

**For discussion on
24 January 2011**

Legislative Council Panel on Economic Development

Arrangement for Re-allocation of Berths in Public Cargo Working Areas

Purpose

This paper briefs Members on the arrangement for re-allocating the Public Cargo Working Area (PCWA) berths upon the expiry of the existing Berth Licence Agreements (BLAs) on 31 July 2011.

Background

2. PCWAs were established by statutory authority in 1974 under the Port Control (Cargo Working Areas) Ordinance (Chapter 81). The Ordinance and its subsidiary legislation control the use of water-front areas and of the handling of cargoes in such areas. In 1995, the Director of Audit recommended that the right of using PCWA berths should be allocated by an open and competitive bidding process. In the mean time, the Public Accounts Committee (PAC) recommended that “an open, fair and economically viable system for the allocation” of PCWA berths should be devised. Having regard to the above and after consulting the PCWA operators as well as the then Economic Services Panel, these sea-front facilities have since 1998 been allocated through tendering arrangements. The terms and conditions of using the berths are governed by BLAs between the Government and the operators. The BLAs, which are essentially short term tenancies, would run for a certain fixed period (generally three years). Re-tendering is carried out to re-allocate the PCWA berths upon the expiry of each BLA. Four tendering exercises have taken place since 1998.

3. There are currently eight PCWAs in Hong Kong with a total of 170 berths. Two PCWAs are on Hong Kong Island (in Chai Wan and the Western District), three in Kowloon (in Yaumatei, Kwun Tong and Cha Kwo Ling), and the remaining three in the New Territories (in Stonecutters Island, Rambler Channel and Tuen Mun). 122 berths are being occupied and operators handle different types of commodities, including general cargo, bulk cargo, container 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.

Changes in the Marco Environment

4. To make way for development of south-east Kowloon (including Stage 2 of the Kwun Tong Promenade Development), the Kwun Tong and Cha Kwo Ling PCWAs would be decommissioned after the expiry of the current BLAs. The Administration has reviewed water-front sites but cannot identify any land which could be used for developing new PCWAs. In other words, there will be four PCWAs, namely New Yaumatei, Stonecutters Island, Rambler Channel and Tuen Mun, left in Kowloon and the New Territories. After the closure of the two PCWAs, the total number of berths in the territory (130) would still be more than the number of incumbent operators (122). On the other hand, there would only be 86 berths in Kowloon and the New Territories but there are 99 incumbent operators. The current occupancy situation is at Annex.

Views of the PCWA Operators on the Upcoming Tendering Exercise

5. In accordance with the established practice, the Marine Department (MD) consulted the PCWA operators on arrangements for the upcoming tendering exercise at the meeting of its PCWA Management Committee on 30 December 2010. Attendees had expressed differing views. Since then, MD has continued to maintain close contact and meet with representatives of the stakeholders groups to further respond to the operators' concerns and enquiries. Through these encounters, various views expressed by the operators include the following key points:

- (a) some operators hope that the Government could defer the decommissioning of Kwun Tong and Cha Kwo Ling PCWAs;
- (b) some operators object to continuing to adopt open tendering for berths on Hong Kong Island;
- (c) some operators pledge in-principle support to adopt restricted tendering and allow incumbent operators to bid for berths at the respective PCWA at the New Yaumatei, Stonecutters Island, Rambler Channel and Tuen Mun PCWAs. They, however, consider that the affected operators at Kwun Tong and Cha Kwo Ling PCWAs should only make bid for berths in the four PCWAs if there are still vacancies after bidding by the incumbent operators;

- (d) some operators consider any proposal to increase the number of berths which allow the handling of dirty cargoes at Rambler Channel PCWA would be favouritism towards operators who handle dirty cargoes and harm the interest of incumbent operators at the berths concerned;
- (e) some operators request that the validity period of BLAs be extended from three years to five years;
- (f) waste paper recyclers operating at the Kwun Tong PCWA suggest to only allow operators who handle dirty cargoes to make bid for berths which allow the handling of dirty cargoes; and
- (g) the alliance of the PCWA operators requests to satisfactorily resolve the relocation of the Kwun Tong and Cha Kwo Ling operators before discussing tendering arrangement for the upcoming BLAs.

Arrangements for the Upcoming Re-allocation of the PCWA Berths

6. The Administration intends to adopt the arrangements as set out below for the re-allocation of berths upon the expiry of the current BLAs. The arrangements are in keeping with PAC's recommendation and we have taken into account the differing views of the PCWA operators, the supply and demand situation of berths after the closure of Kwun Tong and Cha Kwo Ling PCWAs, as well as the overall stability of PCWA operation in devising the arrangements. We have also tried to ensure that operators can take part in the tendering exercise to make bids for berths of their preference in a fair manner:

- (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, Rambler Channel and Tuen Mun PCWAs) and only incumbent operators may bid for berths at the respective PCWA, and to allow operators at Kwun Tong and Cha Kwo Ling 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 Kwun Tong PCWA¹. In view of the demand from operators and having regard to the geographical conditions of the PCWA concerned, we intend 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 Rambler Channel 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.

Way Forward

7. As the current BLAs will expire by end-July, the Administration will proceed with the necessary tendering arrangements as soon as practicable to facilitate a smooth transition to the new BLAs.

Transport and Housing Bureau January 2011

¹ As defined in the BLA since 1998, “dirty cargo” means cargo containing sand and aggregate, cement or waste paper. The classification is on the basis that the handling and moving of these cargoes may generate dust and affect the surrounding environment. The handling of this type of cargo is thus only allowed at certain berths at certain PCWAs having regard to, amongst other things, the location and the possible impacts on nearby residents. As the handling of clean cargoes would not have the same adverse impact, operators who handle clean cargo have always been allowed to make bid for these berths.

**Occupancy of PCWA Berths
(as at 1 January 2011)**

PCWA	Length (m)	Occupied Berths		Vacant Berths	
		Number	Length (m)	Number*	Length (m)
Tuen Mun	616	13	500	3	116
Rambler Channel	1,020	25	968	2	52
Stonecutters Island	640	10	480	4	160
New Yaumatei	1,212	28	1,178	1	34
Kwun Tong	660	16	488	--	--
Cha Kwo Ling	840	7	272	--	--
Chai Wan	588	7	244	11	344
Western District	880	16	536	10	344
Total	6,456	122	4,666	31	1,050

* The number of vacant berths does not include those at the Kwun Tong and Cha Kwo Ling PCWAs as they will be closed upon the expiry of the current BLAs.