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**Panel on Economic Development**  
**Meeting on 24 March 2016**

**Background brief on the management of**  
**Public Cargo Working Areas**

**Purpose**

This paper provides background information on the management of public cargo working areas ("PCWAs") and summarizes Members' concerns on related issues.

**Background**

2. PCWAs were established by statutory authority in 1974 under the Port Control (Cargo Working Areas) Ordinance (Cap. 81) ("the Ordinance"). The Ordinance and its subsidiary legislation control the use of water-front areas and the handling of cargoes in such areas. The Marine Department ("MD") is empowered to manage PWCAs under the Ordinance.

3. In 1995, the Director of Audit recommended that the right of using PCWA berths should be allocated by an open and competitive bidding process. The Public Accounts Committee also 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<sup>1</sup>, these sea-front facilities have since 1998 been allocated through tendering arrangements. The terms and conditions of using the berths are governed by the Berth Licence Agreements ("BLAs") between the Government and the operators. The BLAs, which are essentially short term tenancies, would run for a certain fixed period. Re-tendering is carried out to re-allocate the PCWA berths upon the expiry of

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<sup>1</sup> The Panel on Economic Services was renamed as the Panel on Economic Development from the 2007-2008 session.

each BLA. In March 2011, the Administration decided that the validity period for BLAs for the tendering exercise in 2011 would be extended from three to five years, i.e. from 1 August 2011 to 31 July 2016.

4. There are currently six PCWAs<sup>2</sup> in Hong Kong with a total of 129 berths. Two PCWAs are on the Hong Kong Island (at Chai Wan and the Western District), two in Kowloon (at Yaumatei and Stonecutters Island), and the remaining two in the New Territories (at Rambler Channel and Tuen Mun). As the current five-year BLAs of all PCWAs will expire on 31 July 2016, MD will launch a fresh tendering exercise to lease out the berths. MD also set up a Task Force in March 2014 to review the operation and management of PCWAs.

## **Previous discussions**

### Panel on Economic Development

5. The Panel on Economic Development ("the Panel") held two meetings on 24 January and 28 February 2011 to receive briefing by the Administration on the proposed arrangements for the re-allocation of berths in PCWAs upon the expiry of BLAs in July 2011, and met with PCWA operators.

6. The Panel noted at the meeting on 24 January 2011 that the Administration intended to adopt the arrangements as set out below for the re-allocation of berths upon the expiry of BLAs in July 2011:

- (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) in view of the demand from operators who handle dirty cargoes after the closure of Kwun Tong PCWA and having regard to the geographical conditions of the PCWA concerned, to set aside a

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<sup>2</sup> To make way for the development of south-east Kowloon, Kwun Tong and Cha Kwo Ling PCWAs were not released for further tendering upon the expiry of BLAs which ended in end of July 2011.

few more berths which would allow the handling of dirty cargoes and to realign the length of some berths at the Rambler Channel PCWA; and

- (d) to continue to run the new BLAs for a term of three years.

7. Members also noted the following views expressed by PCWA operators:

- (a) some operators hoped that the Government could defer the decommissioning of Kwun Tong and Cha Kwo Ling PCWAs;
- (b) some operators objected to continuing to adopt open tendering for berths on Hong Kong Island;
- (c) some operators pledged 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, considered that the affected operators at Kwun Tong and Cha Kwo Ling PCWAs should only make bid for berths in the four PCWAs if there were still vacancies after bidding by the incumbent operators;
- (d) some operators considered any proposal to increase the number of berths which allow the handling of dirty cargoes at Rambler Channel PCWA would be a favouritism towards operators who handle dirty cargoes and harm the interest of incumbent operators at the berths concerned;
- (e) some operators requested that the validity period of BLAs be extended from three years to five years;
- (f) waste paper recyclers operating at the Kwun Tong PCWA suggested to only allow operators who handle dirty cargoes to make bid for berths which allowed the handling of dirty cargoes; and
- (g) the alliance of the PCWA operators requested to satisfactorily resolve the relocation of the Kwun Tong and Cha Kwo Ling PCWA operators before discussing tendering arrangement for BLAs.

8. Some members shared PCWA operators' view that restricted tendering would be more conducive to their continual operation, as the open tendering

exercise in 2008 had forced some incumbent operators out of business. These members urged the Administration to continue with the restricted tendering arrangement and consider lengthening the term of BLAs to beyond three years to give operators more certainty on their future development.

9. Recognizing the contribution of the waste paper recyclers in environmental protection and preserving job opportunities especially for the elderly, some members expressed concern that as the decommissioning of Kwun Tong and Cha Kwo Ling PCWAs was a policy decision, the Government had a responsibility to re-provision the affected waste paper recyclers, and it should identify a suitable site in Tseung Kwan O or Sai Kung to provide PCWA facilities for re-provisioning the waste paper recyclers.

10. There was also concern that the Administration's proposal of adding more berths in Rambler Channel PCWA was equivalent to taking berths away from the incumbent operators because the Administration only shortened some of the berths there and re-designated the remaining portion as berths allowing the handling of dirty cargoes.

11. At the Panel meeting on 28 February 2011, members noted that the Administration planned to designate four more berths at Rambler Channel PCWA for handling of dirty cargoes. PCWA operators attending the meeting considered that this would only create a conflicting situation between the affected waste paper recyclers and the incumbent operators.

12. Some members remained of the view that special arrangements and facilitation measures should be put in place to assist the waste paper recyclers given the environmental benefit they brought to the community. Members urged the Administration to engage in active communication with the PCWA operators to resolve the outstanding problems before the upcoming tendering exercise.

13. On 24 March 2011, the Administration informed the Panel that it had decided to extend the validity period for BLAs for the tendering exercise in 2011 from three to five years.

14. In June 2011, the Administration, after consulting the views of the PCWA Management Committee of MD and considering other relevant factors, decided to release berths in Kowloon and the New Territories through restricted tendering and those on the Hong Kong Island through open tendering.

15. In November 2011, the Administration informed the Panel that it would publish the Port Control (Public Cargo Working Area) Order 2011 to give effect

to the decommissioning of Kwun Tong and Cha Kwo Ling PCWAs, in the Gazette on 9 December 2011. The Order has taken effect on 6 February 2012. Three rounds of tendering had been conducted in time so that existing operators and new comers who wished to operate under BLAs commencing from August 2011 could bid for berths in PCWAs other than the above two PCWAs. All operators previously operating at the above two PCWAs had moved out. At the district level, the Kwun Tong District Council supported the decommissioning of the two PCWAs.

#### Subcommittee on Port Control (Public Cargo Working Area) Order 2015

16. In considering the Port Control (Public Cargo Working Area) Order 2015 ("the Order") which declared new boundaries for the Western District PCWA, the Subcommittee on Port Control (Public Cargo Working Area) Order 2015 ("the Subcommittee") received views from representatives of the Central & Western District Council ("C&WDC"), Western District PCWA and Hong Kong Cargo Vessel Traders' Association Limited ("CVTA") at its meeting on 24 February 2015.

17. The Subcommittee noted the various views expressed by deputations. C&WDC welcomed the Order which had been made to release a small portion of land at Western District PCWA to provide an access point to the future waterfront open space at the Western Wholesale Food Market under the Signature Project Scheme. C&WDC opined that following the growth of population along with the erection of more and more high-rise residential buildings in the Western District, there was a general lack of open space in the district. It was working closely with the Administration to rationalize the alignment of the waterfront promenade. The representatives of Western District PCWA and CVTA remarked that they had acceded to the Administration's request to reduce the size of Western District PCWA under the Order. CVTA urged the Administration to review the long-term development needs of PCWAs in Hong Kong and provide the necessary support.

18. Some members expressed concern that cargoes were increasingly transported by sea but the number of PCWA berths was reducing. They urged the Administration to acknowledge the role of PCWAs in handling cargo and their contribution to the economy, as well as the long-term development needs of PCWAs which should be properly re-provisioned if they were required to be relocated for the improvement of residential environment.

19. Some other members opined that the Administration had to balance the needs of different stakeholders and map out the long-term planning and use of the land in question.

20. The Administration stressed that it would consult the stakeholders, including PCWA operators, District Councils and the Legislative Council ("LegCo"), and balance the needs of various stakeholders when considering the long-term development of PCWAs under the comprehensive review currently conducted on the future allocation method for PCWA berths, which would be completed by mid 2015. The Subcommittee supported the Order which took effect on 3 December 2015.

### Finance Committee

21. At the special Finance Committee meeting on 1 April 2015, Hon Frankie YICK raised question relating to the PCWA review in view of the expiry of BLAs in July 2016, including the work involved, latest development of the review, time to start the consultation and the expenditure involved. The Administration advised that the PCWA review conducted by MD was in progress. It would look into the operation and management of PCWAs with a view to enhancing its efficiency and cost effectiveness, and to formulating the way forward for the allocation of PCWA berths when the current BLAs expired in mid-2016. The review was anticipated to complete in mid-2015 and the Administration would consult the trade, District Councils concerned and the LegCo on its outcome and the proposed way forward.

### **Latest development**

22. At the case conference on the use and operation of Western District PCWA held on 3 November 2015, Members requested the Government to brief them on the outcome of the review on PCWAs when ready. The Administration's response was issued to Panel members vide LC paper No. CB(4)614/15-16(01).

23. The Administration will brief the Panel on the recommendations of the review on PCWAs at the meeting on 24 March 2016.

### **Relevant papers**

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

## List of relevant papers

Issued by	Meeting Date/ Issue Date	Paper
Panel on Economic Development	24 January 2011	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">Background brief</a> <a href="#">Information paper issued by the Administration</a> <a href="#">Administration's response to member's request for Berth License Agreements with a longer tenure</a> <a href="#">Follow-up paper issued by the Administration</a>
	28 February 2011	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">Background brief</a> <a href="#">Information paper issued by the Administration</a> <a href="#">Administration's response to member's request for Berth License Agreements with a longer tenure</a> <a href="#">Follow-up paper issued by the Administration</a>
	28 November 2011	<a href="#">Administration's information paper on Port Control (Public Cargo Working Area) Order 2011</a>
	17 February 2016	<a href="#">Administration's information note on review on Public Cargo Working Areas</a>
Subcommittee on Port Control (Public Cargo Working Area) Order 2015	24 February 2015	<a href="#">Minutes</a> <a href="#">Report to the House Committee on 13 March 2015</a>

<b>Issued by</b>	<b>Meeting Date/ Issue Date</b>	<b>Paper</b>
Finance Committee	1 April 2015	<a href="#"><u>Agenda Administration's replies to Members' initial written questions</u></a>