

**For discussion on
17 March 2008**

Legislative Council Panel on Economic Development

Progress Report on Industry Consultation on Arrangement for Re-allocation of Berths in Public Cargo Working Areas

Purpose

This paper briefs Members on progress on the consultation with the industry on the re-allocation of the Public Cargo Working Area (PCWA) berths upon the expiry of the current Berth Licence Agreement (BLA) in July 2008.

Background

2. Prior to 1998, berths were allocated to users on a first-come-first-serve basis under a permit system. In 1995, the Director of Audit recommended, inter alia, that the right of using PCWA berths should be allocated by an open and competitive bidding process. 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.

3. After consulting the then Panel on Economic Services (ES Panel), the Government agreed that the PCWA management reform should be introduced in a gradual manner. Consequently in 1998 the berths were allocated through a restricted tender to existing PCWA operators for a term of three years until 2001, on the basis of bid prices not less than a reserve price which is the minimum price per metre of the berthing length. Open tenders were then carried out for any unallocated berths. In view of the then prevailing economic situation, the Government conducted another restricted tender exercise in 2001 and subsequently extended the BLAs in 2004 for 18 months to July 2005.

4. In 2005, while the then ES Panel indicated support to continue adopting restricted tender to re-allocate the berths first to the then existing operators, some members asked the Government to devise a fair, more open and competitive allocation in the future.

5. In the light of the consultation with the ES Panel, the Government allocated the berths at all the PCWAs by restricted tenders to incumbent operators. Open tenders were then carried out for the remaining unallocated berths at all except the New Yaumatei (NY) PCWA. As there were still vacant berths after the first open tender, two more open tender exercises were conducted. With this experience in open tendering for some of the berths, we believe that there is scope for a gradual phased implementation of open tendering of the PCWAs in line with the Government's open competitive tendering policy, as well as the PAC and LegCo's views.

6. Out of the 179 available berths, 148 were allocated in the restricted tender exercise for the period from 1 August 2005 to 31 July 2008. Subsequent to the restricted tender exercise, an open tender exercise was held to dispose of the remaining 30 berths. Fifty-four tenders were received for 21 of the berths.

7. At present there are 152 occupied berths on a territory-wide basis. Incumbents at Kwun Tong (KT) and Cha Kwo Ling (CKL) PCWAs account for 36, of which 12 are paper recyclers at KT. Given their operational requirements, economies of scale and synergy, the 12 paper recyclers requested for co-location at a marine frontage in East Kowloon.

8. At the same time there are currently 27 vacant berths. But the vacancies will be decreased to 25 later this year, when two vacant berths will be taken up as works site for the West Island Line development, and further to 14 by 2011 if both KT and CKL are to be closed for development purpose. The details are set out in Annex.

Annex

Proposal for re-allocation of the PCWA berths

9. In view of the expiry of the BLA license in July and taking into account the PAC's recommendation and the advice of the ES Panel then, we have mapped out a proposal on phased implementation of the open tendering of the PCWA berths for industry consultation. The details of the proposal are as follows:

- (a) berths at the five PCWAs at Stonecutters Island, Tuen Mun, Rambler Channel, Western District and Chai Wan will be disposed of by open tender for a term of three years;
- (b) berths at the other three PCWAs at Kwun Tong, Cha Kwo Ling and Yaumatei by restricted tender open to the existing operators of the respective PCWA holding a valid BLA, also for a term of three years;
- (c) Kwun Tong (KT), and Cha Kwo Ling (CKL) PCWAs be decommissioned in 2011 to make way for development projects; the affected operators would be accommodated through voluntary migration to the vacant berths in other PCWAs in the run up to July 2011;
- (d) the Government would make use of the limited residual marine frontage at CKL PCWA not required for Trunk Road T2 works, to accommodate the 12 paper recyclers from KT PCWA from 2011 to 2016; and
- (e) the berths at KT PCWA will be realigned during the restricted tender exercise in the first half of 2008 so that a contiguous stretch of marine frontage (about 200m) could be made available for conversion into a temporary promenade, or an early phase of the promenade as conceived in the approved Kai Tak Outline Zoning Plan (OZP).

Requirement for the decommissioning of CKL and KT PCWAs

10. The proposal in paragraph 9 above takes into account the planning intention to decommission the KT and CKL PCWAs by 2011 to make way for the intended open space development under the Kai Tak OZP and Trunk Road T2. A limited, interim scheme for open space development will also start at KT within the coming licence period between 2008 and 2011 by realignment of existing berth arrangement to provide a contiguous stretch of marine frontage.

11. To make the best use of the existing vacant berths and the berths from natural wastage in other PCWAs in the run up to 2011, we would encourage the existing operators at KT and CKL to relocate to these vacant berths on a voluntary basis. After the closure of CKL PCWA, it is suggested that the marine frontage not required for T2 works be turned into a short-term tenancy site from 2011 to 2016 (when the T2 works are expected to complete) to accommodate the 12 paper recyclers.

Public Consultations

12. The PCWA operators and the related trade associations were first consulted on 28 January 2008 on our proposal in paragraph 9 above. The operators raised objections to the open tender policy and suggested that the existing BLAs be extended for another term of 5 years. The operators expressed concern on increased competition and, in turn, rise in cost for their operation brought about by open tender. This in turn may lead to loss of low skill jobs provided at the PCWAs. We consulted the Kwun Tong District Council which passed a motion urging the Government to turn the KT and CKL PCWAs into a waterfront promenade, and to suitably re-provision the relevant operators. We also consulted the Port Development Advisory Group (PDAG) under the Hong Kong Port Development Council. Although there was concern on its social impact, members of PDAG in general supported the gradual open tender proposal.

13. We met with the Joint Alliance of PCWA operators and the related trade associations again in early March. PCWA operators maintained their objection. They reiterated their serious worries about being priced out of the market by bigger players in the industry. This would limit choice and competitiveness of our port operation. Taking into account the concern of operators and the industry, the economic contribution of the PCWA operators and the possible social and employment impact, the Administration agreed to consider scaling back the phased implementation of open tender. We floated a revised proposal with three, instead of five, PCWAs, namely the Chai Wan, Western District and Rambler Channel PCWAs suggested for open tendering. It is assessed that open tender for these PCWAs should pose lesser impact on the existing operators. There is however still no consensus on this scaled back proposal. The Joint Alliance maintained their objection for any open tender. In view of the imminent expiry and the need for early tendering arrangement, we therefore like to bring to Members' early attention of the progress of our discussion on the reallocation arrangement and Members' views on the way forward are most welcome.

Transport and Housing Bureau
12 March 2008

Berth Occupancy in PCWA

<i>PCWA</i>	<i>Length (m)</i>	<i>Occupied Berths</i>		<i>Vacant Berths</i>	
		<i>Number</i>	<i>Length (m)</i>	<i>Number</i>	<i>Length (m)</i>
Chai Wan	520	13	416	2	104
Western District	1,052	23	756	7	296
Kwun Tong	892	21	660	7	232
Cha Kwo Ling	840	15	664	4	176
New Yaumatei	1,212	28	1,212	0	0
Stonecutters Island	672	15	640	1	32
Rambler Channel	1,020	24	920	3	100
Tuen Mun	616	13	496	3	120
	6,824	152	5,764	27	1,060

As at 29 February 2008