

*Legislative Council*LC Paper No. CB(1) /10-11(These minutes have been seen
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Ref : CB1/PL/EDEV/1

Panel on Economic Development**Minutes of meeting****held on Monday, 24 January 2011, at 8:30 am****in Conference Room A of the Legislative Council Building**

Members present : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Ronny TONG Ka-wah, SC (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon Vincent FANG Kang, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN

Members attending : Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon WONG Kwok-hing, MH
Hon WONG Kwok-kin, BBS

Members absent : Dr Hon LEUNG Ka-lau
Hon Albert CHAN Wai-yip

Public officers attending : Agenda item IV

Mrs Rita LAU, JP
Secretary for Commerce and Economic
Development

Mr YUEN Ming-fai, Richard
Commissioner of Customs & Excise

Mrs CHEUNG CHIU Hoi-yue, Alice
Deputy Secretary for Commerce and Economic
Development
(Commerce & Industry)

Mr YAU Kin-chung
Principal Assistant Secretary for Commerce &
Economic Development
(Commerce & Industry)

Mr CHEUNG Sai-yan
Head of Trade Controls

Agenda item V

Mrs Rita LAU, JP
Secretary for Commerce and Economic
Development

Mr Philip YUNG, JP
Commissioner for Tourism

Mr Clement LAU
Assistant Commissioner for Tourism (4)

Agenda item VI

Mr Philip YUNG, JP
Commissioner for Tourism

Mr Clement LAU
Assistant Commissioner for Tourism (4)

Mr Adolph LEUNG
Principal Economist (2)

Agenda item VII

Mr Philip YUNG, JP
Commissioner for Tourism

Mrs Winifred CHUNG, JP
Assistant Commissioner for Tourism (3)

Agenda item VIII

Mr YAU Shing-mu
Under Secretary for Transport and Housing

Ms Doris CHEUNG
Deputy Secretary (Transport)5

Mr Joe TSANG
Chief Assistant Secretary (Transport)

Mr H. P. LIU
Deputy Director of Marine

Mr T. C. SIN
Assistant Director/Planning and Services

Attendance by invitation : Agenda item VI

Hong Kong Disneyland

Mr Andrew KAM
Managing Director

Mr B C LO
Vice President, Public Affairs

Agenda item VII

Hong Kong Tourism Board

Mr James TIEN Pei-chun, GBS, JP
Chairman

Mr Anthony LAU
Executive Director

Miss Cynthia LEUNG
General Manager
Corporate Affairs

Mr Chris FUNG
Senior Manager
Strategic Planning & Research

Agenda item VIII

Hong Kong Recycle Materials & Re-production
Business General Association Limited

Mr SIU Chun-ming
President

Mr LIU Yiu-shing
Vice President

Mr YOUN Yiu-hung
Director

Mr CHAN Sik-kwan
Director

Joint Alliance of PCWA operators

Mr WONG Yiu-kan
Convenor

Mr NG Wai-kwong
Member

Mr CHEONG Chick-cho
Member

Ms LAM Kam-yi
Member

Clerk in attendance : Ms Debbie YAU
Chief Council Secretary (1)6

Staff in attendance : Ms Diana WONG
Senior Council Secretary (1)8

Ms Michelle NIEN
Legislative Assistant (1)9

Agenda Item IV

Mr Timothy TSO
Assistant Legal Adviser 2

Mr Watson CHAN
Head (Research Division)

Mr Michael YU
Research Officer 7

Action

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VIII	Arrangement for re-allocation of berths in public cargo working areas (PCWAs)					

(LC Paper No. CB(1)1090/10-11(11) - Administration's paper on arrangement for re-allocation of berths in public cargo working areas

LC Paper No. CB(1)1090/10-11(12) - Paper on re-allocation of berths in Public Cargo Working Areas prepared by the Legislative Council Secretariat (Updated background brief)

Briefing by the Administration

At the invitation of the Chairman, the Under Secretary for Transport and Housing (USTH) briefed members on the tendering 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 as set out in its paper (LC Paper No. CB(1)1090/10-11(11)). In gist, the Administration would continue to adopt open tendering for the two PCWAs on Hong Kong Island (i.e. Chai Wan and Western District PCWAs) and restricted tendering for the four PCWAs in Kowloon and the New Territories (i.e. New Yaumatei, Stonecutters Island, Rambler Channel and Tuen Mun PCWAs) for incumbent operators of the respective PCWAs and affected operators at Kwun Tong (KT) and Cha Kwo Ling (CKL) PCWAs due to their planned closure. To meet the demand for berths which would allow the handling of dirty cargoes, the Administration intended to set aside a few more such berths at the Rambler Channel PCWA. The Marine Department (MD) had consulted the PCWA operators on arrangements for the upcoming tendering exercise in accordance with the established practice, and the proposed arrangements were in line with the recommendations of the Public Accounts Committee (PAC). The Administration had also taken into account the differing views of the PCWA operators, the supply and demand situation of berths after the closure of KT and CKL PCWAs, as well as the overall stability of PCWA operation in devising the arrangements. The Administration planned to proceed with the necessary tendering arrangements as soon as practicable to facilitate a smooth transition to the new BLAs.

Presentation by the deputations

2. The Chairman welcomed deputations attending the meeting and invited them to present their views.

Hong Kong Recycle Materials & Re-production Business General Association Limited (RMRBGAL) (LC Paper No. CB(1)1151/10-11(03))

3. Mr LIU Yiu-shing, Vice President, RMRBGAL said that the Administration's policy on re-allocation of berths in PCWAs had been problematic. Notwithstanding that KT PCWA would be closed down after the expiry of the current BLAs on 31 July 2011, the Administration had yet to provide proper arrangement to re-locate waste paper recyclers at KT PCWA to another PCWA. In 2006-2007, the Administration had undertaken to re-locate the affected waste paper recyclers to the construction site of the Trunk Road T2, but such plan had somehow been cancelled in December

2010. As the waste paper recycling industry was "defined" as dirty cargo industry, Mr LIU commented that if they wished to continue operation in the Kowloon area, they were only eligible to submit tenders for some 400 metres of berths at the Rambler Channel PCWA. He said that RMRBGAL had all along been supportive of the Government's initiative to reduce waste for a more sustainable future, but MD had not provided assistance to re-locate the waste paper recyclers. Mr LIU hoped to gain support from the Administration, with Panel members and the public giving them credit for the environmental work they had all along been doing.

Joint Alliance of PCWA operators (JAPO) (LC Paper No. CB(1)1151/10-11(02))

4. Mr WONG Yiu-kan, Convenor, JAPO took members through JAPO's submission and urged the Administration to adopt restricted tendering for the berths in all six PCWAs as open tender had driven some existing PCWA operators out of business. They also opposed to the proposed increase of number of berths which would allow the handling of dirty cargoes in Rambler Channel PCWA, and suggested to explore new venue(s) in East Kowloon to accommodate operators affected by the closure of KT and CKL PCWAs. JAPO also requested that the new BLA should run for a term of more than three years to facilitate the long-term development of PCWAs.

Discussion

Relocation of waster paper recyclers at KT PCWA

5. As the decommissioning of KT and CKL PCWAs was a policy decision to facilitate the future development of the district, Mr CHAN Kam-lam considered that the Government had a responsibility to re-provision the waste paper recyclers who, under the proposed arrangements, could only submit tenders for a limited number of berths which allowed the handling of dirty cargoes. Mr CHAN urged the Administration to support the work of the waster paper recyclers and consider allowing only those operators who handled dirty cargoes to make bids for such berths.

6. Highlighting that he had been involved in a related case handled by the Complaints Division of the Legislative Council Secretariat, Mr Vincent FANG expressed grave concern that the way which the Administration handled the issue was bureaucratic. The waster paper recyclers supported the Government policy's and were prepared to be re-located but ended up being told that there were not enough berths in Kowloon and the New Territories to accommodate them all. He warned that discontinuation of the

operation of waste paper recyclers would aggravate the waste management problem at the landfills. Mr FANG considered the requests of the waste paper recyclers very reasonable and urged the Administration to address their concerns.

7. In response, USTH advised that the number of berths in Kowloon and the New Territories which allowed the handling of dirty cargoes was not sufficient to accommodate the incumbent operators after the closure of KT PCWA. The Administration had now devised arrangements so that they would have a fair opportunity to participate in the tendering exercise. This would also be in keeping with PAC's recommendation that the allocation of PCWA berths should be conducted in an open, fair and economically viable manner. USTH added that according to the Environment Bureau, there were no grounds to support the request of the 12 waste paper recyclers that they must operate together at the same location. As regards Mr CHAN Kam-lam's suggestion of allowing only those operators who handled dirty cargoes to bid for berths which would allow the handling of such cargoes, USTH said that the suggestion would limit the operational flexibility of operators as they could now handle both dirty and non-dirty cargoes at the berths concerned. Nevertheless, the Administration would continue to discuss with the operators to address their concerns.

8. Mr WONG Kwok-kin referred to the special ex-gratia re-housing packages provided to affected residents in Choi Yuen Tsuen due to the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link project. He urged the Administration to uphold the same spirit and concede to the request of the waste paper recyclers by confining the bidding for berths which would allow the handling of dirty cargoes to those operators who handled such cargoes first before opening such berths to other existing operators to bid, and re-provisioning all the affected waste paper recyclers within the same PCWA. Mr WONG highlighted the contribution of the waste paper recycling industry, in particular the job opportunities they were offering for elderly who collected discarded cardboards and waste papers for a living, and urged the Administration to address the concerns raised by the waste paper recyclers.

9. USTH explained that PCWAs were public facilities at seafronts for various trades to handle cargoes. In addition to the waste paper recyclers, there were operators belonging to other trades operating at the PCWAs. Therefore, it was of paramount importance to ensure that the tendering would be conducted fairly. He advised that there would be sufficient berths for incumbent operators territory-wide even after the closure of KT and CKL PCWAs. When the current BLAs expired by the end of July 2011, the right for a certain operator to use a certain berth would also cease. To facilitate

operators affected by the closure of KT and CLK PCWAs to continue to operate, the Administration had implemented a voluntary relocation scheme to encourage them to re-locate to vacant berths in other PCWAs. About 40% of affected operators had already been re-located through the scheme. In view of the supply and demand situation, special arrangement would be made at the Rambler Channel PCWA to cater for the needs of operators who handled dirty cargoes.

10. Mr CHEONG Chick-cho, Member of JAPO commented that the proposed arrangement would be unfair to existing operators who handled non-dirty cargoes. Mr NG Wai-kwong, Member, JAPO refuted the Administration's claim with regard to the increase of number of berths which would allow the handling of dirty cargoes in the Rambler Channel PCWA as the Administration simply re-designated certain berths from handling non-dirty cargoes to also allow the handling of dirty ones. He understood that the development of south-east Kowloon would not commence within the next few years, and questioned the need to decommission KT and CKL PCWAs in July 2011.

11. Ms Emily LAU declared that she was the Deputy Chairman of the Business Facilitation Advisory Committee. She was keen to ensure a level-playing field for the operators and that the upcoming tendering exercise would indeed be conducted in a fair and equitable manner. As regards her concern whether certain industry could move into Rambler Channel PCWA in whole, USTH clarified that the right of using the berths would depend on whether the interested operators could successfully secure a berth through the bidding process.

12. Sharing similar concerns, Mr Ronny TONG pointed out that other countries had made conscious efforts to promote environmental protection initiatives and provided incentives for industries engaged in such initiatives. In light that the Government had an established policy to promote environmental protection, Mr TONG urged the Transport and Housing Bureau to liaise with the Environment Bureau to provide assistance to the waste paper recycling industry, such as providing concessions and compensation, and increasing the number of berths at Rambler Channel PCWA to ensure their survival.

13. USTH re-iterated that the Administration needed to ensure that the allocation of PCWA berths was conducted fairly and equitably. The arrangements put forward had already taken into account views from bureaux/departments concerned and could balance the interests of the different parties. The request of the waste paper recyclers to be re-provisioned as a group to the same location would not be fair to other

PCWA operators.

14. Mr LIU Yiu-shing of RMRBGAL clarified that the waste paper recycling industry operated on a regional basis in Kowloon and the New Territories. As there were not enough berths in these two regions for incumbent operators, Mr LIU said that the Administration might have misled the public by claiming that there were enough berths in the territory as a whole to re-provision the waste paper recyclers. He urged the Administration to allow only those operators who handled dirty cargoes to make bids for berths which would allow the handling of dirty cargoes.

15. As the Administration had planned about the closure of KT and CKL PCWAs some years ago, Ms Miriam LAU questioned why the Administration had failed to identify a suitable site to provide PCWA facilities to re-provision the waste paper recyclers. The Administration's current proposal of adding more berths in Rambler Channel PCWA was equivalent to, as she observed, taking berths away from the incumbent operators. Ms LAU further highlighted the difficulties faced by the waste paper recyclers for re-locating from Kowloon to Hong Kong Island as such move would cause much inconvenience to the trade and increase the transportation cost. She urged the Administration to identify suitable site(s) in Sai Kung or Tseung Kwan O for re-provisioning them. USTH responded that the Administration had reviewed water-front sites throughout the territory but could not identify any land which could be used for developing new PCWAs. He undertook to continue to liaise with the trade on their concerns.

16. Mr WONG Yiu-kan, Convenor, JAPO stressed that there was no increase in the overall length of PCWA berths. The Administration only shortened some of the berths at Rambler Channel PCWA and re-designated the remaining portion as berths which would allow the handling of dirty cargoes. In such cases, the berths after re-allocation might be too small to accommodate some of the vessels managed by existing PCWA operators. He urged the Administration to arrange new berths to facilitate operation of the trade. The Deputy Secretary (Transport)5 (DS(T)) advised that at present, there were three operators who handled dirty cargoes at Rambler Channel PCWA. To ensure that there would at least be sufficient berths which would allow the handling of dirty cargoes at the Rambler Channel PCWA for these operators and the 12 waste paper recyclers to bid, 15 dirty cargo berths would be needed at the Rambler Channel PCWA. Taking into account the geographical layout of the PCWA, its proximity to nearby residents, etc., the Administration therefore intended to set aside four more berths which would allow the handling of dirty cargoes. The Administration also planned to take the opportunity to realign the length of some berths

thereat. This could help facilitate more operators (regardless of the types of cargoes handled) to remain in PCWAs in Kowloon and the New Territories, Nevertheless, the Administration could revisit the arrangements in view of the latest feedback from the operators.

Views on open tendering

17. Mr CHAN Kam-lam expressed concern that restricted tendering would be more conducive to the continual operation of existing PCWA operators.

18. Mr CHEONG Chick-cho, Member of JAPO noted that 20% of the berths were awarded to the highest bidders in the open tender exercise for the PCWA berths at Western District and Chai Wan PCWAs in 2008, and incumbent operators who had been operating berths there for decades were as a result forced out of business. As such, Mr CHEONG urged the Administration to adopt restricted tendering and allow incumbent operators to bid for berths at their respective PCWAs before arranging them for open tendering.

19. Ms Emily LAU urged the Administration to review the views expressed by JAPO on the unsatisfactory experience in the open tender exercise in 2008.

20. Mr NG Wai-kwong, Member, JAPO remarked that since the implementation of open tendering in 2008, the number of PCWAs and operators had been decreasing with the increase in cost of securing the right of using PCWA berths. Mr NG expressed concern that MD had seldom paid heed to the concerns of the trade and often forcefully implemented its policy on the trade with little consultation. For example, it was unreasonable to request operators who had been operating in Kowloon to relocate to Chai Wan. He urged the Administration to consider the hardship faced by the operators and to extend the BLAs for another three years to allow time for resolving the problem in relocation of KT & CKL operators before discussing tendering arrangement for the upcoming BLAs.

21. USTH responded that the open tendering for the Chai Wan and Western District PCWAs in 2008 was conducted in accordance with PAC's recommendation. The closing down of businesses by some operators could be due to various factors, such as commercial viability. As PCWAs continued to play an important role in handling about 10% of of Hong Kong's total container throughput, USTH did not consider that the operation of PCWAs had been affected by the tendering arrangements.

22. Ms Miriam LAU commended the valuable contribution of PCWA operators to the development of the logistics industry in Hong Kong for their competitive pricing in handling cargoes across the seawall. She noted that there had been various developments in disposing berths in PCWAs since the Director of Audit gave his recommendations in 1995, and observed that the existing arrangement of conducting a tendering exercise once every three years had caused much uncertainty among the trade and hindered its development. Ms LAU urged the Administration to consider lengthening the term of BLAs to beyond three years so as to prevent conglomerates from monopolizing PCWAs by submitting higher bids and pricing out small players. On the term of BLAs, USTH considered the present three-year term appropriate but undertook to consider comments from Panel members and operators expressed at the meeting.

23. Ms LAM Kam-yi, Member, JAPO said that the re-allocation of PCWA berths was related to the entire trade which, once displaced, would not be able to continue to serve Hong Kong. She suggested the Administration to allow the waste paper recyclers to continue their operation at KT PCWA until the issue of re-provisioning was resolved, to lengthen the term of BLAs from three years to five years and to adopt restricted tendering arrangement for all PCWA berths.

The way forward

24. Ms Starry LEE shared the concerns of the waste paper recyclers as well as those expressed by JAPO, and urged the Administration to make special arrangement in respect of site selection and assistance for the waste paper recycles while seeking to address the many concerns raised by JAPO.

25. Ms Emily LAU also expressed concern that the waste paper recyclers might be forced to close down thus contradicting the Administration's initiatives in promoting environmental protection industries and preserving job opportunities.

26. Ir Dr Raymond HO remarked that recycling was an important initiative in the Administration's policy of management of municipal solid wastes, and asked the Administration to seriously consider the requests of the deputations and provide a solution for all parties. The Chairman further enquired about the urgency of conducting the tendering exercise and whether the term for new BLAs could be lengthened from three to five or longer years. He also urged the Administration to formulate a long-term development plan for PCWAs.

27. In response, USTH again drew members' attention that the request of

the waste paper recyclers to be re-provisioned as a group would not be fair to other PCWA operators. In view that the current BLAs would expire by the end of July 2011, USTH remarked that there was limited time to work out the way forward as tendering, which could involve several rounds, would need to commence, say, in a few weeks' time and concluded prior to July 2011. Nevertheless, the Administration would further review the issues raised by deputations such as re-allocation of berths at Rambler Channel PCWA and the term of BLAs. USTH undertook to continue to communicate with the trade on their concerns before conducting the next round of tender. DS(T) added that the Administration hoped to come up with a final package through further discussion with the trade in the coming two to three weeks, and proceed with the tendering exercise by the end of February so as to ensure that the new BLAs would be in place by 1 August 2011.

28. Ms Starry LEE agreed with Mr CHAN Kam-lam's suggestion for the Panel to continue discussion of the item as soon as practicable before the commencement of the upcoming tendering exercise. Meanwhile, she hoped that the Administration could work out a solution with the trade. Ir Dr Raymond HO and Ms Emily LAU concurred. Ms LAU suggested that the Secretary for the Environment and the deputations should be invited to attend the meeting. In view of the urgency of tendering exercise and concerns expressed by members and the trade, the Chairman suggested to continue the discussion on the item at the next Panel meeting on 28 February 2011. The Chairman requested the Administration to address the concerns raised by members and deputations at the meeting.

Admin

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Council Business Division 1
Legislative Council Secretariat
 22 February 2011