

For discussion
on 24 March 2016

Legislative Council Panel on Economic Development

Review on Public Cargo Working Areas Findings and Recommendations

Introduction

This paper briefs Members on the findings and recommendations of the Comprehensive Review on Pertinent Issues relating to the Operation and Management of Public Cargo Working Areas (“Review”).

Background

2. Public Cargo Working Areas (“PCWAs”) are fenced off waterfront areas managed by the Marine Department (“MD”). They are established under the Port Control (Cargo Working Areas) Ordinance (Cap. 81) and its subsidiary legislation; and the use of their sea-front cargo-handling facilities is being regulated accordingly. They have all along been an integral part of Hong Kong Port (“HKP”)¹, and have made substantial contributions to the economic and social development of Hong Kong. Currently, there are six PCWAs². PCWA berths, which comprise sections of sea frontage and the related cargo working apron areas, are allocated through tender. MD enters into Berth Licence Agreements (“BLAs”) with the PCWA operators. As the current five-year BLAs will expire on 31 July 2016, MD set up a Task Force (“TF”)³ in March 2014 to review the operation and management of PCWAs before undertaking a fresh tendering exercise to lease out the berths.

3. The findings and recommendations of the Review are set out in the ensuing paragraphs.

¹ HKP comprises various port facilities including Kwai Tsing Container Terminals, River Trade Terminal at Tuen Mun West, six PCWAs, mid-stream operations, anchorages and private wharves.

² The six PCWAs are Tuen Mun PCWA, Rambler Channel PCWA, Stonecutters Island PCWA, New Yaumatei PCWA, Chai Wan PCWA and Western District PCWA.

³ The Task Force, led by MD, comprises representatives of Transport and Housing Bureau, Development Bureau, Financial Services and the Treasury Bureau, Environmental Protection Department and Planning Department.

Findings and Recommendations

The Importance of PCWAs

4. The Review shows that PCWA operation continues to serve important functions for Hong Kong as follows —

- (a) PCWAs handle a sizable amount of cargo (about 7.2 million tonnes, which include about 0.6 million twenty-foot equivalent units (“TEUs”) of containerised cargoes, i.e. about 3% of the overall container throughput of HKP in 2014). Cargoes handled at PCWAs are for local consumption as well as for transshipment. The five major cargo types handled at PCWAs are containers (35% of total weight of cargo handled), sand and aggregate (17%), waste paper (12%), cement (11%) and construction materials (8%);
- (b) PCWA operation plays a complementary role to the cargo handling industry and provides essential support to HKP by offering a low-cost alternative for shippers and port users, i.e. mid-stream operation which involves loading and unloading cargoes to and from barges;
- (c) PCWAs are essential for cargo transport to outlying islands, recycling trade, transportation of construction materials and non-containerised cargoes;
- (d) data collected from the trade reveal that the transportation cost of cargoes by barges at PCWAs is much lower than that by trucks. For example, the average cost of transporting a 20-foot and a 40-foot containerised cargo by barges at PCWAs to or from the Western Pearl River Delta region is about 46% and 18% lower respectively than that by trucks. Hence, PCWA operation helps to maintain the competitiveness of HKP;
- (e) PCWAs support small and medium enterprise (“SME”) operation in the marine cargo handling as well as the logistics trades. PCWA operators are mostly SMEs⁴ with a long history in the marine cargo handling industry, including some operators who are engaged in the recycling business; and
- (f) PCWAs provide some 5 000 job opportunities for low-skilled workers in Hong Kong.

⁴ In 2014, about 70 PCWA operators (i.e. 67%) out of 104 operators are SMEs.

5. Currently, there are 129 berths with a total of 4 936 metres of sea frontage in six PCWAs. Because PCWAs in the Kowloon and New Territories regions are geographically close to the cargo hinterland and the large-scale construction works sites near Lantau, their occupancy rates are higher than those in the Hong Kong Island region. In 2014, the occupancy rates were 100% for New Yaumatei PCWA (“NYPCWA”), Stonecutters Island PCWA (“SIPCWA”) and Tuen Mun PCWA (“TMPCWA”); 83% for Rambler Channel PCWA (“RCPCWA”); 80% for Chai Wan PCWA (“CWPCWA”) and 73% for Western District PCWA (“WDPCWA”).

Release of Some Berths for Other Uses

6. Hong Kong is a populous city with limited land resources. In considering land use, the Government has all along been striving to balance the needs and interests of different users. To optimise the use of PCWA berths, the TF considers it necessary to strike a balance between the operational needs of PCWA operators and other economic and social needs. The TF proposes to release 6% of the current PCWA sea frontage for non-PCWA uses, and designate 13% for the exclusive use of competent paper recyclers, leaving the remaining 81% for use by other PCWA operators.

(a) WDPCWA

7. WDPCWA is located at the waterfront of Kennedy Town. Notwithstanding its relatively low utilisation rate⁵, its operation is very important. In 2014, WDPCWA handled about 0.3 million tonnes of cargo. It is mainly used for cargo transport to and from the outlying islands and Macao, as well as transportation of large and over-sized prefabricated structures, non-containerised cargoes, necessities and Chinese dry seafood to Hong Kong Island. In 2010, three berths of WDPCWA were provided to the Mass Transit Railway Corporation for use as a temporary barging point for the West Island Line (i.e. Berths No. 1, 2 and 3 totalling 172 metres of sea frontage) (**Annex A**). Upon completion of the project, the berths were returned to MD on 31 December 2014. The Government, in response to the request of the residents and the District Council, has not leased out those three berths so that their future use could be thoroughly considered in the Review. The TF, having taken into account of the future operational needs of WDPCWA and the aspiration of the residents, proposes to release the three berths for other uses in order to balance different needs of the district.

⁵ The utilisation at WDPCWA is relatively low because one of its important functions is to distribute fresh food, including vegetables and meat, to the outlying islands, and Chinese dry seafood from outlying islands to the retail shops in Western District. As a result, WDPCWA is very busy in the morning and relatively quiet in late afternoon and the evening

8. The feasibility of releasing the breakwater arm of WDPCWA (i.e. 248 metres of sea frontage) instead of Berths No. 1, 2 and 3 was also explored. This alternative would enable the PCWA berths to cluster together for easier management while the released breakwater arm could have better synergy with the adjacent public open space project underway. However, the affected operators have raised strong objection, as the berths along the breakwater arm are calmer and have larger back-up areas, making them safer for PCWA operations. This option was not pursued further.

(b) SIPCWA

9. The Study on Strategic Development Plan for Hong Kong Port 2030 (“HKP 2030 Study”)⁶, commissioned by the Transport and Housing Bureau, was completed in 2014. It recommends that SIPCWA should be upgraded to become a modern container handling facility for ocean-going and river trade vessels to support the operation of Kwai Tsing Container Terminals (“KTCT”). In view of the important roles PCWAs plays as an integral part of HKP and, in particular, the 100% occupancy rate of SIPCWA in 2014, its operation should be maintained.

10. Having assessed the actual situation, it is recommended that a sea frontage of 120 metres at the northwestern end of SIPCWA (i.e. 17.6% of the total sea frontage of SIPCWA) should be released to support KTCT’s operation after July 2016 (**Annex B**), so as to increase its container handling capacity to cope with growth in container throughput and provide barge berths for transshipment operations.

11. In the long run, the Government would take a flexible approach in considering the future land use of SIPCWA, taking into account the performance of the upgraded sea frontage and forecasts of cargo throughput.

(c) Designated Berths for Waste Paper Recyclers

12. Considering the special situation of paper recyclers and the reliance on PCWAs for waste paper export, special treatment should be introduced to waste paper recyclers. After a three-month consultation in mid-2014 and discussion with the relevant stakeholders, the Environmental Protection Department

⁶ HKP 2030 Study projects that HKP would continue to grow in container throughput at an average annual rate of 1.5% up to 2030. The projected growth is mainly attributable to the growth in transshipment cargo. It also reveals that utilisation of port facilities is uneven as more and more containerised cargo will be using Kwai Tsing Container Terminals (“KTCT”) and there is a shift of inland transport mode for South China cargo from trucking to barging. It recommends, amongst others, that the capacity of the KTCT should be enhanced through provision of more yard space and barge berths so as to meet future demand and hence maintain its competitiveness.

(“EPD”) proposed to designate 16 berths (i.e. 638 metres of sea frontage in total) in TWPCWA, RCPCWA and CWPCWA (**Annex C**) for open bidding by paper recyclers. EPD will conduct eligibility check on the bidders in the tender assessment stage to ensure that only competent recyclers genuinely involved in local paper recycling operation can bid for the designated paper berths. Based on the principle of fairness, recyclers bidding for the designated waste paper berths are not allowed to bid any other PCWA berths.

Tenure of Next BLAs

13. The current BLAs for PCWAs last for five years. According to the findings of a questionnaire survey conducted during the Review, 33% of PCWA operators indicated that they prefer a longer-term tenure, say, seven years. The TF appreciates that a longer tenure would give PCWA operators greater certainty in running their business and encourage them to invest on equipment and facilities. On the other hand, a shorter tenure would allow the Government more flexibility in planning for the use of sea frontage to meet changing community needs. To strike a balance between the interest of the trade and the need for flexibility in land use planning, the TF recommends that the five-year tenure should be maintained for the coming BLAs.

Vehicle Entry Ticket (“VET”)

14. PCWA operators and the trucking trade have suggested introducing a half-hourly rate for VET⁷ for vehicles using the PCWAs to help the trade face the recent downward trend of cargo throughput.

15. Most of the truck operators are SMEs providing an essential service to support the operation of PCWAs. Like the PCWA operators, their business has relatively thin profit margins and is easily affected by external economic situation, cargo throughput and container throughput. The sustainability of their operation depends largely on the control of operating cost, and more so during difficult time. The downward trend of container throughput⁸ and cargo throughput⁹ in the past few years has a significant impact on truckers’ business. In view of the uncertain economic situation ahead, the trade is not optimistic

⁷ The current charge rate is \$33 per hour for each licensed vehicle.

⁸ The container throughput of Hong Kong Port has been dropping since 2011 and remained sluggish in 2015. In 2015, the container throughput registered a year-on-year decrease of 9.7%.

⁹ Cargo throughput handled at PCWAs dropped from 8 million tonnes in 2011 to 6.5 million tonnes in 2015.

about its business in the next few years. The TF considers the trade's request for a half-hourly rate for VET understandable as a means to cut operating costs.

16. According to MD's latest survey in 2014, around 70% of the vehicles stay in the PCWAs for less than 30 minutes. While changing the charging mechanism as requested by the trucking trade might better reflect the usage pattern, it would have substantial revenue implications. To ameliorate the revenue foregone, the half-hourly rate would have to be pitched at a higher level (for instance, \$22), which would mean a drastic fee increase for 30% of the vehicles staying for longer than 30 minutes (i.e. from \$33 to \$44). We have further discussed with the trade on other practicable options. The trade is prepared to accept a discount fee for the first half-hour stay in PCWAs whilst the charge for vehicles staying more than 30 minutes would remain unchanged. The TF notes that the provision of a discount fee for the first half hour would have the side benefit of inducing truckers to improve their cargo handling efficiency, thus reducing congestion in the working aprons. The TF has examined the implications of different discount amount, and considers that setting the fee at \$25 for the first 30 minutes is a relatively balanced approach. Whilst this option would mean that the Government would incur an annual revenue loss of approximately \$8 million, it would help the trade face the recent downward trend of cargo throughput. Discussion with the trade is ongoing and we hope to finish it shortly.

17. The fees for VET are set out in the Schedule to the Port Control (Cargo Working Areas) Regulations (Cap. 81A). Introducing a discount fee for the first half hour requires legislative amendment. With Members' endorsement, and subject to the outcome of discussion with the trade, we will proceed with the legislative exercise with a view to implementing the new charges as soon as practicable.

Operating Hours

18. Operating hours of PCWAs run daily from 7 a.m. to 9 p.m. to match largely with the operational need of the trade. While there are suggestions from the trade to extend operating hours, most operators prefer the status quo. MD's records show that the demand for "night cargo operation" (i.e. cargo operation between 9 p.m. and 7 a.m.) has been low¹⁰. In view of this, the TF recommends maintaining the current operating hours. Operators who have a need to handle cargoes beyond the operating hours may apply for a "Night Cargo Working Permit" from MD.

¹⁰ There were 11, 1 and 2 applications in 2012, 2013 and 2014 respectively for "Night Cargo Working Permit". No application was received in 2015.

Consultations

19. PCWA operators have been regularly engaged throughout the Review process. In February 2016, MD distributed the TF's findings and recommendations in a consultation paper to all PCWA operators. The operators of 55% of all occupied berths provided their views to MD. Based on the returns, 46% of the operators agreed and supported the TF's recommendations. Another 31% had no comment. The remaining 23% held different views, such as request for a lower charging rate of VET, extension of the tenure of BLAs to 7 years, etc.

20. MD briefed the Hong Kong Port Development Council on 28 January 2016, the Harbourfront Commission's Task Force on Water-land Interface on 22 February 2016, the Port Operations Committee on 3 March 2016 and the Central and Western District Council on 10 March 2016. They support the recommendations set out above.

Way Forward

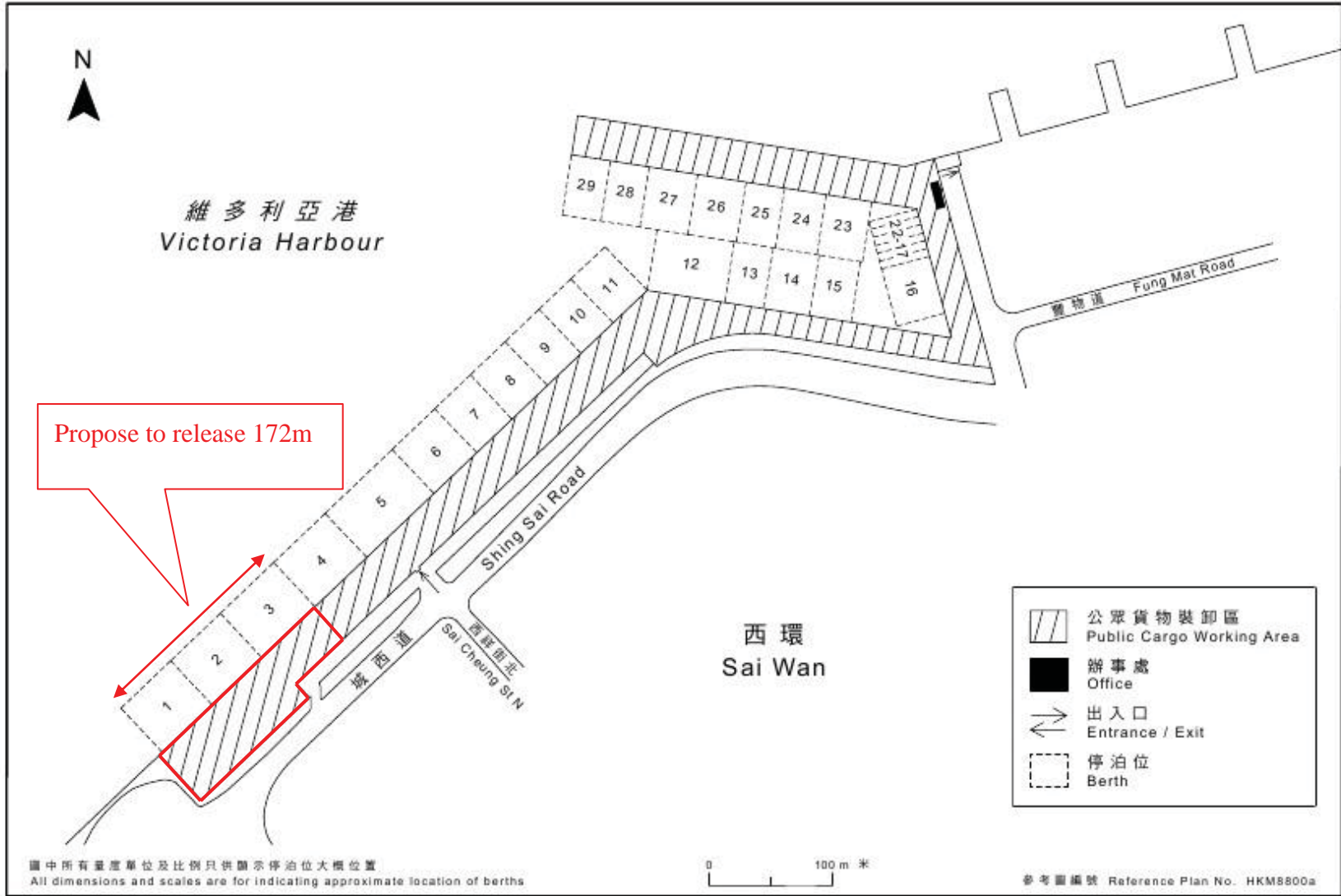
21. MD will proceed with the tendering exercise in April 2016 for the reallocation of PCWA berths under new tenure of BLAs, such that successful bidders may commence their business on 1 August 2016.

Advice Sought

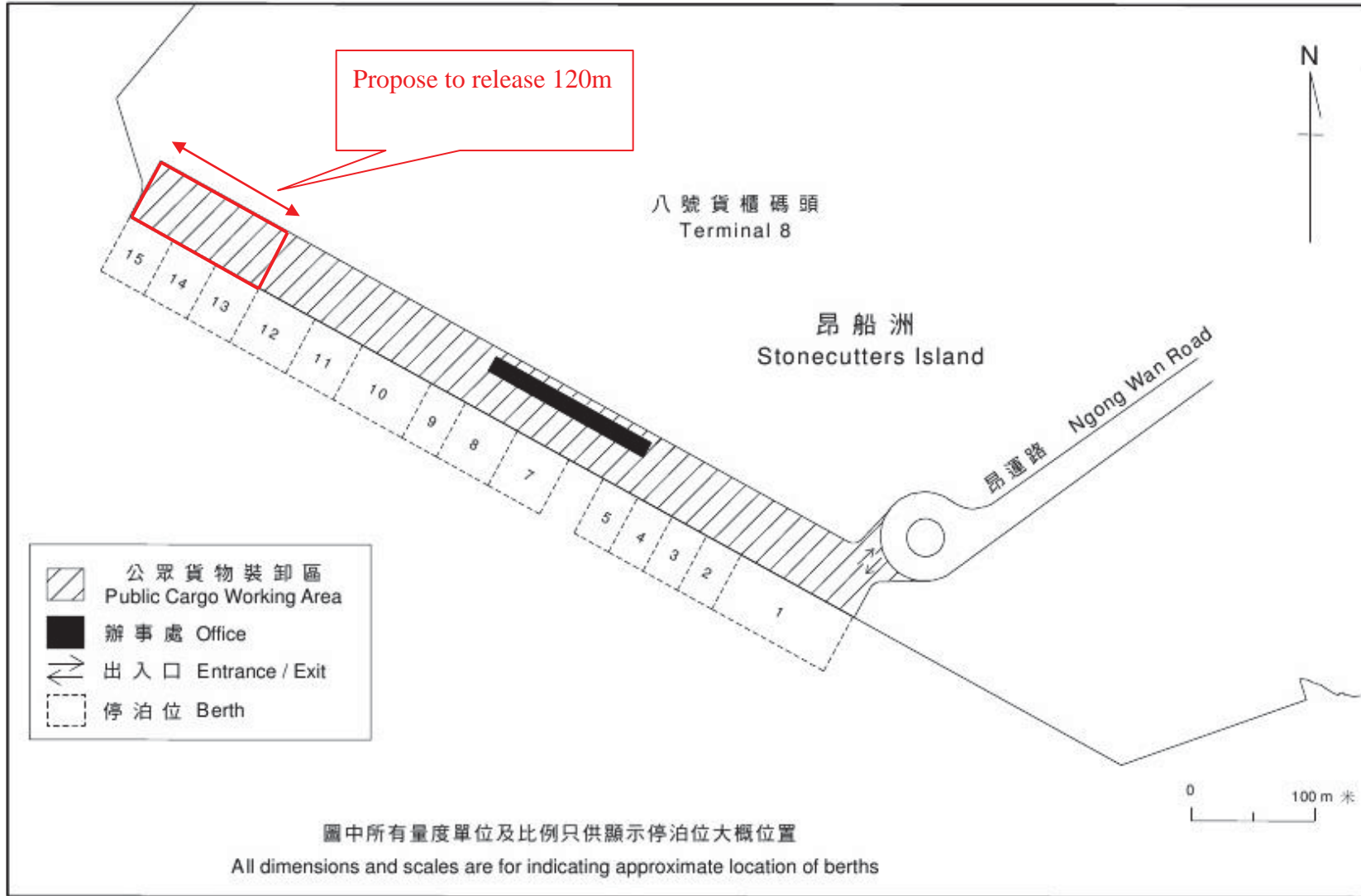
22. Members are invited to note the findings and recommendations of the Review (paragraphs 4 to 13 and 18 refer), and endorse the proposal to introduce a discount fee for VET (paragraphs 16 and 17 refer).

**Marine Department
Transport and Housing Bureau
March 2016**

西區公眾貨物裝卸區停泊位位置圖
Western District Public Cargo Working Area Berth Location Plan

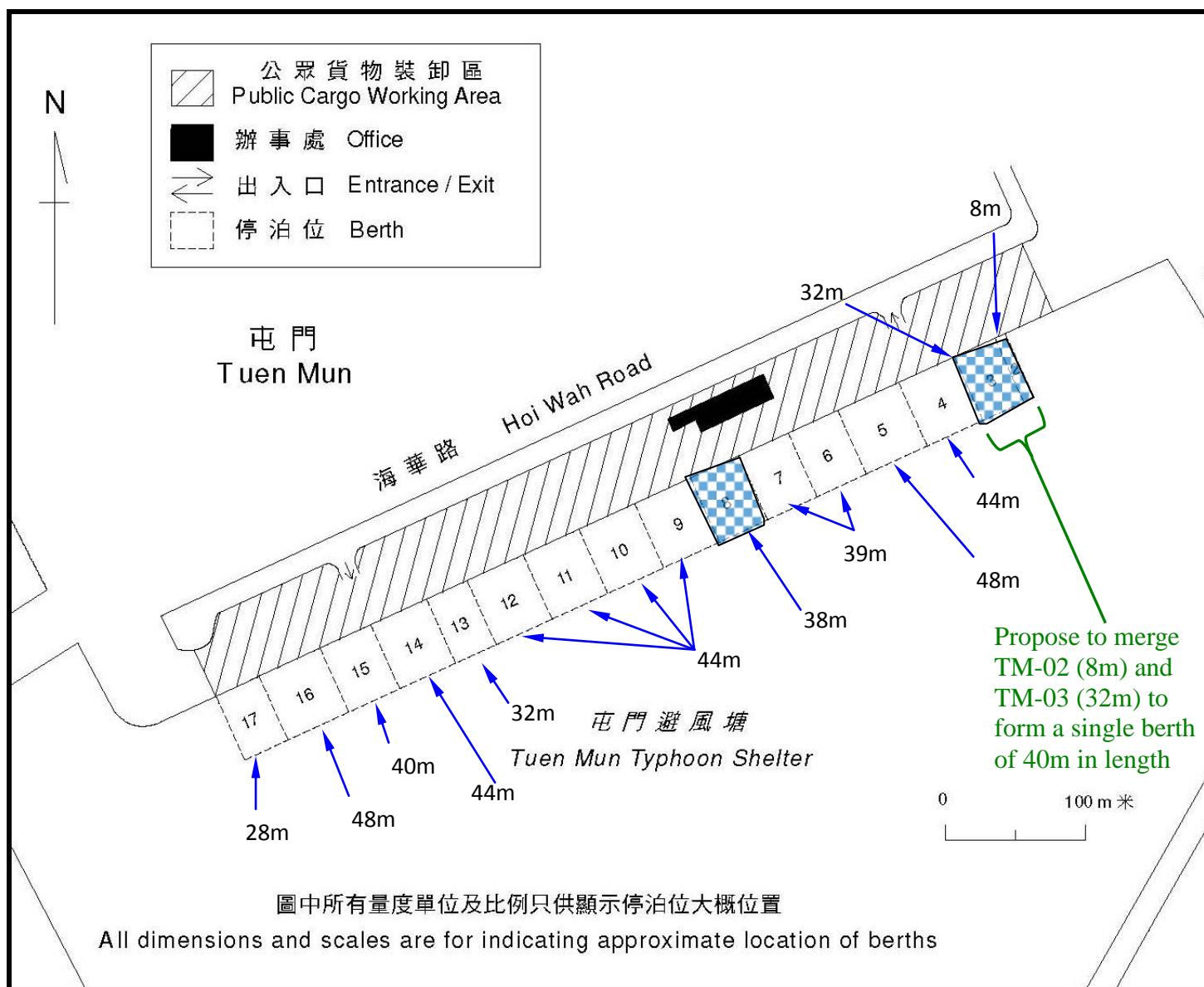


昂船洲公眾貨物裝卸區停泊位位置圖
Stonecutters Island Public Cargo Working Area Berth Location Plan



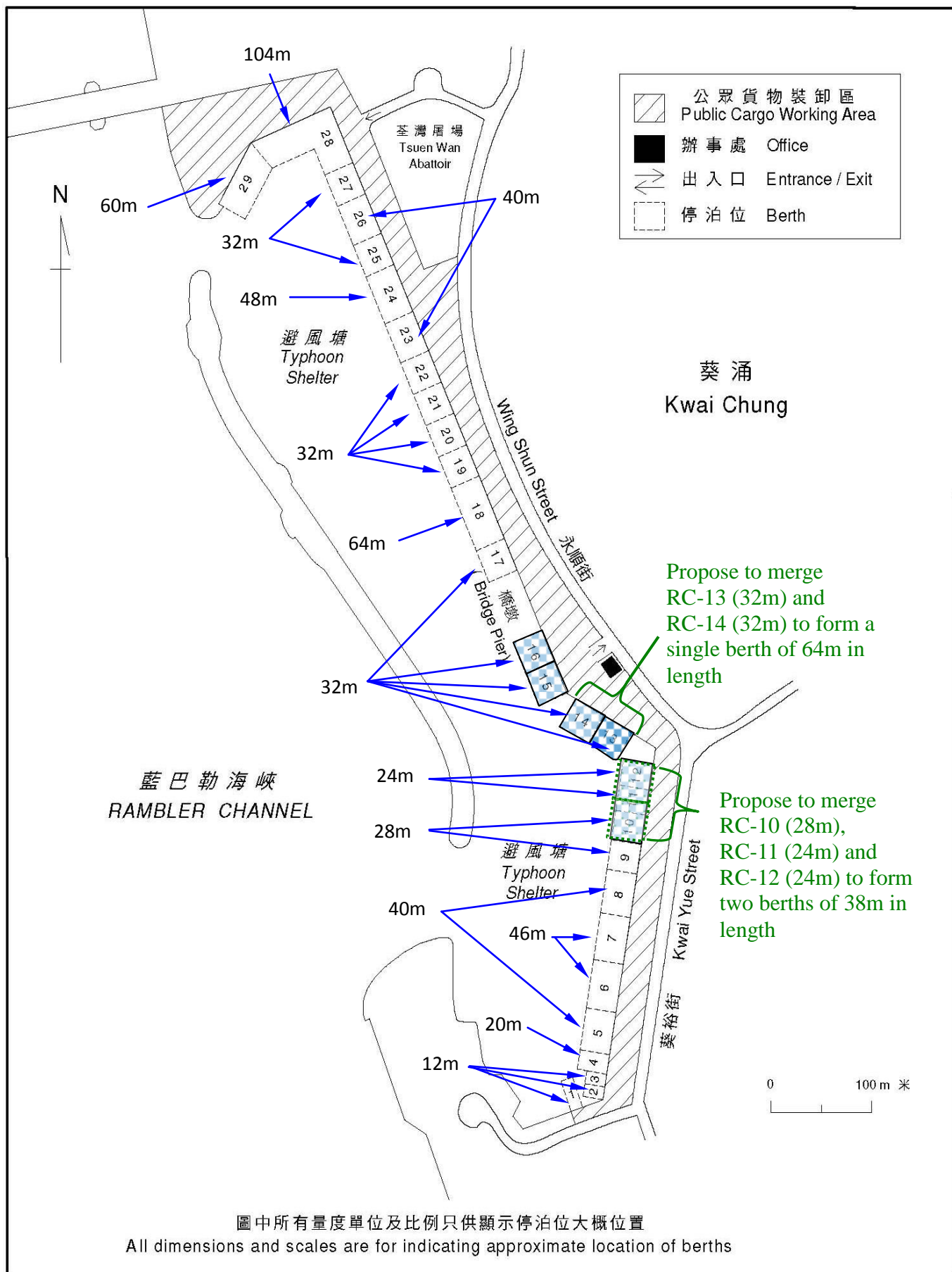
指定廢紙停泊位位置圖 Designated Waste Paper Berth Location Plan

屯門公眾貨物裝卸區 Tuen Mun Public Cargo Working Area



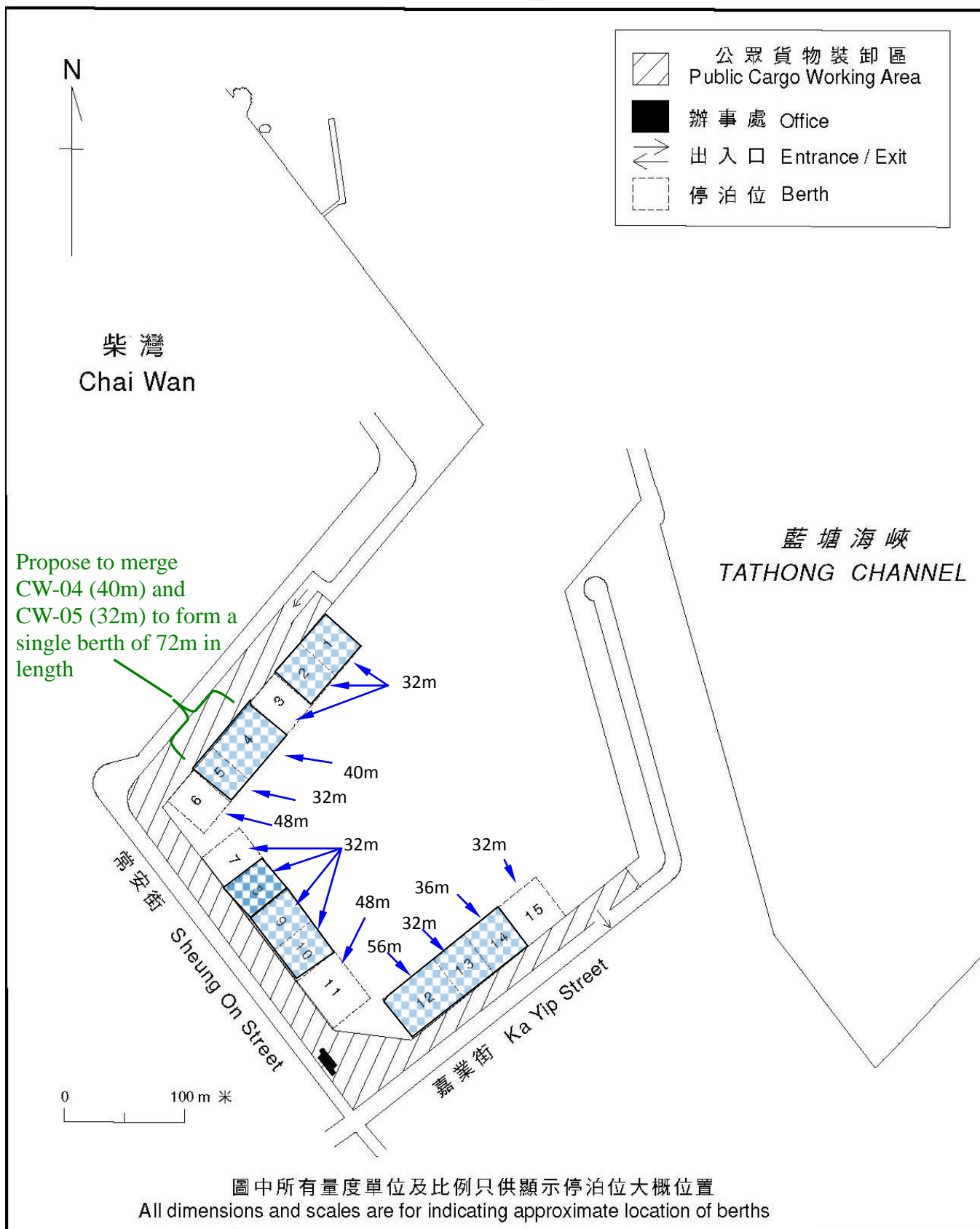
 Designated Waste Paper Berths
  Proposed Re-arrangement

藍巴勒海峽公眾貨物裝卸區
Rambler Channel Public Cargo Working Area



Designated Waste Paper Berths
 Proposed Re-arrangement

柴灣公眾貨物裝卸區
Chai Wan Public Cargo Working Area



Propose to merge CW-04 (40m) and CW-05 (32m) to form a single berth of 72m in length

0 100 m 米

圖中所有量度單位及比例只供顯示停泊位大概位置
All dimensions and scales are for indicating approximate location of berths

Designated Waste Paper Berths
 Proposed Re-arrangement