

# 立法會

## *Legislative Council*

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### **Panel on Economic Development Meeting on 22 June 2015**

### **Background brief on the development of Hong Kong Port in Hong Kong**

#### **Purpose**

This paper provides background information on the development of Hong Kong Port ("HKP"). It also summarizes the views and concerns expressed by Members when relevant issues were discussed at the Panel of Economic Development ("the Panel") and other occasions.

#### **Background**

2. Hong Kong is a regional hub port and an international maritime centre strategically located on the Far East trade routes and at the geographical centre of the fast-developing Asia Pacific region. Hong Kong was ranked as the world's busiest port in terms of container throughput in the early 2000s but overtaken by Singapore in 2005. It is currently ranked after Shanghai, Singapore and Shenzhen. In 2014, it handled 22.2 million twenty-foot equivalent units ("TEUs") of container throughput, of which some 17.6 million TEUs or 79% were handled at Kwai Tsing Container Terminals ("KTCT") while about 4.6 million TEUs were handled in Tuen Mun River Trade Terminal, six public cargo working areas ("PCWAs"), mid-stream operations, anchorages and private wharves.

#### **Planning for Container Terminal 10**

3. Located in the north-western part of the harbour, KTCT consists of nine container terminals with 24 berths of about 7 694 metres of deep water frontage, providing a total yearly handling capacity of about 20 million TEUs.

4. The Administration released in April 2008 the Study on Hong Kong Port Cargo Forecasts 2005-2006 which expected that the total container throughput of the HKP would continue to grow moderately in the period up to 2030. The Government subsequently commissioned the Preliminary Feasibility Study for Container Terminal 10 ("CT10") at Southwest Tsing Yi ("PFS") as well as the Study on the Strategic Development Plan for Hong Kong Port 2030 ("HKP2030"). The findings of both studies, made available by the consultants in January and October 2014 respectively, were released by the Government in December 2014.

5. According to the findings of PFS, the development of the proposed CT10 should be technically feasible. However, according to the outcome of analysis of HKP2030, the project is not viable financially or economically, largely because the latest forecast of throughput growth of HKP is at a slower rate than what was previously forecast. Moreover, about 75% of HKP's throughput comes from transshipment, which as comparatively smaller economic benefits than import/export shipments. The development of CT10 requires a capital cost estimate of \$60.9 billion (in 2011 prices), and it is expected that the economic and financial returns could not fully recover the investment costs within the 50-year evaluation period.

#### Proposed enhancement measures for HKP

6. HKP2030 also forecasts that the total container throughput of HKP would have an average annual growth of 1.5% up to 2030, with total container throughput estimated to reach 31.5 million TEUs. As such, HKP2030 proposes that the Government adopts the following measures to enhance the handling capacity of the terminals so as to sustain the competitiveness of HKP -

- (a) upgrading Stonecutters Island PCWA to a modern container handling facility for ocean-going or river trade vessels, thereby improving operational efficiency;
- (b) enabling the River Trade Terminal to become a terminal for both ocean-going and river trade vessels;
- (c) providing additional barge berths at KTCT to relieve congestion caused by the increase of river cargo throughput; and
- (d) making better use of land and other facilities around the terminals to enhance operational efficiency and accommodate future growth in transshipment.

7. The industry generally agrees with the above proposals and has requested the Administration to implement the enhancement measures as soon

as possible to provide more port back-up and berthing facilities to relieve congestion at KTCT. The Government will follow up on the various enhancement measures in a pragmatic and progressive manner to meet the increasing throughput demand up to 2030. Hence, the Administration does not recommend planning for CT10 before 2030.

8. The Administration is also reviewing the allocation and management of port back-up land in the vicinity of KTCT leased under short-term tenancies. The review will explore how to better utilize the land to support the efficient operation of the container terminals and HKP as a whole. In addition, the Administration commissioned in June 2014 a consultancy study on a site in Kwai Chung, currently used for port back-up purposes, to explore the feasibility of developing it into a multi-storey car park principally for use by container trucks and medium/heavy goods vehicles, with the aim of providing better support to port operations.

#### Dredging the Kwai Tsing Container Basin

9. To enhance the competitiveness of HKP, the Administration has sought funding approval from the Legislative Council ("LegCo") in 2013 for dredging the Kwai Tsing Container Basin and its approach channel from the previous depth of 15 metres to 17.5 metres below Chart Datum. This project will enable KTCT to meet the draught requirement of the new generation of ultra-large container ships ("ULCS") at all tides. The Administration expects that the project will complete in early 2016.

#### **Previous discussions**

10. The Panel has discussed about the initiatives to enhance HKP competitiveness during the policy briefings on 16 October 2009, 15 October 2010 and 2 February 2015, and regular meetings on 15 July 2009 and 23 March 2013. Members also discussed this matter at the special meeting of the Finance Committee held on 3 April 2014. Their major views are summarized in the ensuing paragraphs.

#### Enhancing the development of HKP

11. Considering that the Chief Executive's 2015 Policy Address put its focus on high-value-added maritime services, members expressed concern if HKP's development would hence be undermined, and enquired if the new maritime body planned to be established would also promote HKP's development.

12. The Administration stressed that HKP and the maritime industry complemented each other, and hence they were developed in tandem. As for

the HKP's development, the Administration would look into this matter from a long-term perspective and adopt appropriate measures, such as making better use of port back-up land and other facilities around KTCT to sustain its competitiveness. In the context of considering the operational and financial sustainability and the structure of the new body, the expert study commissioned in 2014 by the Government also looked into, among others, whether and how the HKP's development should be covered in the new body's scope of work.

### Dredging the Kwai Tsing Container Basin

13. Addressing some members' enquiries, the Administration advised that the water depth of the Yantian International Container Terminals was currently 16 metres below Chart Datum, while the sea-bed level of the Kwai Tsing Container Basin and portions of the Northern Fairway and Western Fairway would reach 17.5 metres below Chart Datum after the dredging works. Comparing with the ports in Shanghai, Singapore, Busan and Ningpo the water depth of which was around 16 metres, the dredged Kwai Tsing Container Basin would be able to receive at all tides more ULCS which were commonly deployed in international voyages. This would be conducive to enhancing Hong Kong's status as a regional hub port and creating employment opportunities in the port and logistics sectors, including the ship-repairing industry where an incentive scheme was in place to encourage employment. The Administration would strengthen the publicity in this regard with a view to attracting new blood to the industry.

### Port back-up sites in Kwai Tsing

14. At the special meeting of the Finance Committee held on 3 April 2014, some Members welcomed the Administration's plan to identify port back-up sites in Kwai Tsing. They commented that the Administration, while considering the cost-effectiveness of constructing a multi-storey car park for heavy vehicles there, should not merely take into account the rental received but also the social benefits such as the land which could be released for other purposes. In view of the surging rental, members hoped that the Administration could review the policy of providing sites for port back-up sites under short-term tenancies.

15. The Administration pointed out that the review to examine and identify possible ways to improve the allocation and management of port back-up sites in Kwai Tsing was in progress, and it would cover the current mechanism for leasing land to the industry. Under the established practice, the Lands Department would review the rent of short-term tenancies once every three years with reference to the market rate. It would also deal with appeals lodged by tenants under the current appeal mechanism.

### Development of related industries

16. Members welcomed the promotion of ship finance for Hong Kong shipowners and enquired about the timeframe in taking the initiative forward. The Administration advised that to enhance the attractiveness of HKP, it was important to provide comprehensive and quality services including ship finance, ship insurance, legal services, shipping arbitration, ship brokering and management, and ship surveying. It was expected that by enhancing the support for financing of vessels owned by Hong Kong companies, the demand for other maritime services would also be stimulated.

17. The Administration supplemented that according to the study report on "Enhancing Hong Kong's Position as an International Maritime Centre" issued in April 2014, it was concluded that Hong Kong should seek to expand the presence of commercial principals such as ship managers, owners and operators in Hong Kong and enhance capabilities in high value-added maritime services (e.g. ship finance, marine insurance, maritime law and arbitration), and to differentiate itself from other international maritime centres by positioning as a maritime services centre and springboard that facilitated Mainland shipping companies to operate internationally, and for foreign shipping companies to expand into the Mainland market.

### Others

18. While welcoming HKP2030's proposal of upgrading Stonecutters Island PCWA to a modern container handling facility, some members relayed the grave concern expressed by relevant PCWA operators who requested that proper re-provisioning should be made for them to continue operation. The Administration advised that when the proposal was to be taken forward, consultation and appropriate arrangement for the affected PCWA operators would be made.

### **Council meeting**

19. At the Council meetings on 8 May 2013 and 10 December 2014, Hon Ronny TONG and Hon Frankie YICK raised questions about, inter alia, the operation and development of KTCT. Hyperlinks to the relevant written replies from the Administration are provided in the **Appendix**.

### **Latest position**

20. At the Panel meeting on 22 June 2015, the Administration will brief Panel members on the major recommendations of the HKP2030 and PFS, and

the development plan for HKP, including enhancement measures for existing port facilities, the review of port back-up land and barge berthing provisions at KTCT with a view to enhancing the overall competitiveness of HKP.

## **References**

21. A list of the relevant papers which are available on the LegCo Website (<http://www.legco.gov.hk>) is in the **Appendix**.

Council Business Division 4  
Legislative Council Secretariat  
15 June 2015

## List of relevant papers

| Issued by                     | Meeting date/<br>Issue date | Paper  |
|-------------------------------|-----------------------------|--|
| Panel on Economic Development | 15 July 2009                | <a href="#">Agenda</a><br><a href="#">Information paper issued by the Administration</a><br><a href="#">Minutes</a>  |
|                               | 16 October 2009             | <a href="#">Minutes</a>  |
|                               | 27 June 2011                | <a href="#">Agenda</a><br><a href="#">Background brief</a><br><a href="#">Information paper issued by the Administration</a><br><a href="#">Minutes</a>  |
|                               | 25 March 2013               | <a href="#">Agenda</a><br><a href="#">Information paper issued by the Administration</a><br><a href="#">Minutes</a>  |
| Council meeting               | 8 May 2013                  | <a href="#">Written reply by the Secretary for Labour and Welfare to a question on "Labour dispute at Hongkong International Terminals"</a>  |
|                               | 10 December 2014            | <a href="#">Written reply by the Secretary for the Transport and Housing to a question on "Measures to improve operation and facilities of Container Terminals" raised by the Hon Frankie YICK</a> |

| <b>Issued by</b>   | <b>Meeting date/<br/>Issue date</b>  | <b>Paper</b>  |
|--------------------|--------------------------------------|---|
| Finance Committee  | 3 April 2014                         | <a href="#"><u>Speech by STH on transport at LegCo Finance Committee special meeting</u></a>  |
|                    |                                      | <a href="#"><u>Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2014-15</u></a> |
| The Administration | 1 December 2014<br>(date of release) | <a href="#"><u>Preliminary Feasibility Study for Container Terminal 10 at Southwest Tsing Yi</u></a> (available in January 2014)                  |
|                    |                                      | <a href="#"><u>Study on the Strategic Development Plan of Hong Kong Port 2030</u></a> (available in October 2014)                                 |