# Task Force on Water-Land Interface

For discussion
on 22 February 2016

TFWL/01/2016

## Review on Public Cargo Working Areas – Findings and Recommendations

## PURPOSE

This paper briefs Members of the findings and recommendations of the Task Force[1] ("TF") on the Comprehensive Review on Pertinent Issues relating to the Operation and Management of Public Cargo Working Areas ("PCWA"), including Western District ("WD") PCWA, New Yaumatei ("NY") PCWA, Rambler Channel ("RC") PCWA and Stonecutters Island ("SI") PCWA situated within the Victoria Harbour.

## BACKGROUND

2. There are six PCWAs in Hong Kong[2]. 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 review the pertinent issues relating to the operation and management of PCWAs.

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

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1 *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.*

2 *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 Operations*

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

(i) 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 [3] ("HKP") in 2014). Cargoes handled at PCWAs are for local consumption as well as for transhipment. 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%);

(ii) 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;

(iii) PCWAs are essential for cargo transport to outlying islands, recycling trade, transportation of construction materials and non-containerised cargoes;

(iv) 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-feet and a 40-feet containerised cargo by barges at PCWAs to or from the Western Pearl River Delta region is about 46% and 18%

[3] *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.*

lower respectively than that by trucks. Hence, PCWA operation helps to maintain the competitiveness of HKP;

(v) PCWAs support small and medium enterprise ("SME") operation in the marine cargo handling as well as the logistics trades. PCWA operators are mostly SMEs[4] with a long history in the marine cargo handling industry, including some operators who are engaged in the recycling business; and

(vi) 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 rates of the PCWA berths in these two regions are 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").

***Cargo Activities at the four PCWAs within Victoria Harbour***

7. The TF had examined the cargo handling activities carried out at these four PCWAs which are summarised below :

(i) NYPCWA – it handles a large varieties of cargoes, including containerised cargo for supporting Kwai Tsing

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

Container Terminals ("KTCTs"), non-containerised cargo, general and bulky cargoes and daily supplies for local use and to the outlying islands and Macau. There are also berths utilised for handling recyclables, such as scrap metals. It is one of the most popular PCWAs since its location is situated near various logistics sectors.

(ii) RCPCWA – apart from handling containerised and non-containerised cargoes, the RCPCWA handles bulk cargoes, including sand and aggregates, construction materials and equipment for the construction sector. It also has berths engaged in waste paper business and other recyclable materials for export. Its location has the added advantage for interfacing with the cargo operators and logistics service providers in the Kwai Tsing and Tsuen Wan areas.

(iii) SIPCWA – being situated next to the KTCTs, the SIPCWA provides essential support to the operations of KTCTs in handling containerised cargoes as well as empty containers; it also plays a complementary role to mid-stream operations for transhipment cargoes to and from barges in connection with the KTCTs and Mainland ports in the Pearl River Delta region. It also handles recyclables, such as scrap metals and plastics, and a large quantity of construction materials required by the construction sites in Kowloon and the NT.

(iv) WDPCWA – while continuing its historical role in handling marine cargoes for the Hong Kong Island, the WDPCWA provides an essential marine cargo handling facility for local consumptions, especially providing an important interface for water transportation of cargoes and daily supplies for the outlying islands, i.e. Cheung Chau, Ping Chau, Lamma Island, etc. Indeed, it is also a major hub for transporting the daily supply and general cargoes to Macau. The WDPCWA also has its traditional role in handling most of the dried sea food for retail shops on the Hong Kong Island. Furthermore, it serves

as an essential water front facility to handle construction materials and equipment for construction sites on Hong Kong Island; in particular for transporting large and over-sized prefabricated structures and construction equipment which would not be permitted to be transported via the cross-harbour tunnels.

***Release of Some Berths for Other Uses***

8. 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 (paragraphs 9, 10, 12 to 15 below), and designate 13% of the current PCWA sea frontage for the exclusive use by competent paper recyclers (paragraph 11 below), leaving the remaining 81% for bidding by other PCWA operators. These are not insignificant steps in rationalising land use. Any more radical rationalisation at this stage would seriously upset and undermine the roles served by the PCWAs.

*SIPCWA*

9. The Study on Strategic Development Plan for Hong Kong Port 2030 ("HKP 2030 Study")[5], 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

[5] *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 transhipment 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.*

the operation of 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.

10. 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 1**), so as to increase its handling capacity to meet forecast container growth and provide much-needed barge berths for transhipment operation. Informal sounding out with the PCWA operators reveals that this compromise approach would generally be acceptable to the trade, although it would inevitably intensify the competition in the bidding of the remaining berths in SIPCWA. It should be noted, in this connection, that SIPCWA has an occupancy rate of 100% in 2014.

*Supporting Recycling Industry*

11. 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. 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 2**) 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.

*District Concerns about PCWA Operation*

12. 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.

13. 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 (totaling 172 metres of sea frontage) (**Annex 3**) 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.

14. 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 13 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.

15. The TF noted some other District Councils[6] have been calling for relocation of PCWAs to reduce nuisance to the nearby community and release of waterfront areas for community use.

[6] *These District Councils include Tsuen Wan, Tuen Mun and Yau Tsim Mong District Councils.*

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 current reviews that 19% of the PCWA sea frontage should be released for other uses, further release without relocation plans would seriously affect the 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.

## WAY FORWARDS

16. The 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.

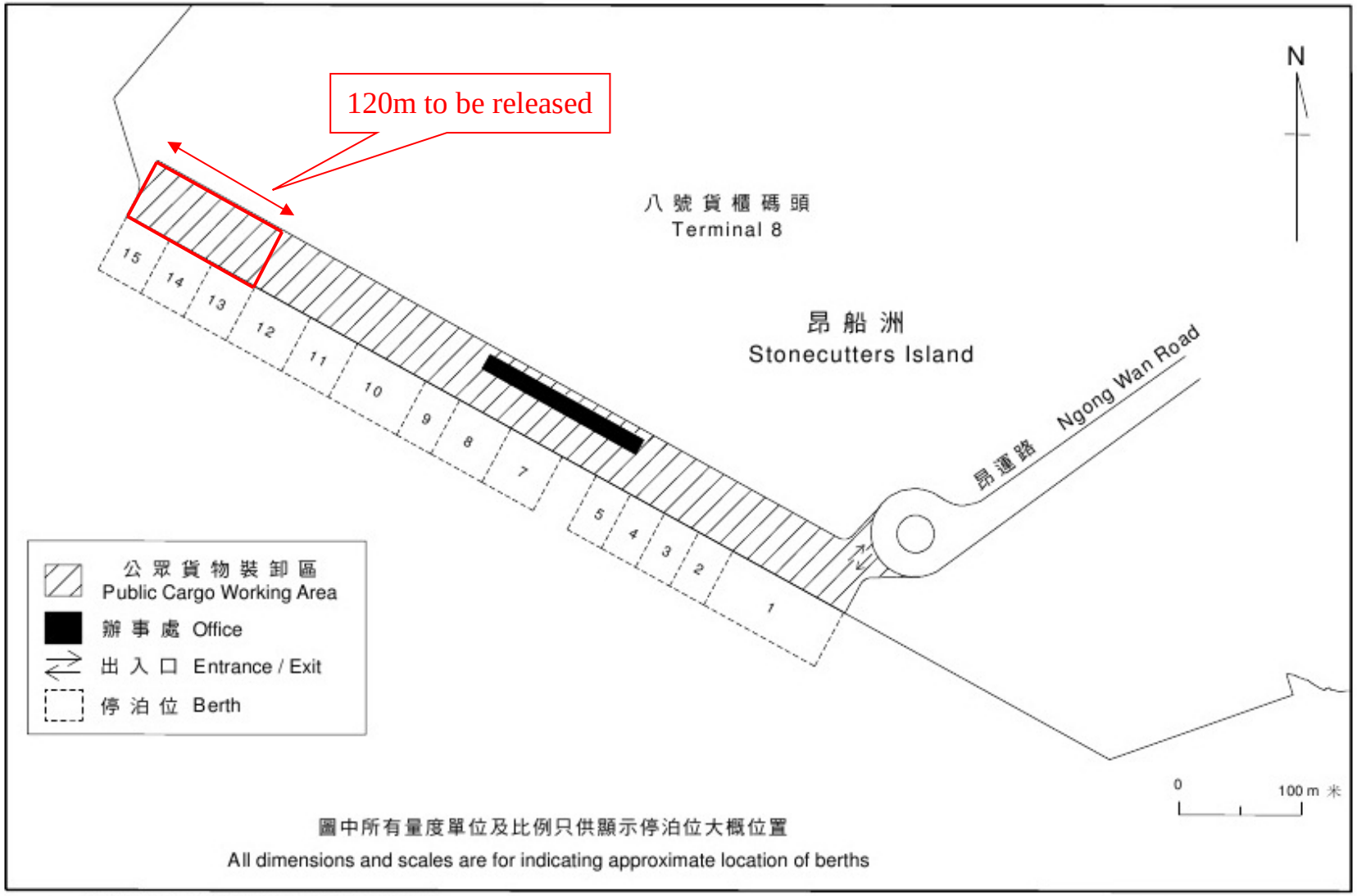
## ADVICE SOUGHT

17. Members are invited to note the findings and recommendations set out in the paper and give views on them.

**Marine Department**
**February 2016**

**Annex 1**

# Location of the Proposed Release of 120 m in SIPCWA




海事處海道測量部於2011年3月繪製
Prepared by the Hydrographic Office, Marine Department March 2011

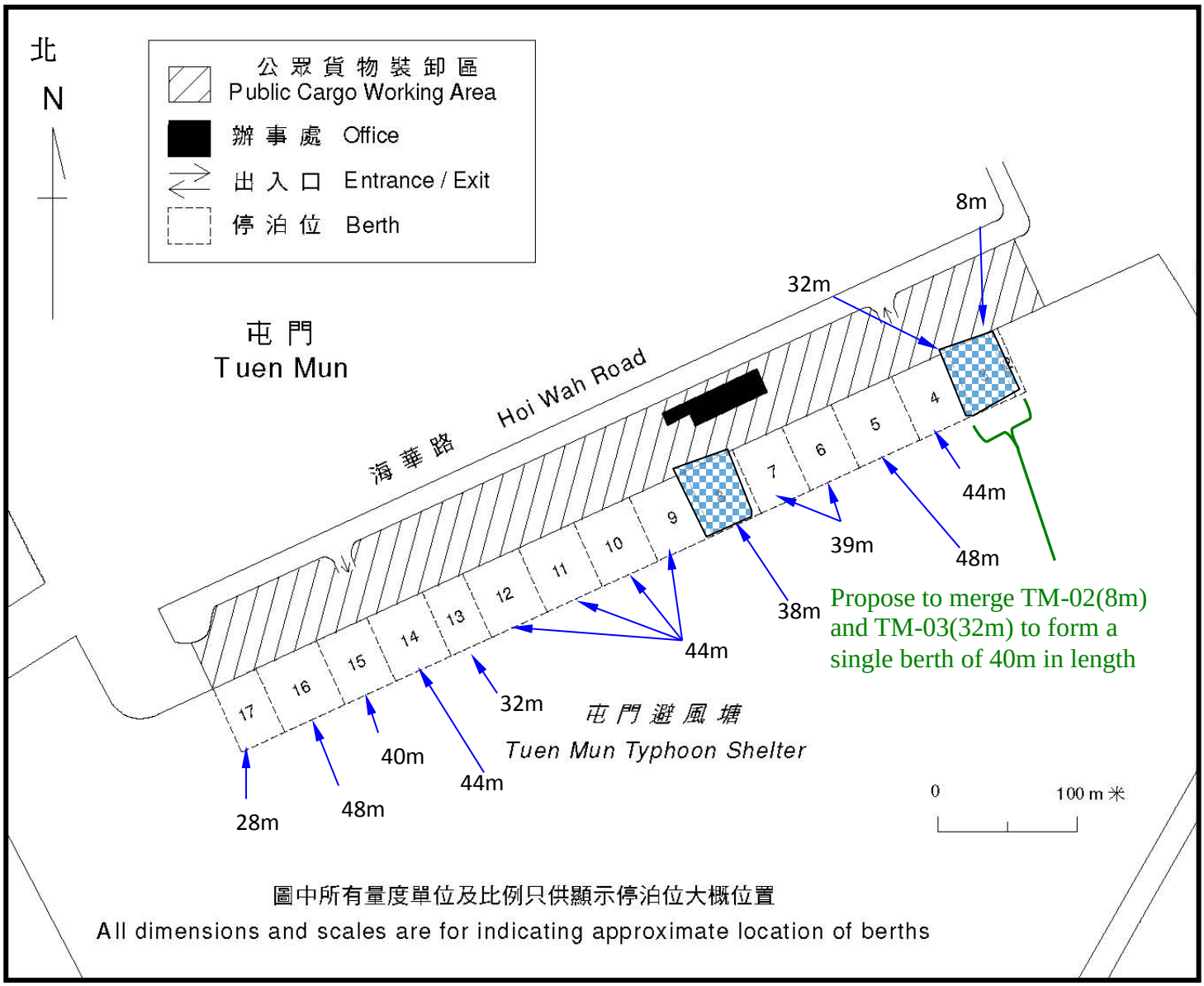
不宜作航行用途
NOT TO BE USED FOR NAVIGATION

圖則編號：
Drawing No. 2011MAR007

**Annex 2**

# Proposed Waste Paper Berths and Reorganisation Arrangement

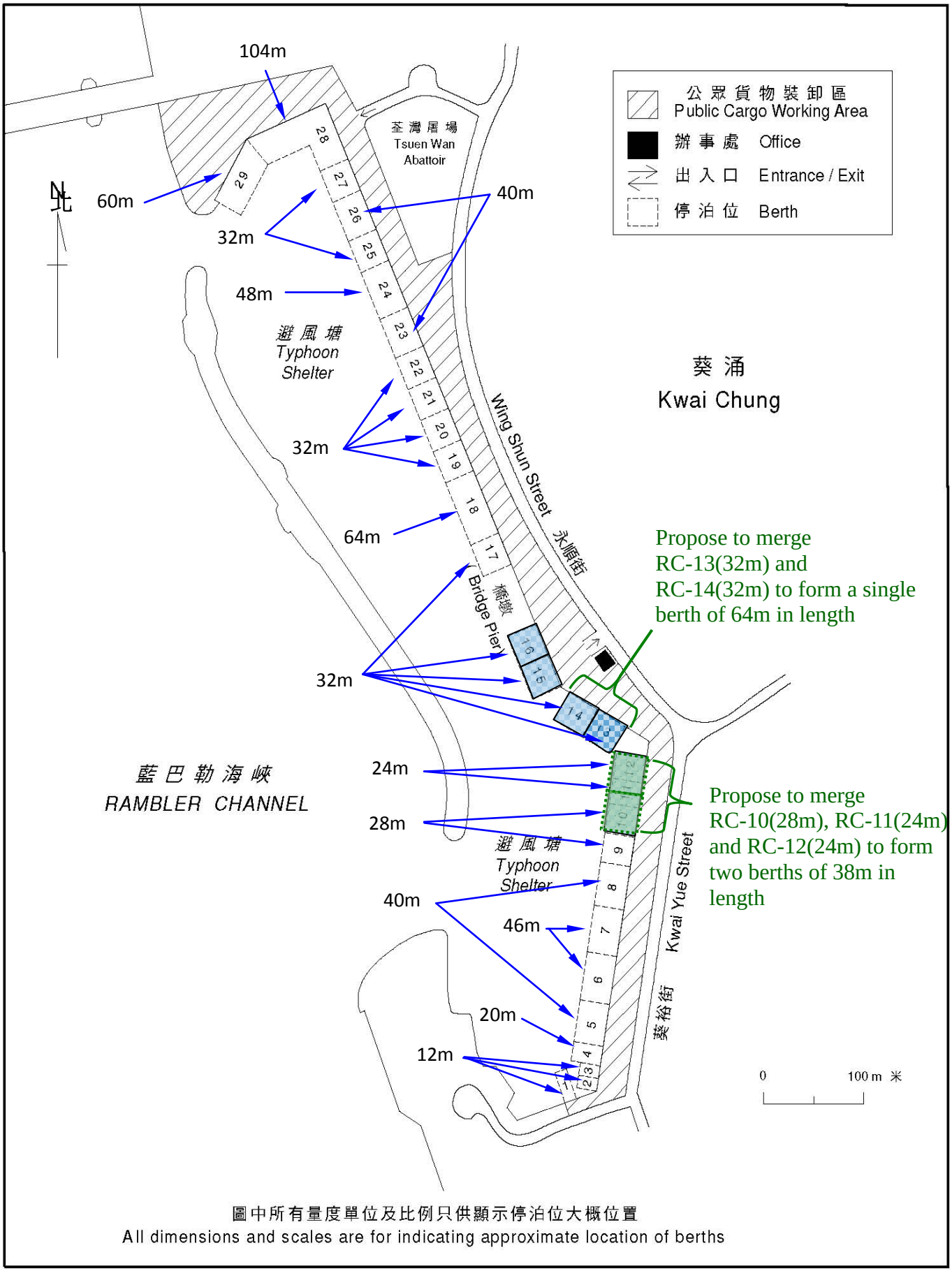
## Tuen Mun Public Cargo Working Area




Designated Waste Paper Berths

Proposed Re-rearrangement

# Rambler Channel Public Cargo Working Area



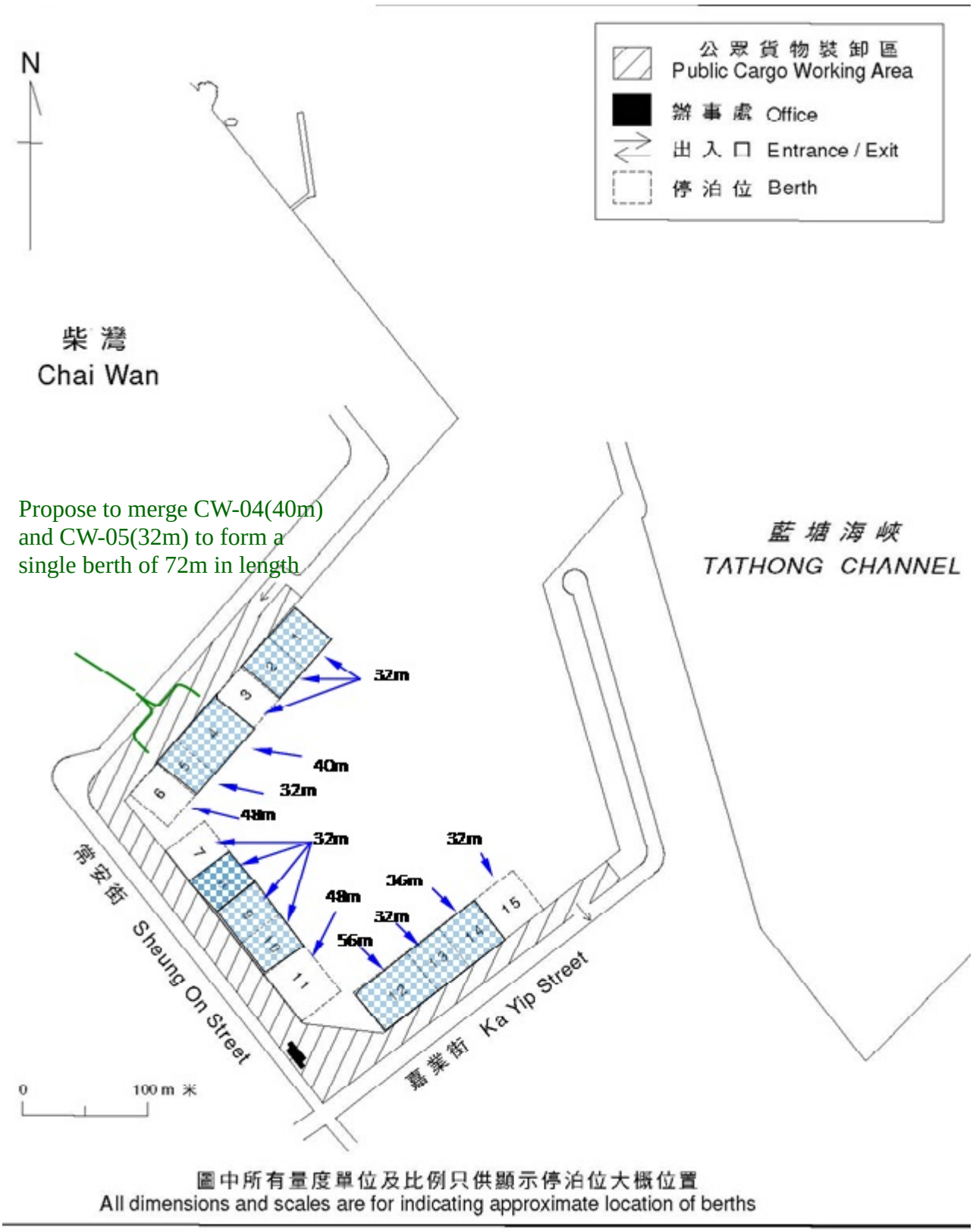

圖中所有量度單位及比例只供顯示停泊位大概位置

All dimensions and scales are for indicating approximate location of berths

Designated Waste Paper Berths

Proposed Re-rearrangement

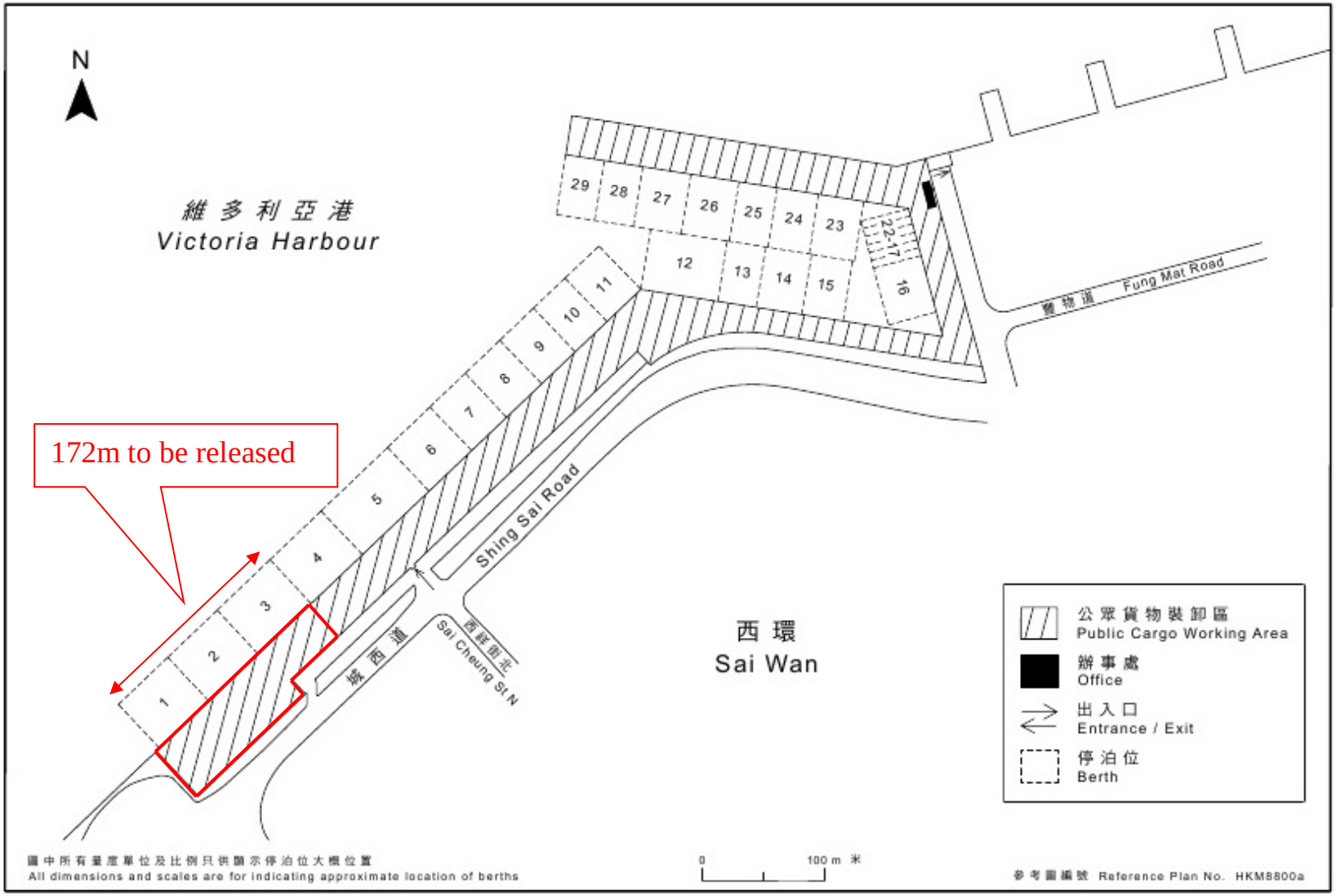
# Chai Wan Public Cargo Working Area




Designated Waste Paper Berths

Proposed Re-rearrangement

# Location of the Proposed Release of 172 metres in WDPCWA




海事處海道測量部於2015年2月繪製
Prepared by the Hydrographic Office, Marine Department February 2015

不宜作航行用途
NOT TO BE USED FOR NAVIGATION

圖則編號 Drawing No. 2015MAR003