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Panel on Economic Development
Meeting on 28 February 2011

Updated background brief on re-allocation of berths
in Public Cargo Working Areas

Purpose

This paper provides background information on the arrangement for re-allocation of berths in public cargo working areas (PCWAs) and summarizes Members' concerns on related issues.

Background

Allocation of berths at PCWAs

2. PCWAs were established by statutory authority in 1974 under the Port Control (Cargo Working Areas) Ordinance (Cap. 81). The Ordinance and its subsidiary legislation regulate the use of seafront for handling cargoes in such areas. PCWAs are designed to cater for direct transfer or short stay cargoes from small coasters and local barges/vessels. In general, PCWAs are engaged in trades that are dependent upon the availability of low-cost berths and cargo-handling space.

3. In 1995, the Director of Audit recommended that the right of using PCWA berths should be allocated under an open and competitive bidding process. Noting the Director of Audit's Report, the Public Accounts Committee (PAC) urged the Government to expedite PCWA management reform and to consult the PCWA operators with a view to devising an open, fair and economically viable system for the allocation of berths in PCWAs. After consulting PCWA operators and the former Panel on Economic Services¹ (ES

¹ The Panel on Economic Services was renamed as the Panel on Economic Development from the 2007-2008 session.

Panel), the Government decided in 1996 that in order not to cause any major disruption to the livelihood of the then existing operators who had been in the trade for many years, the PCWA management reform should be introduced in a gradual manner. While berths were allocated before 1998 on a first-come-first-served basis under a permit system, the berths had since then been allocated through a restricted tender to incumbent PCWA operators by way of Berth Licence Agreements (BLAs) for a fixed term which was generally three years. Unallocated berths were then disposed of by open tender. Re-tendering was carried out to re-allocate the PCWA berths upon the expiry of each BLA. Four tendering exercises have taken place since 1998.

4. There are currently eight PCWAs in Hong Kong with a total of 170 berths. Two PCWAs are on the Hong Kong Island (at Chai Wan and the Western District), three in Kowloon (at Yaumatei, Kwun Tong (KT) and Cha Kwo Ling (CKL)), and the remaining three in the New Territories (at Stonecutters Island, Rambler Channel (RC) and Tuen Mun). 122 berths are being occupied and operators handle different types of commodities, including general cargo, bulk cargo, recyclable materials, and supplies for outlying islands. For the current BLA period commencing on 1 August 2008, berths on Hong Kong Island were allocated through open tender whereas those in Kowloon and the New Territories were let out through restricted tender.

Previous discussions

Panel on Economic Development

5. At the meeting of the Panel on Economic Development (EDEV Panel) held on 17 March 2008, Panel members urged the Administration to continue the arrangement for allocating PCWA berths through restricted tender to incumbent operators first, to be followed by open tenders for remaining unallocated berths. Panel members also urged the Administration to identify suitable land for PCWA operations, and to re-provision existing operators before ceasing the operation of any PCWAs.

6. Some Panel members expressed concern about possible monopoly of berths at PCWAs as a result of open tendering raised at the Panel meeting on 24 November 2008. The Administration responded that monopoly of all berths in a PCWA would unlikely occur, and there was no such sign in the open tender exercise in 2008. Individual berths in a PCWA were designated for handling specific types of cargo according to the size and location. At the meeting, Hon CHAN Kam-lam conveyed the strong objection of the Kwun Tong District Council and local residents about re-locating the 12 waste paper recyclers at KT PCWA to the limited residual marine frontage at CKL PCWA from 2011 to 2016. He urged the Administration to identify suitable sites to

re-provision the waste paper recyclers. Hon Albert CHAN called on the Administration to enhance its planning for new development with a view to ensuring the sustainability of existing operators, as their continual operation would help preserve many job opportunities.

7. At the meeting on 24 January 2011, the Administration briefed the EDEV Panel on the proposed arrangements as set out for the re-allocation of berths upon the expiry of the current BLAs in July 2011:

- (a) to continue to adopt open tendering for the two PCWAs on Hong Kong Island (i.e. Chai Wan and Western District PCWAs);
- (b) to continue to adopt restricted tendering for the four PCWAs in Kowloon and the New Territories (i.e. New Yaumatei, Stonecutters Island, RC and Tuen Mun PCWAs) and only incumbent operators may bid for berths at the respective PCWA, and to allow operators at KT and CKL affected by the planned closure of the PCWAs to bid for berths in any of the four PCWAs in Kowloon and the New Territories;
- (c) as for Kowloon and the New Territories, there are currently 19 operators who handle dirty cargoes (including 12 waste paper recyclers). There would, however, be 17 berths which would allow the handling of such cargoes after the closure of the KT PCWA. In view of the demand from operators and having regard to the geographical conditions of the PCWA concerned, the Administration intends to set aside a few more berths which would also allow the handling of dirty cargoes and take the opportunity to realign the length of some berths at the RC PCWA. This should help better meet the needs of the trade; and
- (d) the new BLA will continue to run for a term of three years.

8. At the meeting, Panel members in general shared the concerns expressed by the waste paper recyclers and some other existing PCWA operators. Recognizing the contribution of the waste paper recyclers in environmental protection and preserving job opportunities especially for the elderly, members held the view that as the decommissioning of KT PCWA was a policy decision, the Government had a responsibility to re-provision them. Some members urged the Administration to consider allowing only those operators who handled dirty cargoes to make bid for such berths first before opening such berths for other existing operators to bid. Alternatively, the Administration should identify a suitable site in Tseung Kwan O or Sai Kung to provide PCWA facilities for re-provisioning the waste paper recyclers. These

Panel members warned that discontinuation of the operation of waste paper recyclers would aggravate the waste management problem at landfills. However, some existing operators objected to the waste paper recyclers' request because it would reduce the chance of other operators securing a berth.

9. Some Panel members considered that the Administration's proposal of adding more berths in RC PCWA was equivalent to taking berths away from the incumbent operators at the PCWA concerned, because the Administration only shortened some of the berths there and re-designated the remaining portion as berths allowing the handling of dirty cargoes. These operators not handling dirty cargoes did not see the need to decommission KT and CKL PCWAs in mid 2011. They requested the Administration to consider extending the existing BLAs for another three years to allow time for resolving the problems in re-location of the operators before discussing tendering arrangement for the next BLAs.

10. Some Panel members shared PCWA operators' view that restricted tendering would be more conducive to their continual operation, as the open tendering exercise in 2008 had forced some incumbent operators out of business. These members urged the Administration to continue with the restricted tendering arrangement and consider lengthening the term of BLAs to beyond three years to give operators more certainty on their future development.

Council questions

11. Questions on PCWA-related issues had been raised at Council meetings. Responding to a question raised at the Council meeting on 14 April 2010, the Administration advised that the Government had no plans to reduce the number of operators in Yaumatei PCWA through "natural wastage" as it is the busiest PCWA in Hong Kong. When replying to a question on KT PCWA and waste recycling industry at the Council meeting on 30 June 2010, the Administration advised that about 60% of the total waste papers recovered from municipal solid waste in 2009 (roughly 650 000 tonnes) were exported to neighbouring regions for recycling, via the 12 waste paper recyclers operating berths with an aggregate length of 320 metres at KT PCWA.

Next step

12. At the Panel meeting on 24 January 2011, some members considered that before the commencement of the upcoming tendering exercise, the Administration should work out a solution with the trade. The Panel decided to continue discussion on the arrangements for the re-allocation of PCWA

berths on 28 February 2011. The Panel agreed to meet further with the Administration and deputations at the February meeting. As the survival of waste paper recyclers was related to the Government's waste management initiatives, the Secretary for the Environment was also invited to the meeting.

References

13. The relevant papers are available at the following links -

Administration's paper on Public Cargo Working Area berths allocation arrangement for the meeting on 16 March 2005

<http://www.legco.gov.hk/yr04-05/english/panels/es/papers/es0316cb1-1062-5e.pdf>

Minutes of the meeting on 16 March 2005

<http://www.legco.gov.hk/yr04-05/english/panels/es/minutes/es050316.pdf>

Administration's paper on progress report on industry consultation on arrangement for re-allocation of berths in Public Cargo Working Areas for the meeting on 17 March 2008

<http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev0317cb1-1049-1-e.pdf>

Minutes of the meeting on 17 March 2008

<http://www.legco.gov.hk/yr07-08/english/panels/es/minutes/ev080317.pdf>

Administration's paper on arrangement for re-allocation of berths in Public Cargo Working Areas (Follow-up paper)

<http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev0317cb1-1248-1-e.pdf>

LegCo question at the Council meeting on 14 April 2010: Application for Building Development in Harbourfront Areas (Page 49)

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm0414-translate-e.pdf>

LegCo question at the Council meeting on 30 June 2010: Relocation Arrangement for Paper Recyclers Affected by Decommissioning of Kwun Tong Public Cargo Working Area (Page 62)

<http://www.legco.gov.hk/yr09-10/english/counmtg/hansard/cm0630-translate-e.pdf>

Administration's paper on arrangement for re-allocation of berths in Public Cargo Working Areas

<http://www.legco.gov.hk/yr10-11/english/panels/edev/papers/edev0124cb1-1090-11-e.pdf>

Submissions from the Joint Alliance of PCWA operators on arrangement for re-allocation of berths in public cargo working areas (Chinese version only)

<http://www.legco.gov.hk/yr10-11/chinese/panels/edev/papers/edevcb1-388-1-c.pdf>

<http://www.legco.gov.hk/yr10-11/chinese/panels/edev/papers/edev0124cb1-1151-2-c.pdf>

Submission from Hong Kong Recycle Materials and Re-production Business General Association Limited (Chinese version only)

<http://www.legco.gov.hk/yr10-11/chinese/panels/edev/papers/edev0124cb1-1151-3-c.pdf>

Council Business Division 1
Legislative Council Secretariat
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