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**Panel on Economic Development**  
**Meeting on 26 June 2017**

**Background brief on**  
**further development of Hong Kong's port and maritime services**

**Purpose**

This paper provides background information on the further development of the Hong Kong Port ("HKP") and maritime services in Hong Kong, and summarizes the views and concerns expressed by members of the Panel on Economic Development ("the Panel") in previous discussions.

**Background**

2. HKP comprises various port facilities including the Kwai Tsing Container Terminals ("KTCTs"), Tuen Mun River Trade Terminal, six Public Cargo Working Areas ("PCWAs"), mid-stream operations, anchorages and private wharves. In 2016, HKP handled 19.6 million twenty-foot equivalent units of containers. As regards maritime services, there are over 800 companies in Hong Kong offering diversified maritime services, including ship management, ship broking and chartering, marine insurance, ship finance, maritime law and arbitration. The Hong Kong Shipping Register ("HKSR"), which is operated by the Government through the Marine Department, provides ship registration services and ranks fourth in the world in terms of its total registered gross tonnage. As at March 2017, 2 536 ships with a total gross tonnage of 109.2 million were registered with HKSR.

3. In December 2014, the Government released findings of the Study on the Strategic Development Plan for Hong Kong Port 2030 ("HKP2030"). HKP 2030 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 utilization

of port facilities is uneven as more and more containerised cargo will be using KTCTs 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 KTCTs should be enhanced through provision of more yard space and barge berths so as to meet future demand and hence maintain its competitiveness.

4. To address port operation and industry needs, the Transport and Housing Bureau ("THB") conducted a review of port back-up land in Kwai Tsing let out by short term tenancies ("STTs")<sup>1</sup> in June 2015. The review aims to address the following three main issues -

- (a) to help alleviate the port congestion problem at KTCTs and enhance its cargo handling efficiency through better use of port back-up land;
- (b) to refine the prevailing allocation and management mechanism for land let out by STTs to better meet the operational needs of logistics small and medium sized enterprises; and
- (c) to optimize utilization and efficiency of port back-up land in the long term to enable KTCTs to meet forecast growth in container throughput up to 2030.

The various recommendations made in the review concerning the above three main issues are set out in **Appendix I**.

5. On 1 April 2016, the Government set up the Hong Kong Maritime and Port Board ("HKMPB"), which is a high-level platform chaired by the Secretary for Transport and Housing to provide strategic steer on the vision, direction and policy matters pertaining to the development of Hong Kong's maritime industry and HKP. Three functional committees have been formed under HKMPB to oversee three major areas of work, namely the Maritime and Port Development Committee, the Promotion and External Relations Committee, and the Manpower Development Committee.

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<sup>1</sup> KTCTs have a total of 24 berths and a total yard area of 279 hectares. Outside the terminal boundaries and surrounding KTCTs, there are another 100 hectares of land primarily being used for "port back-up" uses. These lands have been divided into small sites and are being let out by STTs to numerous smaller scale logistics and trucking users who provide support to KTCTs' operations and/or the logistics industry.

6. A major task of HKMPB is to promote Hong Kong's strengths as a regional maritime services hub to the maritime sectors both overseas and on the Mainland, in order to attract famous overseas and Mainland maritime enterprises to Hong Kong to further expand Hong Kong's local maritime cluster, boost the demand for high value-added maritime services and explore business opportunities for the maritime industry.

7. According to the Estimates of Expenditure 2017-2018, the Government has earmarked \$15.89 million to support the work of HKMPB. It will also allocate \$3.1 million to Invest Hong Kong, who will work closely with HKMPB, to identify overseas enterprises that have potential to extend their business to Hong Kong, promote Hong Kong as the preferred base for their Asian-Pacific operations, and encourage them to set up in Hong Kong, thereby developing Hong Kong into a leading maritime services hub in the region.

8. On the manpower front, the Government set up the \$100-million Maritime and Aviation Training Fund ("MATF") to support and encourage local students and in-service maritime professionals to pursue training courses and undertake professional degree programmes for joining the maritime industry, thereby enhancing the overall competitiveness and professional competency of the industry. A number of training and incentive schemes relating to high value-added maritime services covering ship management, maritime law, marine insurance, etc. have been launched under MATF. As at March 2017, MATF has benefitted 1 168 students and 1 282 in-service maritime practitioners.

### **Previous discussions of the Panel**

9. The Panel has all along been concerned about the long-term development of HKP and maritime services in Hong Kong. The Panel was briefed on the latest position of HKP and logistics development at the meeting on 22 June 2015, and on the proposed establishment of HKMPB at the meeting on 23 November 2015. On 24 April 2017, the Panel was briefed on the Administration's proposal to rationalize a Principal Assistant Secretary for Transport and Housing (Transport) post by re-grading the permanent post of Assistant Director of Marine to a permanent post of Administrative Officer Staff Grade C in THB to support the development of the logistics and port industries in Hong Kong. The Panel also touched on the related subjects at the policy briefing held on 23 January 2017. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

10. When members discussed the proposed establishment of HKMPB in 2015, some members considered that the new maritime body should be in the form of a statutory body with appropriate legislative backing to ensure its effectiveness and take into account the aspirations of the industry. The Administration advised that it maintained an open mind to the suggestion. The actual experience of the proposed new body, after it had been set up and in operation for some time, could serve as a reference and provide the basis for further discussions on the need for a statutory body when the critical issues on funding and sustainability were addressed.

11. On members' concern about the progress of the Administration's work on implementing the recommendations made in the 2015 review of the use of port back-up land in KTCTs, the Administration advised that it had been taking forward in phases the recommendations to enhance the handling capacity of KTCTs and their operational efficiency. As at early 2017, the Administration has refined the allocation and management mechanism of land let out by STTs and revised the relevant terms and conditions. It had been working actively with the departments concerned with a view to making available six port back-up sites of about 18 hectares for container terminal use. It would also release a sea frontage of 120 meters at the Stonecutters Island PCWA for port back-up use.

12. Regarding the timetable for releasing the six port back-up sites identified for container terminal use, the Administration advised on 25 May 2017 that it aimed at releasing four sites totalling 15 hectares adjacent to Container Terminals 5, 7, 8 (West) and 9 (South) from 2017-2018 onwards. The remaining two sites of about three hectares in total were scheduled for rezoning for barge berthing use in order to meet the increase in river-borne container traffic. Subject to rezoning, these sites could be released by phases from 2018-2019 onwards.

13. On members' concern about the provision of land for the development of logistics industry, the Administration advised on 20 February 2017 that it had reserved two sites in Tuen Mun West totalling some 10 hectares for high value-added logistics development, comprising a site of about 3.5 hectares in Tuen Mun Area 49 and another of about 6.5 hectares in Tuen Mun Area 38. The Administration was working on the preparatory works for the disposal of Tuen Mun Area 49, with a view to submitting the planning application for the Town Planning Board's approval next year so as to release the site for logistics development in one to two years. Moreover, the Administration was also examining the feasibility and merits of using Tuen Mun Areas 40 and 46 for modern logistics development. The preliminary findings suggested that part of the areas was suitable for modern logistics/green industry uses.

### **Council questions**

14. At the Council meetings on 28 November 2012, 10 December 2014, 10 May, 17 May and 15 June 2017, Hon Frankie YICK, Hon Holden CHOW and Hon LUK Chung-hung raised questions relating to the measures to enhance port facilities, development of high value-added maritime services, utilization of MATF, and the development of trading and logistics industry of Hong Kong. Hyperlinks to the Council questions and the Administration's responses are provided at **Appendix II**.

### **Latest developments**

15. At the request of Hon Holden CHOW at the Panel meeting on 23 January 2017 and in his letter dated 26 January 2017 to the Panel, the Administration will brief members on the further development of the port and maritime services in Hong Kong at the meeting on 26 June 2017.

### **Relevant papers**

16. A list of relevant papers which are available on the Legislative Council Website (<http://www.legco.gov.hk>) is at **Appendix II**.

Council Business Division 4  
Legislative Council Secretariat  
20 June 2017

**"Proposals for Enhancing the Use of Port Back-up Land in Kwai Tsing" by the Transport and Housing Bureau**

**Table 1: PROPOSALS TO ALLEVIATE PORT CONGESTION AND ENHANCE CARGO HANDLING EFFICIENCY**

	<b>Concerns/requests from stakeholders</b>	<b>Recommended measures</b>	<b>Projected timeline</b>
<b>To alleviate port congestion</b>	a. Provision of additional yard space for container storage uses to enhance terminal efficiency	● 4 sites of 15.2 ha in total at Sites 1a, 1b, 1c and 1d to be disposed on a long term basis to respectively CT9S, CT7, CT5 and CT8W as extension to the adjacent container terminals to increase the yard area	By phases from 2016 – 2017 onwards
	b. Provision of additional barge berths to meet the increase in river-borne container traffic	● 2 sites of 3.34 ha in total at Sites 1e and 1f to be disposed on a long term basis to respectively CT9S and CT9N as extension to the adjacent container terminals and for barge berthing use	By phases from 2017 – 2018 onwards

**Table 2: PROPOSALS TO REFINE MANAGEMENT OF LAND LET OUT BY SHORT TERM TENANCIES**

	<b>Concerns/requests from stakeholders</b>	<b>Recommended measures</b>	<b>Projected time-line</b>
<b>Management Measures for STT</b>	a. To extend the tenancy tenure of STTs for container storage/cargo handling to allow more time for recovery of investment cost	Extending the fixed term of STT each for container storage/ cargo handling use from the existing 3 or 5 years to 7 years where appropriate	To be implemented upon retendering of existing STTs

	<b>Concerns/requests from stakeholders</b>	<b>Recommended measures</b>	<b>Projected time-line</b>
	<p>b. Not to allow multiple uses on STT sites. Each STT should only provide for one type of use</p> <p>c. To waive the requirement for rental review according to market rates every three years during a STT tenure so as to ease financial burden of STT operators</p>	<p>Each STT be allowed for either one of the following 3 types of uses:</p> <ul style="list-style-type: none"> <li>(i) Container storage (for stacking of laden/empty containers);</li> <li>(ii) Cargo handling (container cargo consolidation and open storage of goods/containers); or</li> <li>(iii) Parking, primarily for container/goods vehicles (with a limited number of other types of vehicles, as necessary)</li> </ul> <p>The triennial rental review falling within a fixed term of STT tenure to be removed. The rent review provision comes into play only where there are circumstances of the fixed term having expired but the STT is being allowed to continue on a periodic basis (e.g. quarterly) pending retendering/termination of the STT</p>	<p>To be implemented upon retendering of existing STTs</p> <p>To be implemented upon retendering of existing STTs</p>



	<b>Concerns/requests from stakeholders</b>	<b>Recommended measures</b>	<b>Projected time-line</b>
	<p>d. Parking sites should cater for needs of container vehicles as priority</p> <p>e. Priority be given to existing tenants on renewal of the existing STTs instead of disposal by open tender so as to give better return to investment made by incumbent operators</p>	<p>STT conditions will be adjusted accordingly on a case by case basis</p> <p>Not accepted. Re-tender by open tender system upon expiry of fixed term of STT to be maintained to provide a level-playing field for all operators through fair competition</p>	<p>To be implemented upon retendering of existing STTs</p>

**Table 3: PROPOSALS TO OPTIMISE UTILISATION AND EFFICIENCY OF PORT BACK-UP LAND IN THE LONG TERM**

	<b>Concerns/requests from stakeholders</b>	<b>Recommended measures</b>	<b>Projected time-line</b>
<b>Optimisation of land use in Kwai Tsing</b>	To devise measures to optimise land utilisation for port back-up purpose in Kwai Tsing so as to free up more land in that area to better support port operations and cater for future port development	a) Multi-storey Parking Study in Kwai Chung commissioned in June 2014 to examine the feasibility of a 4 ha site in Kwai Chung for multi-storey car park mainly for the parking of container vehicles and heavy/medium goods vehicles	Study to be completed around Q3 2015
		b) Subject to findings of the above study, to conduct a similar study on a site in Tsing Yi	To be planned
		c) To conduct a study on the feasibility of a Multi-storey Complex in Tsing Yi for cargo handling and container storage	To be planned

Source: <http://www.hkmpb.gov.hk/en/information/reports.html>

## List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	22 June 2015 (Item V)	<a href="#">Administration's paper</a> <a href="#">Background brief</a> <a href="#">Minutes</a>
	23 November 2015 (Item VI)	<a href="#">Administration's paper</a> <a href="#">Background brief</a> <a href="#">Minutes</a>
	24 March 2016 (Item IV)	<a href="#">Administration's paper</a> <a href="#">Minutes</a>
	23 January 2017 (Item VII)	<a href="#">Administration's paper</a> <a href="#">Administration's follow-up paper</a> <a href="#">Minutes</a>
	24 April 2017 (Item IV)	<a href="#">Administration's paper</a> <a href="#">Administration's follow-up paper</a>
Finance Committee	5 April 2017 (Session 13)	<a href="#">Administration's replies</a> (Question Serial No. 2904)
Council Meeting	28 November 2012	<a href="#">Council question on "Measures to assist the logistics industry" raised by Hon Frankie YICK</a>
	10 December 2014	<a href="#">Council question on "Measures to improve the operation and facilities of container terminals" raised by Hon Frankie YICK</a>
	10 May 2017	<a href="#">Council question on "Development of high value-added maritime services" raised by Hon Holden CHOW</a>

<b>Issued by</b>	<b>Meeting date/ Issue date</b>	<b>Paper</b>
	17 May 2017	<u><a href="#">Council question on "Utilization of the Maritime and Aviation Training Fund" raised by Hon LUK Chung-hung</a></u>
	14 June 2017	<u><a href="#">Council question on "Future development and positioning of the trading and logistics industry of Hong Kong" raised by Hon Frankie YICK</a></u>