

**PORT OPERATIONS COMMITTEE**

**Review on Public Cargo Working Areas (“PCWA”)**

**Findings and Recommendations**

**PURPOSE**

This paper briefs Members on the findings and recommendations of the Task Force (“TF”)<sup>1</sup> on the Comprehensive Review on Pertinent Issues relating to the Operation and Management of Public Cargo Working Areas (“Review”).

**BACKGROUND**

2. There are six PCWAs in Hong Kong<sup>2</sup>. Operators at PCWAs operate at their allocated berths comprised sections of sea frontage and the related cargo working apron areas. The operators successfully bid these berths through tender and then undertook to pay monthly fees as specified under Berth Licence Agreements (“BLAs”) entered into with Marine Department (“MD”). The current BLAs last for 5-year and will expire in end July 2016. To prepare for the tender arrangements for the next allocation of PCWA berths and BLAs, the TF has taken the opportunity to carry out the Review.

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

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<sup>1</sup> The Task Force, led by Marine Department, comprises representatives of Transport and Housing Bureau, Development Bureau, Financial Services and the Treasury Bureau, Environmental Protection Department and Planning Department.

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

## FINDINGS AND RECOMMENDATIONS

### *Need to Maintain PCWA Operation*

4. Having regard to the economic and social contribution of PCWAs to Hong Kong, the TF noted that —

- (a) PCWAs handle a sizable amount of throughput (about 7.2 million tonnes of cargo, which include about 0.6 million twenty-foot equivalent units (“TEUs”) of containerised cargoes, i.e. about 3% of the overall container throughput of Hong Kong Port<sup>3</sup> (“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) figures 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 maintain the competitiveness of HKP;

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<sup>3</sup> 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.

- (e) PCWAs support small and medium enterprise (“SME”) operation in the marine cargo handling as well as the logistics trades. PCWA operators are mostly SMEs<sup>4</sup> 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.

5. In view of the social and economic contributions of PCWA operations to Hong Kong, the TF considers it necessary to maintain PCWA operations.

6. Currently, there are 129 berths with a total of 4 936 metres of sea frontage in six PCWAs. Due to the geographical advantage of the PCWAs in Kowloon and New Territories (“NT”) regions being in the vicinity of the cargo hinterland and the large-scale construction works sites near Lantau, the occupancy rate of the PCWA berths in these two regions is much higher than those in Hong Kong 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***

7. As PCWAs occupy considerable land areas with precious sea frontage, competing use of the sites is one of the key issues examined in the Review. The TF considers it necessary to strike a balance between the operational needs of the PCWA operators on the one hand, and the wider economic and social interest of the community on the other. It has therefore proposed to release 6% of the current PCWA sea frontage for non-PCWA uses, and designate 13% of the current PCWA sea frontage for the exclusive use by competent paper recyclers (paragraph 10 below), leaving the remaining 81% for bidding by other PCWA operators. These are not insignificant steps in rationalising land use. Any more

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

radical rationalisation at this stage would seriously upset and undermine the roles served by the PCWAs.

### ***SIPCWA***

8. The Study on Strategic Development Plan for Hong Kong Port 2030 (“HKP 2030 Study”)<sup>5</sup>, commissioned by Transport and Housing Bureau (“THB”) and completed in 2014, 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 (“KTCTs”). PCWA operators have expressed strong objection to this recommendation, contending that PCWA operation should be preserved given its contribution to Hong Kong. If SIPCWA was turned into a container terminal facility, the PCWA operators so displaced would have to compete for berths in other PCWAs, and some operators might eventually be forced out of business.

9. As SIPCWA is in the vicinity of KTCTs, it is important to PCWA operators, particularly those handling containerised cargoes. The TF considers it necessary to strike a balance between the needs and interests of different stakeholders. Having assessed the actual situation on ground, the TF recommends that a portion of the 120-metre sea frontage at the northwestern end of SIPCWA (i.e. 17.6%) should be released to support KTCTs’ operation after July 2016 (**Annex A**), so as to increase its handling capacity to meet forecast container growth and provide much-needed barge berths for transshipment operation.

### ***Supporting Recycling Industry***

10. In his 2013 Policy Address, the Chief Executive announced that suitable PCWA berths will be identified for bidding by the recycling industry for their exclusive use.

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<sup>5</sup> 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 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 Kwai Tsing Container Terminals should be enhanced through provision of more yard space and barge berths so as to meet future demand and hence maintain its competitiveness.

Taking into account the special situation of paper recyclers and the reliance on PCWAs for waste paper export, the Steering Committee on Sustainable Development of Recycling Industry (“Steering Committee”), chaired by the Chief Secretary for Administration, endorsed at its meeting on 23 January 2014 that special treatment should be introduced to waste paper recyclers. After a three-month consultation in mid-2014 and discussion with the relevant stakeholders, Environmental Protection Department (“EPD”) proposed to designate 16 berths (i.e. 638 metres of sea frontage in total) in CWPCWA, RCPCWA and TMPCWA (**Annex B**) 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 for the other berths at the PCWAs.

### ***District Concerns about PCWA Operation***

11. Among the six PCWAs, the occupancy rate of WDPCWA is relatively low (73% in 2014). The Central and Western District Council has been urging the Government to release part of it for leisure use.

12. In the light of the above, the TF has explored the possibility of releasing some berths for leisure use. In this connection, the Mass Transit Railway Corporation has returned Berths No. 1, 2 and 3 of WDPCWA (totalling 172 metres of sea frontage) (**Annex C**) to MD after the completion of West Island Line. Considering the lower occupancy rate of WDPCWA and the community’s sentiments, the TF considers it practicable to hand over Berths No. 1, 2 and 3 to Lands Department for reallocation.

13. The feasibility of releasing the breakwater arm of WDPCWA (i.e. 248 metres of sea frontage) instead of Berths No. 1, 2 and 3 as mentioned in paragraph 12 above 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 has much calmer waters and larger back-up area there and hence are much more suitable for PCWA operations. This option was not pursued further in this review.

14. The TF noted some other District Councils<sup>6</sup> have been calling for relocation of PCWAs to reduce nuisance to the nearby community and release of waterfront areas for community use. However, no relocation plans can be developed for the concerned PCWAs during the next BLA tenure because no readily available suitable sites could be identified. As it is recommended under the Review that 19% of the PCWA sea frontage should be released for other uses, further release without relocation plans would seriously affect PCWA operations. MD will take the opportunity of the coming tendering exercise to remind the operators to avoid as far as possible any environmental nuisances to nearby residents, and to observe the relevant environmental legislation, guidelines and standards.

### ***Proposed Tendering Strategy***

#### *(i) Tenure*

15. 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 indicate 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. However, a long tenure would allow the Government less 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.

#### *(ii) Tendering Approach*

16. In the 2011 tendering exercise, while the PCWAs in Hong Kong region were allocated by open tenders, those in Kowloon and NT regions were allocated by restricted tenders so that the operators displaced by the closure of Kwun Tong PCWA and Cha Kwo Ling PCWA would stand a better chance to continue their business in the other PCWAs. For the 2016 tendering exercise, the TF recommends to adopt the following approach —

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<sup>6</sup> These District Councils include Tsuen Wan, Tuen Mun and Yau Tsim Mong District Councils.

- (a) **the two PCWAs in Hong Kong region:** continue to adopt an open tender approach;
- (b) **the four PCWAs in Kowloon and NT regions:** adopt a restricted tender approach which allows cross-bidding<sup>7</sup> by existing operators in these regions; and
- (c) **designated berths for paper recyclers:** adopt open tender for bidding by competent paper recyclers genuinely involved in local paper recycling operation.

17. The TF recommends to adopt restricted tender with cross-bidding for the Kowloon and NT regions (i.e. allowing the existing operators of these PCWAs to bid for berths in any of the four PCWAs within these two regions) having regard to the following considerations —

- (a) the drastic reduction in the length of sea frontage of about 19% (6% for supporting KTCTs and leisure use and 13% for exclusive use by paper recyclers) for bidding by non-paper recycler operators in the coming tendering exercise would lead to keen competition for the berths. The current proposal would give displaced operators a higher chance to stay in the business if they choose to; and
- (b) the proposed cross-bidding by the existing operators in these regions would enable operators to bid for any berths within these two regions if the switch of business location could enhance their business performance, thus introducing some competition in the coming tender for the Kowloon and NT regions. Comparing with the restricted tender approach in the previous tendering exercises under which operators could only bid for berths in the regions they were operating, this is a step forward.

### ***Vehicle Entry Ticket (VET)***

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<sup>7</sup> That is, the existing operators in NYPCWA, SIPCWA, RCPCWA and TMPCWA may, depend on the length of their current berths, bid appropriate berths available in any of these PCWAs.

18. PCWA operators and the trucking trade have suggested the introduction of half-hourly rates for VET<sup>8</sup> for vehicles using the PCWAs to provide some relief to their operating cost. This would help the trade face the recent downward trend of cargo throughput.

19. Most of the truckers 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 throughput<sup>9</sup> and cargo throughput<sup>10</sup> 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 about their 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.

20. 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 better reflects the usage pattern, it would have revenue implications. To ameliorate revenue foregone, the half-hourly rate would have to be pitched at a higher level (say, \$22), which would mean a drastic fee increase for the 30% of 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 rate for the first half-hour stay in PCWAs so that the charge for vehicles staying more than 30 minutes would remain unchanged. Moreover, provision of a discount rate for the first half hour would have the side benefit of inducing truckers to improve cargo handling efficiency, thus reducing congestion in the working aprons.

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<sup>8</sup> The current charge rate is \$33 per hour for each licensed vehicle.

<sup>9</sup> The container throughput of Hong Kong Port has been dropping since 2011 and remained sluggish in 2015. In 2015, the provisional container throughput registered a year-on-year decrease of 9.7%.

<sup>10</sup> Cargo throughput handled at PCWAs dropped from 8 million tonnes in 2011 to 6.5 million tonnes in 2015.



21. The TF has examined the revenue implications of discount rate at different levels and considers that setting the discount rate at \$25 is a relatively balanced approach.

### ***Operating Hours***

22. Operating hours for 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. between 9 p.m. and 7 a.m.) has been low<sup>11</sup>. 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.

### **NEXT STEPS**

23. MD will brief the relevant Panels of the Legislative Council and the relevant District Councils of the findings and recommendations of the Review in March 2016. Our aim is to proceed with the first round of tendering exercise for the reallocation of PCWA berths under new tenure of BLAs in April 2016, such that successful bidders may commence their business on 1 August 2016.

### **ADVICE SOUGHT**

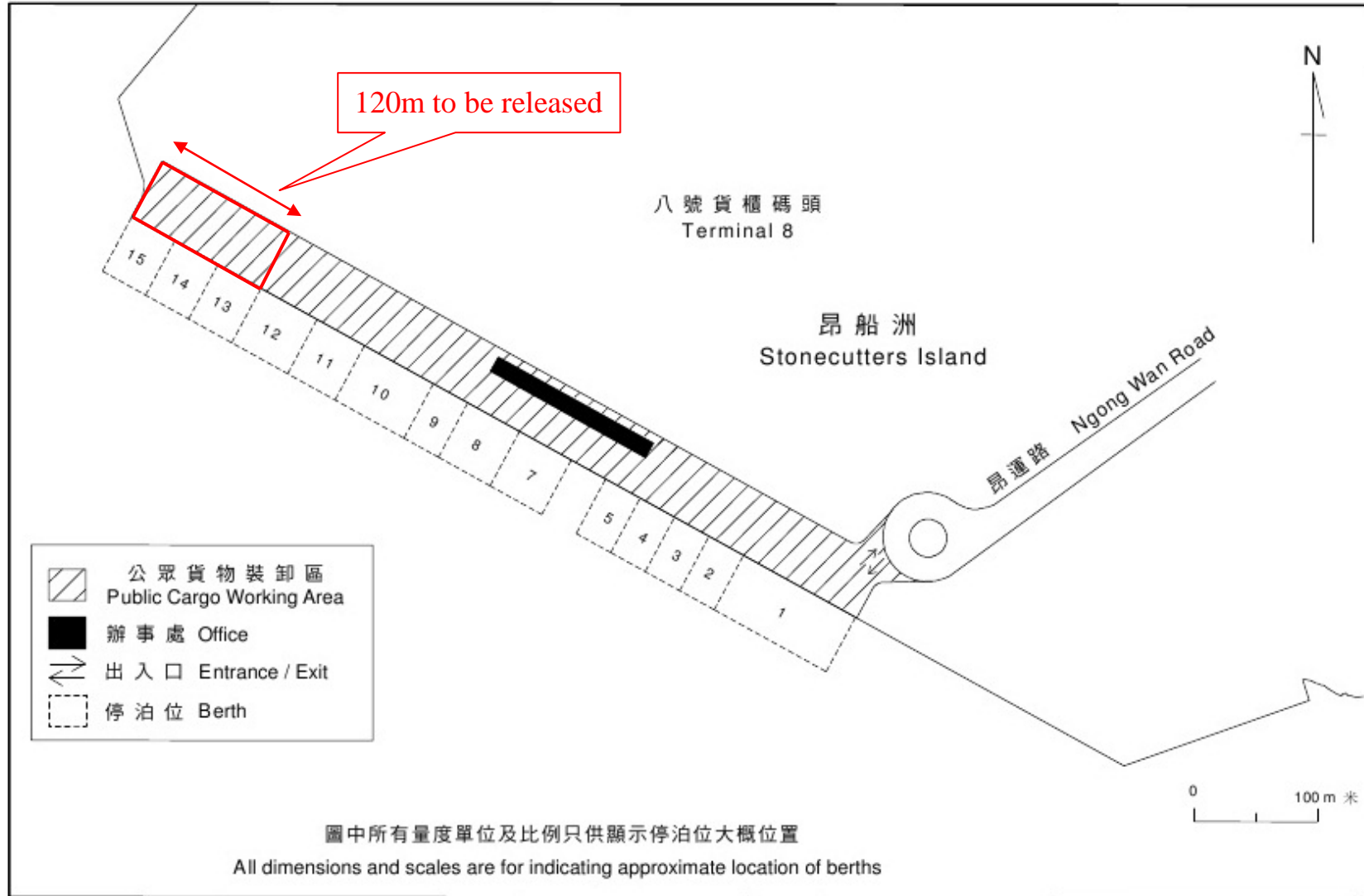
24. Members' views on the findings and recommendations of the Review are welcomed.

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

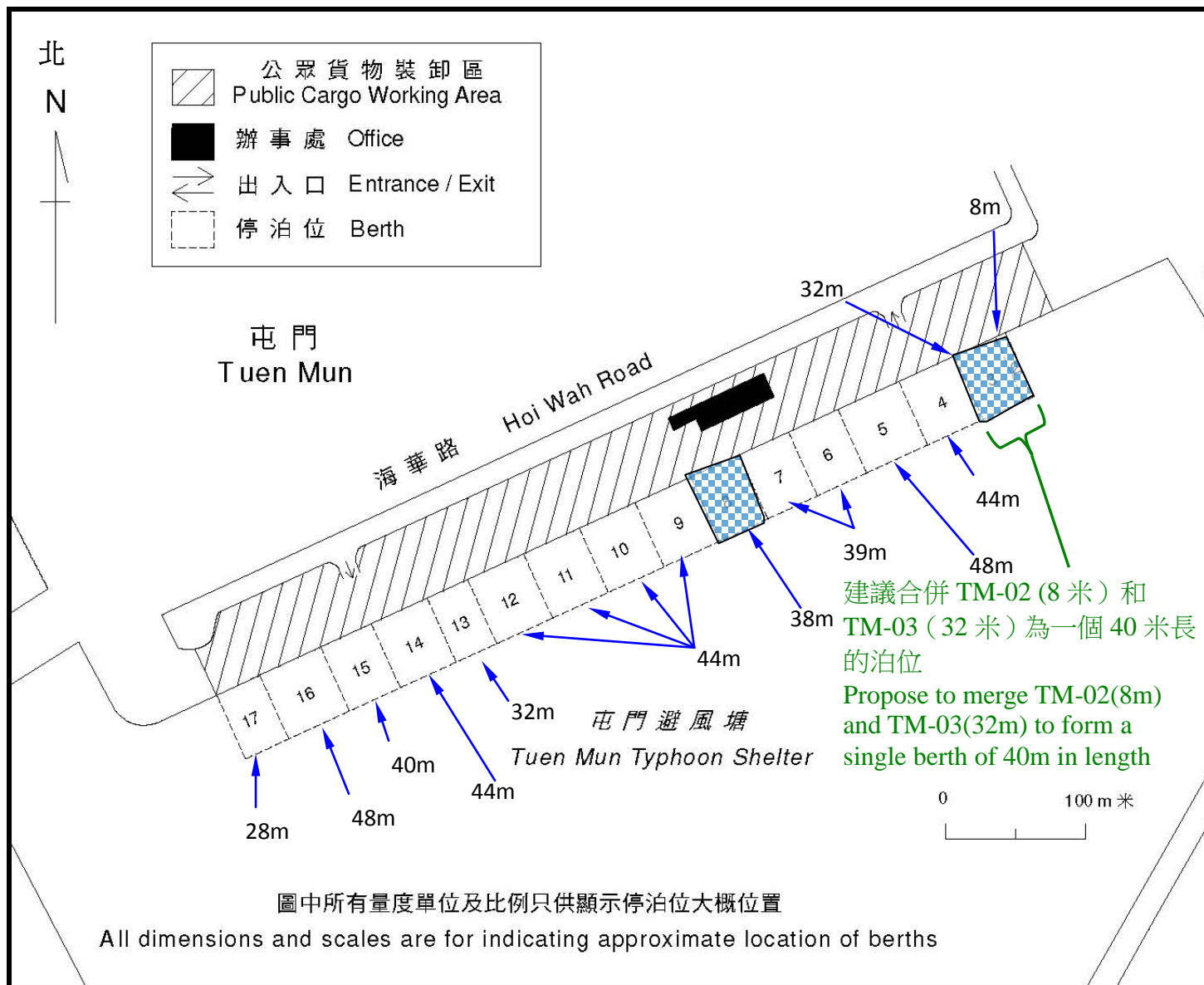
**Cargo Handling Section**  
**Planning and Services Division**  
**Marine Department**  
**March 2016**

### Location of the Proposed Release of 120 m in SIPCWA



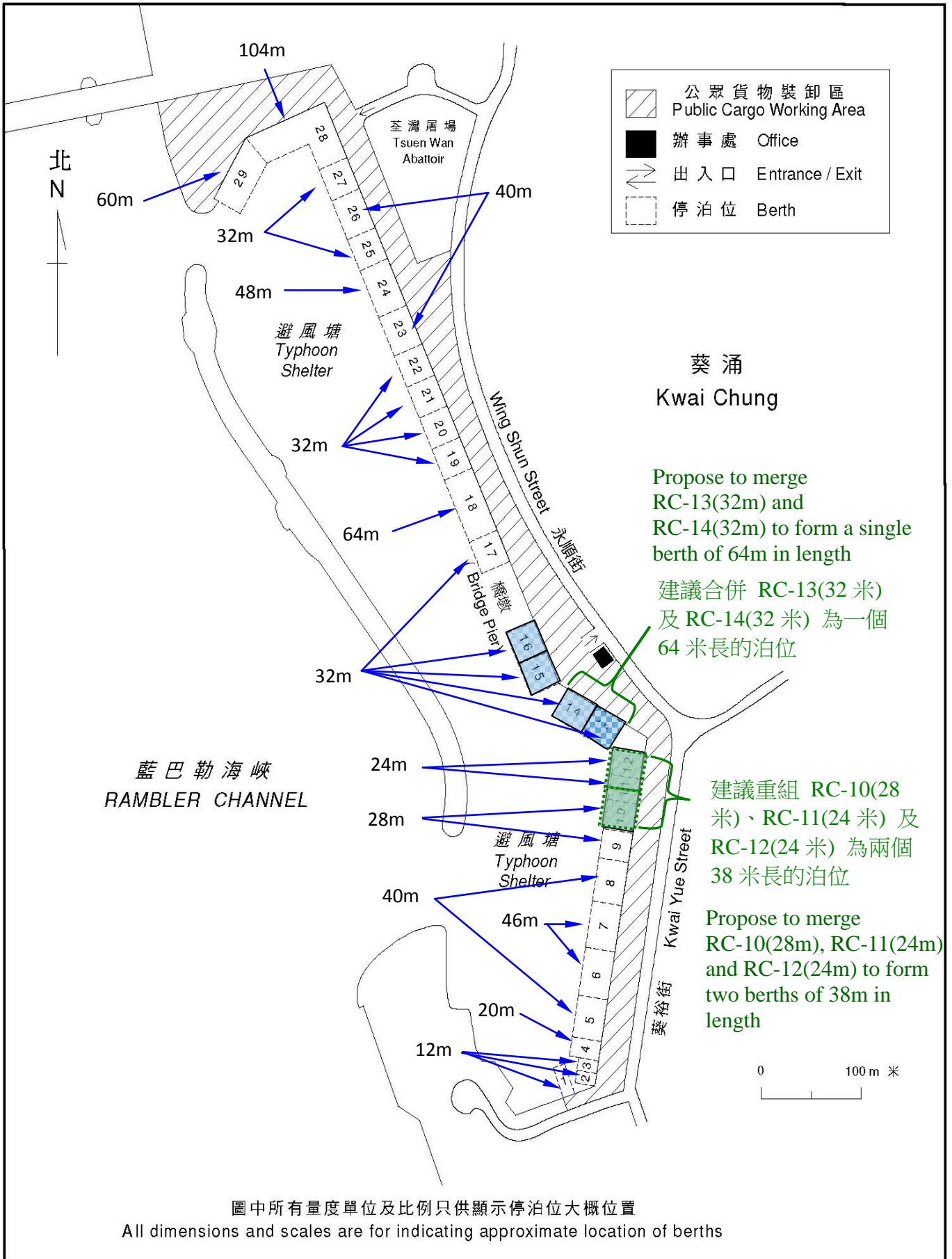
# 廢紙泊位位置/長度及重組擬訂方案 Proposed Waste Paper Berths and Reorganisation Arrangement

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



- 廢紙泊位  
Designated Waste Paper Berths
- 建議的合併及重組安排  
Proposed Re-rearrangement

Rambler Channel Public Cargo Working Area



廢紙泊位

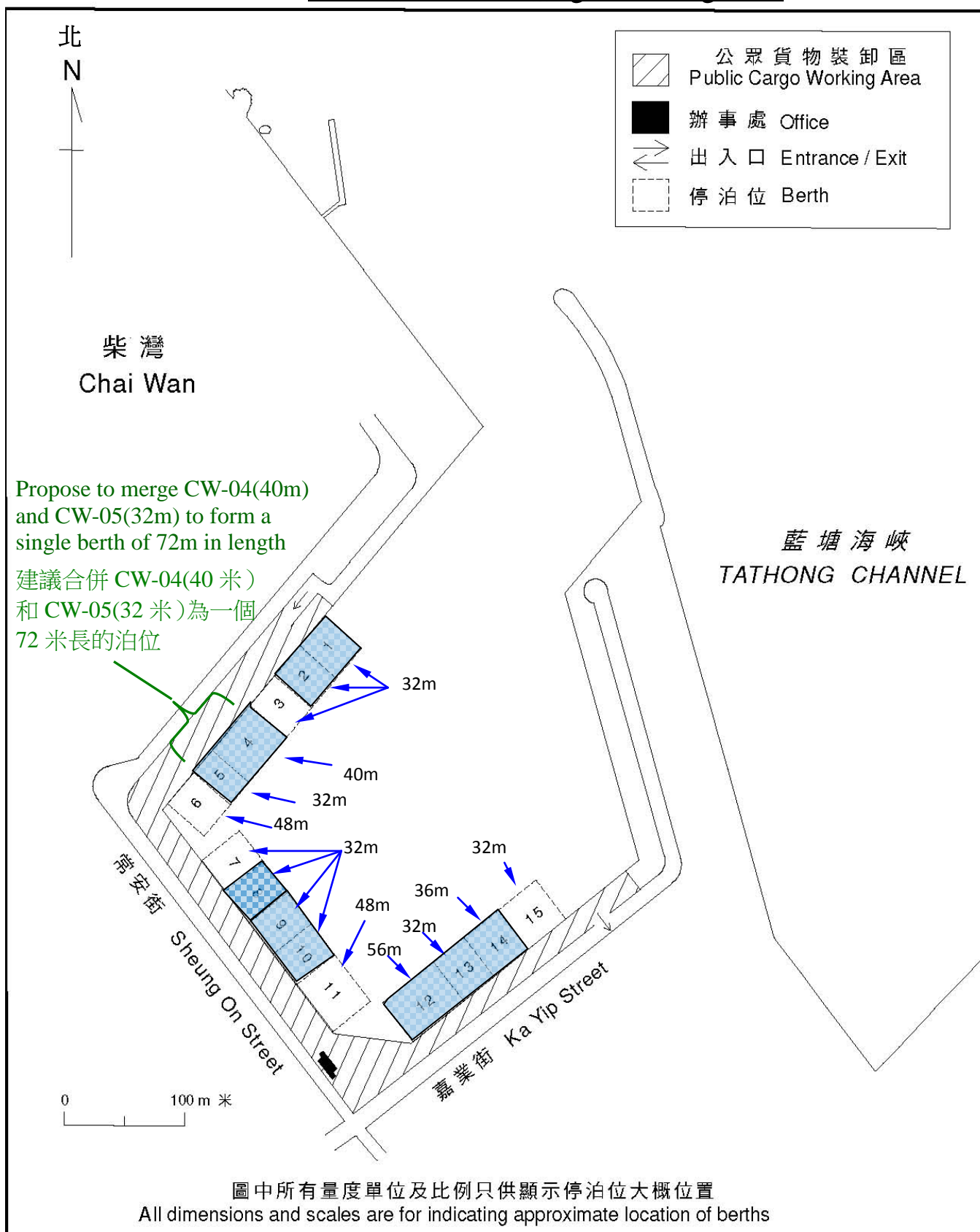
Designated Waste Paper Berths



建議的合併及重組安排

Proposed Re-arrangement

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



-  廢紙泊位
- Designated Waste Paper Berths
-  建議的合併及重組安排
- Proposed Re-arrangement

### Location of the Proposed Release of 172 metres in WDPCWA

