitiveness

12. To maintain our port competitiveness, we will need to ensure that we continue to build on the strength of our excellent supporting services and infrastructure.

13. We have also taken steps to strengthen the inter-modal links to the port including :

- (a) strengthening of road transport and the boundary crossings at Lok Ma Chau control point to enhance flow of cargoes through the port;
- (b) construction / planning of new transport facilities in future to improve efficiency and connectivity of the port:
 - (i) Tsing Yi South Bridge to serve the new Container Terminal 9;
 - (ii) Deep Bay Link to dovetail a new Shenzhen – Hong Kong Western Corridor to expand capacity of our boundary crossing;
 - (iii) Route 9 to connect Tsing Yi to the industrial area of Cheung Sha Wan.

14. We will also need to continue our efforts to undertake promotional roadshows to update transport professionals and consignees the current developments relating to our port infrastructure and the logistics sector.

15. We have also stepped up our liaison with the Mainland port officials in Southern China to develop a channel to exchange information on port and inter-modal links planning between the Mainland and Hong Kong.

Terminal Handling Charges (THC)

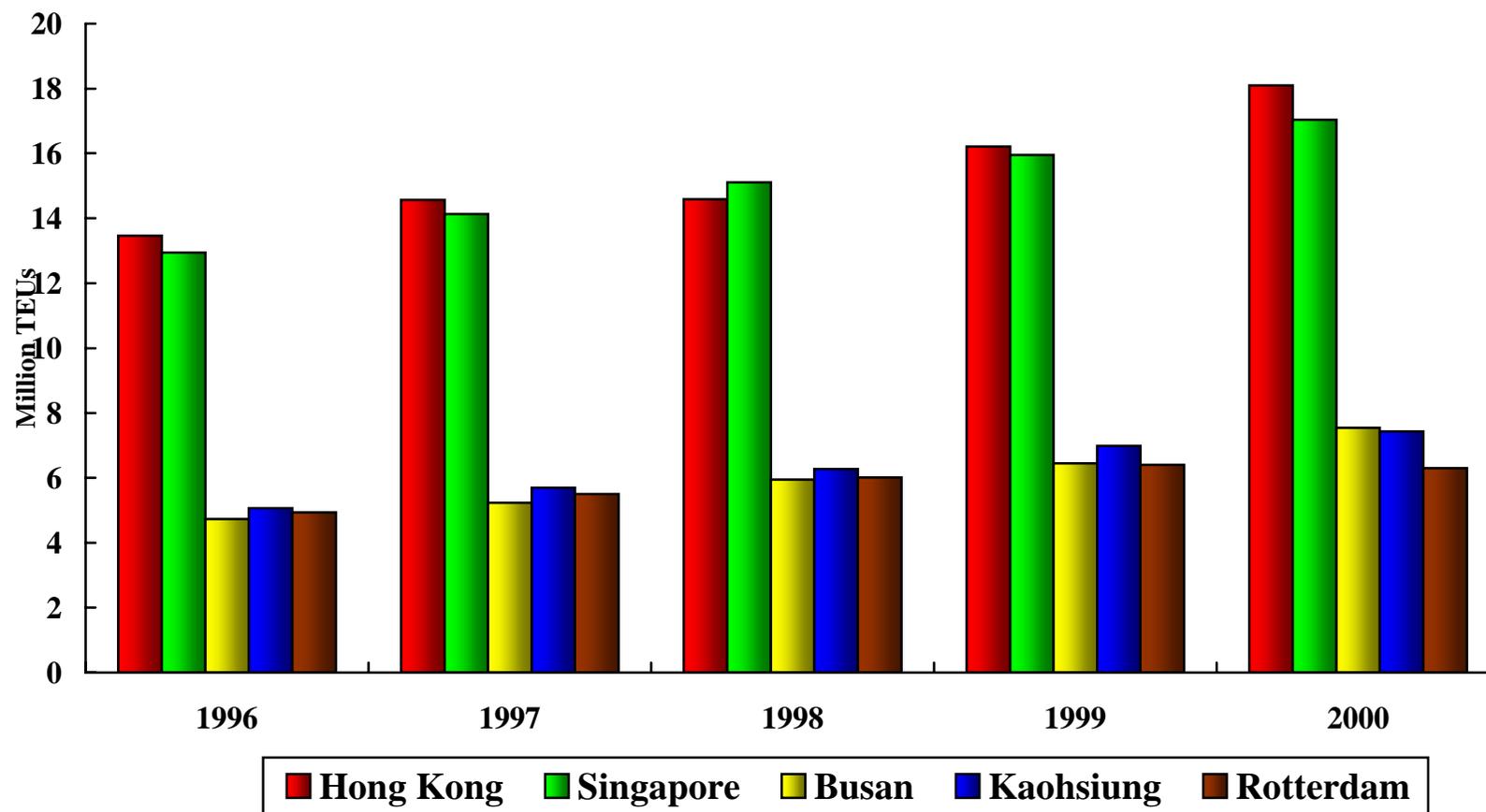
16. THC are charges collected by shipping lines from shippers to recover the shoreside costs of loading or unloading containers to or from the ship. The charges are recommended by the international liner conferences or “agreements”. Liner conferences and “agreements” are formed among shipping lines serving the major trade routes. Their objective is to stabilize freight rates and agree on THC, so as to avoid major disruption to the international shipping market and international trade.

17. The Economic Services Bureau have facilitated discussions amongst liner conferences, Hong Kong shippers and container terminal operators to resolve their differences on the question of THC. The liner conferences have undertaken not to increase their THC since 1998, provided there is no major change in the market conditions (i.e. no further increase of terminal handling tariffs by the container terminal operators). The development of Container Terminal 9 will widen the choice of facilities for shippers and shipping lines. The notification period for any rate changes has also been increased from 30 days to 45-60 days. Recent freight rate changes have been given 60 days in advance. The shipping lines have also provided a table of the cost components of THC to the shippers.

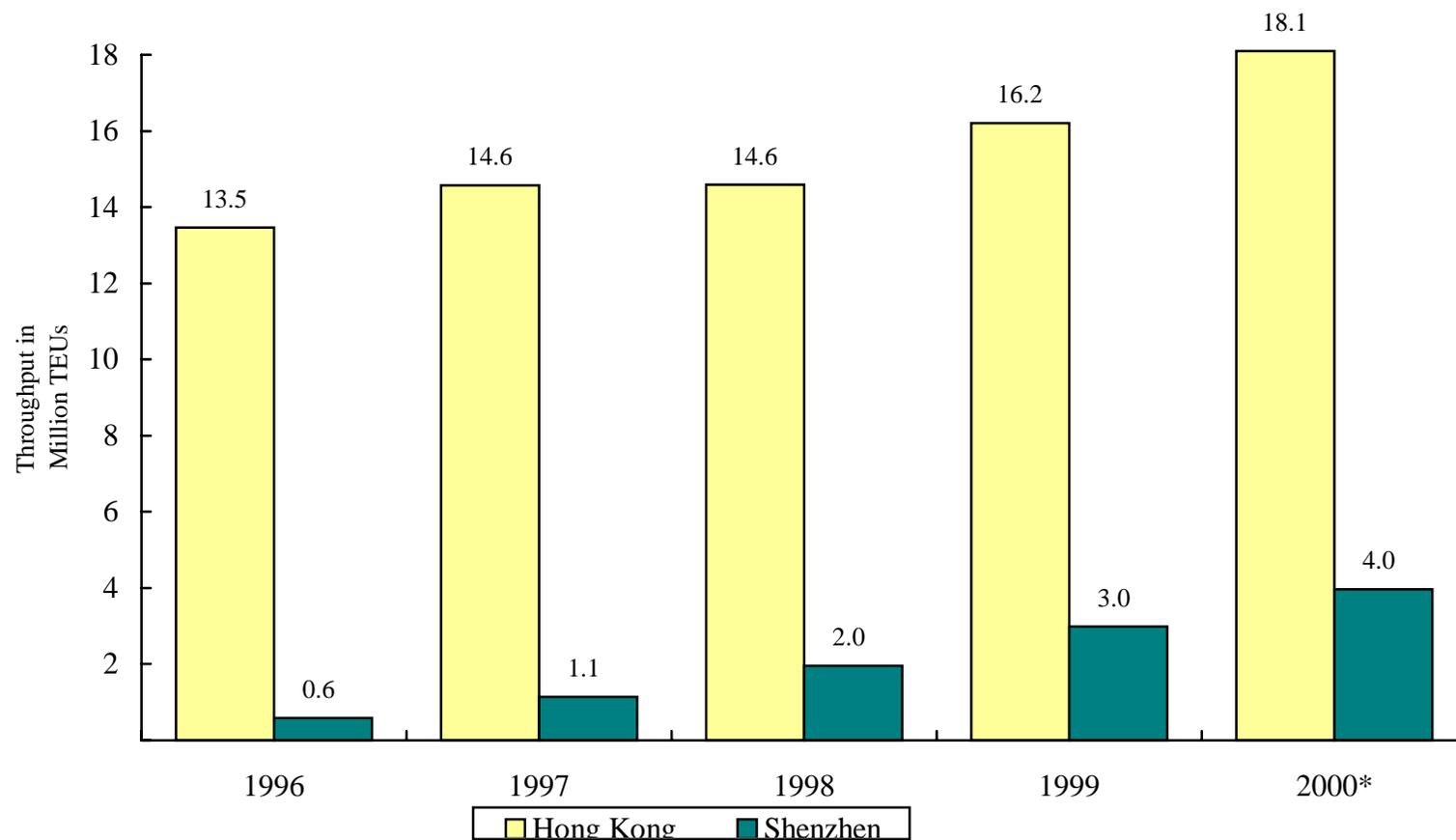
*Economic Services Bureau
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Top Five Container Ports in 1996-2000



Container Throughput of Hong Kong and Shenzhen



** Provisional Figures*