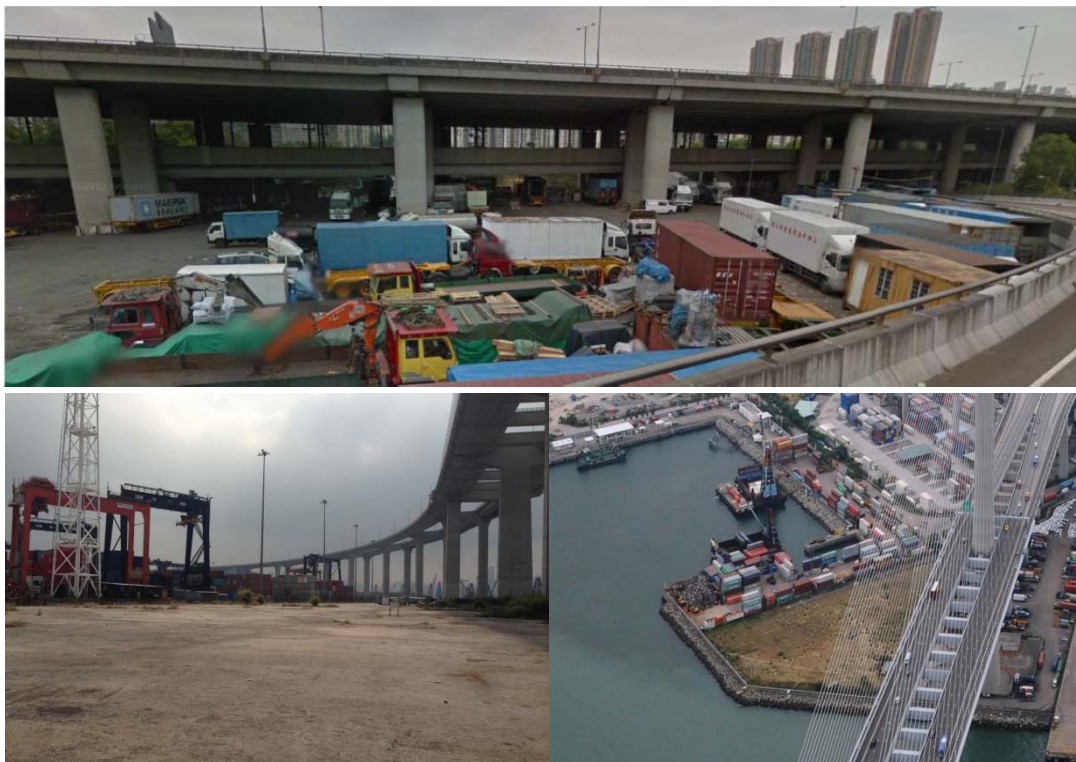




**Transport and Housing Bureau**  
**The Government of the Hong Kong Special Administrative Region**

# **PROPOSALS FOR ENHANCING THE USE OF PORT BACK-UP LAND IN KWAI TSING**



**JUNE 2015**

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# 1. INTRODUCTION

## The Port

- 1.1 The Hong Kong Port (HKP) is one of the busiest and most competitive ports in the world. The HKP comprise various port facilities including Kwai Tsing Container Terminals<sup>1</sup> (KTCTs), River Trade Terminal at Tuen Mun West, 6 Public Cargo Working Areas, mid-stream operations, anchorages and private wharves. The container throughput of HKP averaged at 23.1 million twenty-foot equivalent units (TEUs) in the past ten years and ranked the fourth in the world in 2014. The port and related sector contributed 1.1% (HK\$24 billion) to Hong Kong's Gross Domestic Product and 2.4% (88 000 jobs) of the total employment.
- 1.2 In recent years, the problem of congestion is becoming increasingly serious in KTCTs as container throughput and transshipment cargo continue to grow. Container terminal operators (CTOs) and port users are concerned that the operational efficiency of KTCTs is being adversely affected. Given that KTCTs handle nearly 80% of all containerised cargo in Hong Kong, there is concern that the overall competitiveness of the HKP is at stake.

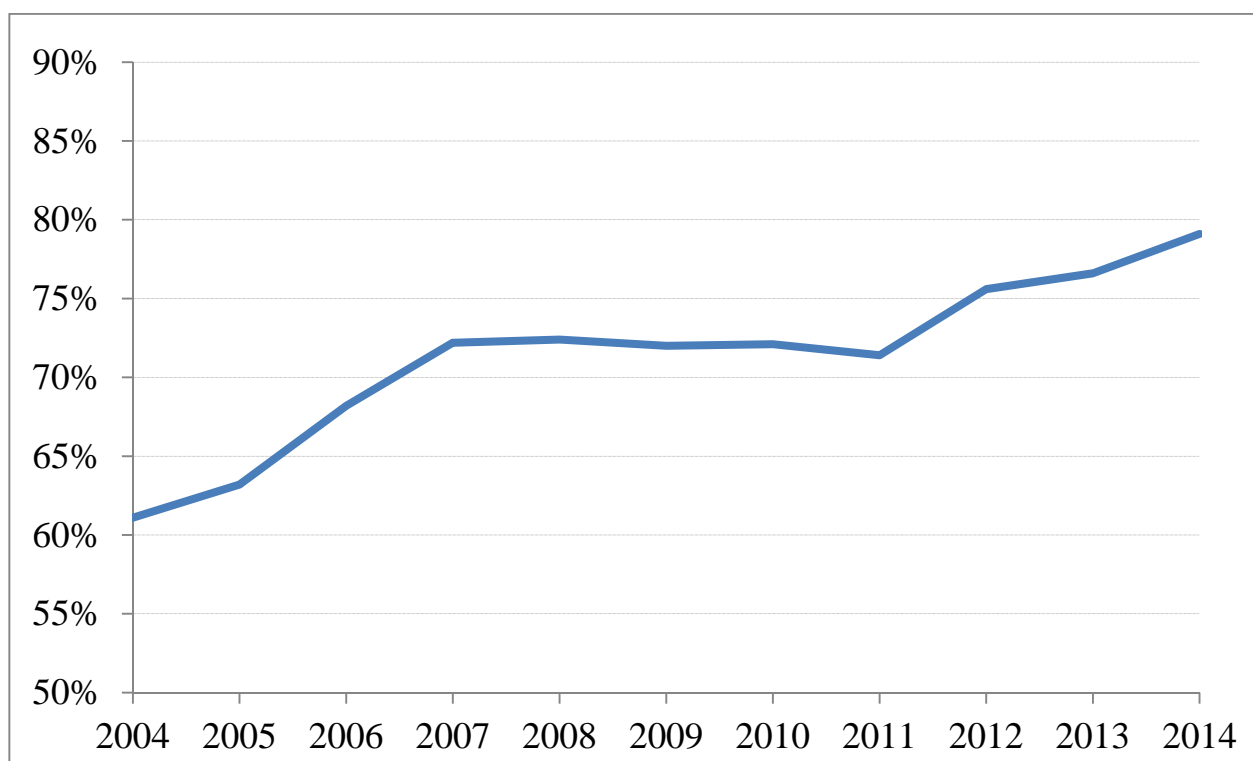


**Figure 1 Kwai Tsing Container Terminals**

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<sup>1</sup> **The Kwai Tsing Container Terminals** comprise 9 terminals, all privately run. Terminal operators include Hong Kong International Terminals Limited (HIT) (Terminals 4, 6, 7 and 9 north), Modern Terminals Limited (MTL) (Terminals 1, 2, 5 and 9 south), CSX World Terminals HK Limited (Terminal 3), COSCO-HIT (Terminal 8 east) and Asia Container Terminals Limited (Terminal 8 west). KTCTs are handling 79% container throughput in 2014.

1.3 A Government-commissioned consultancy study on the Strategic Development Plan for Hong Kong Port 2030 (“HKP2030 Study”)<sup>2</sup>, the findings of which were released in December 2014, has noted, among others, that the HKP will continue to see growth in containerised cargo at a rate of 1.5% annually up to 2030. Port facilities, in particular those at KTCTs, must be enhanced in order to meet the forecast growth. In this regard, the consultants have recommended the provision of additional terminal yard space and barge berths, as well as the better use of land around terminal boundaries as among the enhancement measures for Government to act on expeditiously.



**Figure 2 Percentage share of HKP's throughput handled at KTCTs**

### **Need for Review of port back-up land**

1.4 KTCTs have a total of 24 berths and a total yard area of 279 hectares (ha). Outside the terminal boundaries and surrounding KTCTs, there are another 100 ha of land primarily being used for “port back-up” uses<sup>3</sup>. These lands have been divided into small sites and are being let out by short term tenancies (STTs) to numerous smaller scale logistics and trucking users who

<sup>2</sup> HKP2030 Study Executive Summary is available at [http://www.pdc.gov.hk/docs/ES%20Eng%20\(28.11.2014\).pdf](http://www.pdc.gov.hk/docs/ES%20Eng%20(28.11.2014).pdf).

<sup>3</sup> The future long-term use of the land may be subject to change in order to cope with the changing development of society and the economy.

provide support to KTCTs' operations and/or the logistics industry<sup>4</sup>.

- 1.5 Land available for port-related uses around KTCTs is limited and can hardly be increased. The existing KTCTs and port-related sites are already surrounded by infrastructure and developments and there is no longer any scope for landward expansion.
- 1.6 To meet the future needs of KTCTs, there is a need to optimise the use of land within the Kwai Tsing area by reshuffling the existing different types of port-related land uses to align with the change in the mode of operation of the port, according priority to uses that are most directly related to container terminal (CT) operations, and increasing the utilisation efficiency of the existing land as far as practicable through higher density development of multi-storey facilities.
- 1.7 Apart from addressing the present and future needs of KTCTs, port back-up land users around KTCTs have expressed hardship and have asked the Government to provide better support to their operation by improving the terms and conditions of the STTs.
- 1.8 To address port operation and industry needs, the Transport and Housing Bureau (THB) recently conducted a review of port back-up land in Kwai Tsing let out by STTs (the "STT review"). The review aims to address three main issues-
  - (i) to help alleviate the port congestion problem at KTCTs and enhance its cargo handling efficiency through better use of port back-up land;
  - (ii) 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 (SMEs); and
  - (iii) to optimise utilisation and efficiency of port back-up land in the long term to enable KTCTs to meet forecast growth in container throughput up to 2030.
- 1.9 The Kwai Tsing port back-up area is an essential component for the efficient functioning of the HKP. It also supports the operation of the logistics

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<sup>4</sup> Port back-up land is generally let and managed by the Lands Department through STTs. As at June 2014, the Government has released 49 sites totalling about 100 ha under STTs in Kwai Tsing Area for port back-up uses for supporting the operation of KTCTs. The site areas for each STT normally ranging from 1 to 3 ha although they can also be as small as a few hundred square metres (m<sup>2</sup>) or as large as 10 ha. These sites and their main uses are broadly indicated in the plan at Annex A.

industry. In drawing up the recommendations on how best to utilise the land and improve the allocation and management of port back-up land, we need to take into account the physical constraints of the limited availability of land in the locality, the demand for water frontage for barge berthing for the loading/unloading of containers, the different - and at times competing - needs and interests of the relevant stakeholders, and relevant planning and land administration considerations.

### **Submission of views**

- 1.10 On the basis of the findings of the STT review, THB has prepared this document to seek stakeholders' views on the proposals set out in it.
- 1.11 Written comments may be sent to THB through email: [pml@thb.gov.hk](mailto:pml@thb.gov.hk), by post (Division 5, Transport Branch, Transport and Housing Bureau, 21<sup>st</sup> Floor, East Wing, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong) or by fax: 2523 0030 by **15 August 2015**.
- 1.12 A person or an organisation providing any comments or views shall be deemed to have given consent to THB to use or publish, including posting onto an appropriate website, the whole or part of the comments and views (with the exception of personal data). Otherwise, please state so when providing comments and views.



## **2. ISSUE ONE – TO ALLEVIATE PORT CONGESTION AND ENHANCE CARGO HANDLING EFFICIENCY**

2.1 With a view to addressing the port congestion problem and enhancing the efficiency of KTCTs, the Hong Kong Container Terminal Operators Association<sup>5</sup> (HKCTOA) submitted a White Paper entitled “Maintaining Kwai Tsing Port’s Regional Competitiveness Investing in Container Throughput Capacity and Operational Efficiency” to THB in November 2013. The document highlights the growing port congestion encountered at KTCTs and puts forth suggested measures to provide relief.

### **Factors for port congestion**

2.2 CTOs noted that a number of factors have contributed to the recent port congestion. These include structural changes in the regional business environment such as increased vessel sizes and increased traffic volumes transported by river barges, as well as on-going issues such as lack of land provision to support port growth and operational efficiency improvements. Some of these key factors are elaborated below.

#### **(A) Rising trend in transshipment cargo**

2.3 The share of transshipment throughput of HKP rose from 44.9% in 2005 to 60.2% in 2014. According to the forecast in the HKP2030 Study, the trend is expected to continue and transshipment is expected to reach 75% by 2030, representing about 24 million TEUs transshipment throughput. Most of the transshipment throughput is concentrated at KTCTs. Transshipment handling requires CTs with sufficient facilities to handle large number of ocean-going vessels (OGVs) call and to efficiently transfer containers between nearby terminals.

#### **(B) Increasing river-borne container traffic**

2.4 There has been a shift from land-borne to river-borne container traffic, with a marked increase in barge traffic by river trade vessels (RTV) to/from Pearl River Delta (PRD) ports and KTCTs. River throughput increased from 2.0 million TEUs in 2005 to 3.1 million TEUs in 2014, representing an

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<sup>5</sup> The Hong Kong Container Terminal Operators Association represents all the terminal operators at KTCTs.

increase in the share of KTCTs' total throughput from 14% in 2005 to 18% in 2014. The proportion of cross-boundary container throughput handled by river transport rose from 47% in 2005 to 57% in 2014. Provision of barge berths has not been increased to cater for the increased traffic.

**(C) Increasing use of mega vessels**

2.5 The number of mega-OGVs calling at HKP has risen by some 17% between 2011 and 2014. This has resulted in longer OGV turnaround times and less main quay length available for handling PRD barges. The growth in size of OGVs has led to a concentration of container traffic at KTCTs.

**(D) Competing use for berths**

2.6 Furthermore, because the number of barge berths is insufficient, ocean berths at KTCTs have to be allocated for barge berthing use from time to time, despite the fact that the OGVs are facing similar congestion problems at peak operating hours. This has resulted in the competing use of the limited ocean berthing space between the OGVs and RTVs, which hampers the efficient operation of KTCTs and creates port congestion.

**Limitations of yard area and port efficiency**

2.7 Sufficiency of yard area is essential to efficient terminal operations. Yard area is needed for installation of crane and quayside equipment, and the provision of trucking corridors and loading/unloading bays. As well, yard area is necessary for container storage for a period of time after containers are unloaded onto the shore side, pending the next movement or being trucked inland.

2.8 The average container dwell time at the port is in the range of 3-4 days for full import and export containers, but 4-5 days for transshipment. As such, the increase in transshipment volume has resulted in longer storage time for containers at the port's yard area. Increase in transshipment cargo and concentration of vessels at KTCTs have posed further pressure on the terminals' limited yard and berth capacity, aggravating port congestion. More port back-up land for container stacking is needed.



## **Terminal Operators' requests**

### **(A) Land to be disposed of on a long term basis**

- 2.9 The HKCTOA White Paper suggested, among others, that the Government should optimise the usage of port back-up land by integrating a total of some 70 ha of such land with the container terminal yard so that they might enlarge the storage areas. They estimated that with this additional land provision, the annual capacity of KTCTs could be increased by 3 to 4 million TEUs, equivalent to the capacity of 3 to 4 new built container berths. HKP2030 Study consultant has made similar recommendations, although the total site area recommended for integration with KTCTs was 48 ha.
- 2.10 The CTOs asked the Government to dispose of sites adjacent to the terminals on a long term basis for the sites to be integrated into KTCTs so as to enhance the terminals' container handling capacity through the installation of purpose-built equipment and rail tracks. The use of such equipment is not possible under STTs due to the high investment cost involved. The CTOs also argued that greater synergy in moving containers among stacks could be created if the yard area was enlarged. The need to transfer containers between terminals (for loading/unloading onto vessels) will be reduced and this will lead to significant cost and time savings.

### **(B) Barge berths**

- 2.11 The HKCTOA suggested that sites with water frontage adjacent to the two ends of CT9 be integrated into the CT on a permanent basis so that operators could invest substantial capital amount in equipment such as gantry cranes. This is also a recommended measure in the HKP2030 Study.

## **THB's Considerations and Recommendations**

- 2.12 Given that an increasing share of Hong Kong's container throughput (some 80%) is concentrated at KTCTs, and the fact that utilisation rate of KTCTs has risen from 75.5% in 2005 to 89.2% in 2014<sup>6</sup>, if Hong Kong is to continue its position as a regional hub port, it is of paramount importance that the container port maintains its efficiency and competitiveness.

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<sup>6</sup> Utilisation rate is the ratio of actual container throughput to the handling capacity in the same year. Handling capacity is calculated by taking into account various factors affecting berth and yard capacity, such as berth length, the number of quay cranes, area of storage yard and the number of working days, etc.

2.13 At present, KTCTs have a total yard area of 279 ha, less than 50% of the international norm<sup>7</sup>. Compared with the international standard of 25 ha yard area per berth, the “yard: berth” ratio for KTCTs is only 11.6. By comparison, the average ratio of all PRD terminals is 17.4 and Shanghai Yangshan is 24.2. To ease the port congestion problem (which will otherwise drive away vessels/cargo from Hong Kong), and to cater for projected growth in container throughput, we see an imminent need to enlarge the current yard area to enable the terminals handle more cargo-in-transit and in a more efficient manner so as to enhance efficiency.

### **Increasing provision for yard area**

2.14 To address the issue, and with a view to optimising land utilisation and achieving higher efficiency in supporting port operation, we **recommend** that **Sites 1a, 1b, 1c and 1d**, totalling 15.2 ha, as shown at **Annex B**, which are immediately adjacent to terminals be disposed to the operators of those terminals respectively, that is, CT9S, CT7, CT5 and CT8W on a long term basis subject to a premium at full market value. It is estimated that the four sites can bring about a 4% increase in the yard capacity of KTCTs, or an additional 820,000 to 850,000 TEUs per year.

2.15 To optimise land utilisation, we will in parallel explore the potential of using as least part of Site 1b for a multi-storey development, the feasibility and usage of which will be worked out by Government in discussion with the CTOs as necessary. It is hoped that some preliminary plans can be worked out in 1-2 years.

2.16 We are mindful that permanent disposal of land needs to be balanced against other considerations such as retaining flexibility in land use, taking into account the interests of different stakeholders operating on the port back-up sites, and Government’s overall land use and planning policies. We therefore **recommend** that these four sites be made available in phases from 2016-17 onwards. Summary information on these sites (including land area where applicable) and the projected time-line are set out in **Table 1**.

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<sup>7</sup> If we adopt the international norm of 1 berth : 25 ha ratio, KTCTs yard area should theoretically be 24x25 = 600 ha.

## Increasing provision for barge berths

- 2.17 The HKCTOA White Paper and the HKP2030 Study consultant have also urged the Government to identify additional water frontage and develop dedicated barge berths to enable KTCTs to handle the increasing volume of river to ocean container cargo more efficiently. We **recommend** that two sites (viz. **Sites 1e and 1f**), currently let out through STTs mainly for barge berthing use, be disposed of by phases to respectively CT9S and CT9N on a long term basis as extension to the adjacent container terminals to form part of terminal facilities upon expiry of the fixed term in 2017-2018.
- 2.18 Separately, we have identified **Site 2d**, located to the north of CT5, of about 0.8 ha with about 90 m sea frontage, which can be used for barge berthing (see the plan at **Annex B**). The site (zoned “Government, Institution or Community”) is currently under temporary Government use until August 2015. Subject to the resolution of the technical issue(s), we **recommend** that the Site 2d be let on STT. The facility may be used temporarily as a barge berthing site and is estimated to provide a berth capacity of about 105,000 TEUs yearly.



**Figure 3** An STT site for barge berthing in KTCTs

**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	<ul style="list-style-type: none"> <li>● 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</li> </ul>	By phases from 2016 – 2017 onwards
	b. Provision of additional barge berths to meet the increase in river-borne container traffic	<ul style="list-style-type: none"> <li>● 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</li> </ul>	By phases from 2017 – 2018 onwards

### 3. ISSUE TWO - TO REFINE MANAGEMENT OF LAND LET OUT BY SHORT TERM TENANCIES

#### STT Administration

##### Tenure and tenancy management

- 3.1 In Kwai Tsing district, about 100 ha of port back-up land are let out by STTs. As at June 2014, there were 49 such STTs. The term of a STT generally consists of an initial, fixed term followed by a periodic tenancy (usually quarterly) if the tenancy is not terminated after the expiry of the fixed term. According to established practice, if the intended use is compatible with the zoned use of the STT site concerned, the fixed term of a STT can be up to 7 years. In Kwai Tsing, the 49 STT sites can be categorised into three main types of uses.

Types of Uses	Terms under STT
(i) Fee-paying car park	Fixed term of normally one year
(ii) Container storage / cargo handling (including consolidation)	Fixed term of normally 3 or 5 years <sup>8</sup>
(iii) Multiple uses <sup>9</sup> (combination of (i) and (ii))	Fixed term of normally 3 years

- 3.2 Apart from the above main uses, a number of ancillary uses, such as “weighbridge”, “vehicle repairing”, “fumigation treatment of container cargoes”, and “trade of receipt and dispatch of delivery orders in relation to containers transportation”, are allowed on some of the port back-up sites mentioned in paragraph 3.1 (items (i) to (iii)) above to meet the industry’s operational need.

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<sup>8</sup> In response to the industry’s request for prolonging the fixed term of STTs so as to allow more time for recovery of investment made on the site, including site formation and purchase of heavy equipment, LandsD agreed in 2010, upon THB’s support, to lengthen the fixed term of STTs for container storage/cargo handling or consolidation from 3 years to 5 years upon re-tendering where appropriate.

<sup>9</sup> The multiple uses allowed are intended to provide flexibility to the STT tenants in responding to changing market needs.

3.3 The fixed term of a STT is determined having regard to factors such as the proposed use, any special consideration having regard to its nature of operation, and the availability period before the site is required for permanent use or for other purposes. If the site is not suitable for re-tendering for various reasons for the time being, the tenancy may be continued on a periodic basis after the expiry of the fixed term according to the terms of the STT, e.g. on a quarterly basis. In the periodic term, the tenancy may be terminated by either party serving the required period of notice in accordance with the tenancy conditions. Information including the term of tenancy will be clearly set out in the tender document. Individuals or corporations interested in operating port back-up business may put in tender bids for the STTs, having regard to their business considerations, and the terms and conditions of the STTs .



**Figure 4 An STT site for container-related uses and parking in KTCTs**

### **The open tender system**

3.4 Port back-up sites are generally let by the Lands Department (LandsD) in consultation with the relevant bureaux and departments under STT through the established open tender system. The rationale for offering sites of varying sizes through open tender in the market is to-

- (i) provide a level playing field for big, medium and small enterprises alike through fair competition;
- (ii) provide newcomers with the opportunity to take part in the port/logistics related businesses; and

- (iii) maintain flexibility to allow for switching uses of sites as and when the situation warrants which would not be possible if the land has been disposed of on long term basis.

### **The rent review system**

- 3.5 It has been LandsD's policy, as stated in the tenancy agreement, to review the rent every 3 years if the STT is not retendered or terminated at that juncture. LandsD will assess the rent on the basis of the prevailing market rent and in accordance with the tenancy agreement<sup>10</sup>.

### **Concerns of Logistics SMEs/STT tenants**

- 3.6 The logistics trade operations in Kwai Tsing generally feel that the current system of administering STTs in Kwai Tsing areas could not cater for their costs and mode of operation. In May 2013, the trade petitioned the Government.
- 3.7 The industry's concerns relate largely to three areas:
- (i) the short duration of the term of tenancies and the multiple uses permitted;
  - (ii) the triennial rent reviews and re-tendering mechanism; and
  - (iii) shortage of space for parking of container tractors / trailers and goods vehicles in Kwai Tsing

They hoped that the STT system could provide more certainty with lesser financial burden on their operation. Their specific views are set out below.

#### **(A) Tenancy Term and Permitted uses**

##### **Longer tenancy for sites for container storage/cargo handling**

- 3.8 Existing STT tenants request that the term of tenancies<sup>11</sup> of port back-up sites involving container stacking be lengthened as much as possible to

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<sup>10</sup> If the tenant does not agree to the level of the revised rent, he can lodge an appeal to the District Lands Office (DLO) according to established mechanism. If the tenant does not accept the rent which may or may not have been adjusted after an appeal, he may lodge a further appeal, and the DLO will refer the appeal, together with further relevant justifications from the tenant, to the LandsD Headquarters for consideration.

<sup>11</sup> At present, the fixed term of a tenancy is generally 3 or 5 years. Some operators asked to extend it to 10 years.



allow adequate time for recovery of investment made on the sites so as to give them a better return on capital investment. Site formation works which are costly<sup>12</sup> may take several months to complete after commencement of tenancy with no revenue generated during that period. Investment is also required for acquiring necessary equipment and building electricity generator rooms.

### **Tenancy conditions should not allow multiple uses**

- 3.9 The container storage / cargo handling operators are strongly against the current practice of allowing multiple uses on certain STT sites (that is allowing for container storage, cargo handling, car parking or a combination of these uses on the same site under one tenancy). It was pointed out that, in reality, most sites ended up being successfully tendered by carpark operators and were used for vehicle parking due to probably lower investment, higher profit margin and quick return. They proposed allowing only one type of use in each STT in order to achieve better and more balanced allocation of land in Kwai Tsing to support different port back-up activities.

### **(B) Rent Review and Re-tendering**

#### **STT rent review system**

- 3.10 Logistics SME operators object to rent reviews within the term of a tenancy on the ground that reviews would, in most cases, lead to rental increase, create uncertainty for their business planning, and add financial burden to SME operators, thereby reducing the competitiveness of Hong Kong's logistics industry. They asked that there be no rental review within the entire tenancy term.

#### **Priority use by existing tenants**

- 3.11 Some logistics SMEs argued that as incumbent tenant/operator, they should have priority for continued use of an STT site upon expiry of a tenancy for reason of the significant investment they have made, such as in site formation, installation of equipment and other facilities. They asked that instead of putting a site for re-tender in the open market, the Government

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<sup>12</sup> According to the operators, site formation works can cost up to around \$2,000 to \$2,500 per m<sup>2</sup>.

should first negotiate a revised rental towards the end of the fixed term of the tenancy with the incumbent tenant, and only if the negotiation failed or if the existing tenant decides to cease use of the site should the site be put to open tender.

### **(C) Parking Spaces and Related Issues**

#### **STTs to primarily cater for parking of container vehicles**

- 3.12 At present, parking sites located on port back-up land are open to all types of vehicles, including small cars<sup>13</sup> and coaches. The container trucking sector proposed that usage of the parking sites be confined to the parking of container vehicles and goods vehicles. They opined that non-container related vehicles could be parked outside of the Kwai Tsing port back-up areas. They believed that provision of more parking spaces for container-related vehicles would also help drive down parking fees for the logistics sector and be conducive to the development of Hong Kong's logistics industry.

### **Recommendations**

- 3.13 Having considered the claims and needs of the logistics SMEs and other smaller STT operators in Kwai Tsing, our views and recommendations are set out below and in **Table 2**.

#### **(a) Longer tenancy for container storage / cargo handling**

- 3.14 We **recommend** extending the tenancy period for container storage sites and cargo handling sites from the existing 3 or 5 years to 7 years where appropriate<sup>14</sup>, subject to site availability in each case, when existing sites are retendered or new sites are put to the market. This recommended measure is to address concerns by operators that a longer tenancy is needed to recover the heavy cost in site formation and purchase of equipment.

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<sup>13</sup> Small cars, which may be parked at existing multi-storey car parks, include private cars, vans and taxis.

<sup>14</sup> For container storage (or cargo handling) sites which are not zoned "Other Specified Uses (Container Related Uses)" on the statutory outline zoning plan (e.g. on GIC, open space zonings), the maximum fixed term of a STT for a user which does not accord with the town plan zoning for the site should be up to 5 years pursuant to the Town Planning Ordinance. A fixed term of over 5 years would require planning approval from the Town Planning Board.

**(b) Restricting permitted uses for each STT site to single use**

3.15 We **recommend** that each STT site should only allow for *either* one of the following three main types of use<sup>15</sup> -

- (i) Container storage (for stacking of laden /empty containers);
- (ii) Cargo handling (e.g. container cargo consolidation and open storage of goods/containers); or
- (iii) Parking primarily for container/goods vehicles (and limited number of other types of vehicles as necessary).

3.16 Clear specification of a single type of land use for each STT is administratively more conducive to achieving a balanced allocation of limited land resources to cater for the specific needs of different sectors. Single permitted use for each site will also help to optimise land usage for port back-up facilities.

3.17 Ancillary uses currently permitted in existing STTs as mentioned in paragraph 3.2 can be maintained to meet the industry's operational needs. For new sites, ancillary uses can be considered for incorporation in the tenancies as appropriate.

3.18 For sites with marine access, "loading, unloading and storage of containers from land or sea" would be allowed to cater for barge berthing apart from the storage of containers<sup>16</sup>.

**(c) Rent review system**

3.19 We **recommend** that upon re-tendering of existing STT sites or tendering of new STTs, the tenancy condition allowing for the triennial rent review during the fixed term of tenancy be removed. Upon implementation of this revised measure, the rent will not be reviewed during the fixed term of the tenancy. This will provide more certainty for the tenants in planning their business. The tenancy terms will provide for rent review upon the expiry of the fixed term and thereafter every 3 years until termination of the STT. However, STTs are generally retendered upon the expiry of the

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<sup>15</sup> Among the port back-up sites, two STT sites currently let for the trade of receipt and despatch of delivery orders in relation to container transportation will be maintained on a fixed term of 3 years.

<sup>16</sup> As these sites would be dedicated for storage of containers, open storage of goods or cargo handling/consolidation will not be allowed.

fixed term. 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)<sup>17</sup> pending retendering/termination of the STT.

**(d) More restrictive use of parking sites**

3.20 We agree with the industry's views that parking sites on port back-up land should as far as possible serve container tractors/trailers and goods vehicles which support the port operation. We **recommend** that parking of non-container related vehicles, such as small cars and coaches, should be restricted through specifying the type and number of these vehicles permitted to be parked on the sites under the tenancy conditions. New tenancy agreement upon tendering/retendering will incorporate this restriction on the advice of Transport Department (TD) having regard to the circumstances and justifiable parking needs. Along similar vein, the parking of unlicensed vehicles<sup>18</sup> will not be permitted in STTs on port back-up land in future.

3.21 With such restrictions specified, the number of parking spaces for small cars / coaches on the port back-up sites will be capped, thereby releasing some of the spaces currently occupied by them for the parking of container vehicles and goods vehicles. The restrictions to be imposed will be considered on a case by case basis.

**(e) Re-tendering system of STT upon expiry of tenancy term**

3.22 The suggestion that incumbent occupants should be given priority use of the sites upon expiry of their STTs is **not supported**.

3.23 The existing arrangement of retendering of STTs by open tender upon the expiry of their fixed term has been a well established system in administering STTs. The arrangement allows all interested parties equal opportunities to tender for sites upon the expiry/termination of the tenancies for the conduct of permitted businesses. As a matter of principle, it should be maintained to allow fair and open competition.

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<sup>17</sup> The term of an STT generally consists of an initial, fixed term followed by a periodic tenancy (usually quarterly) if the tenancy is not terminated after the expiry of the fixed term.

<sup>18</sup> At present, one STT is being used for parking of unlicensed vehicles by a vehicle manufacturer. The use will be changed to align with the proposed categorisation in paragraph 3.15 when the site is re-tendered.

Allowing incumbent tenant a priority claim over renewal would, in effect, create entry barriers for newcomers and upset the long cherished principle of maintaining a level-playing field for all. Indeed, deviating from this principle might raise anti-competition concerns.

**(f) Other STT Site provisions**

**New sites for cargo handling and vehicle parking**

3.24 To meet the needs of the industry, we **recommend** making available **Sites 2a and 2c** for cargo handling and **Site 2b** for vehicle parking (see the plan at **Annex B**). Sites 2a, 2b and 2c are currently vacant land. The tenure for each new site will be considered on a case by case basis taking into account their future long term uses.

3.25 We also **recommend** that **Sites 2e and 2f** (see the plan at **Annex B**), with a total area of about 9.4 ha, be designated for the single restricted purpose of container storage when the STTs are retendered in 2015-16 and 2016-17 respectively. At present, multiples uses (including container storage and cargo handling) are permitted. We **recommend** that the tenancy term be set at 5 years.

**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>



#### **4. ISSUE THREE - TO OPTIMISE UTILISATION AND EFFICIENCY OF PORT BACK-UP LAND IN THE LONG TERM**

- 4.1 Given the scarcity of land provision in Hong Kong, we are mindful of the need to make the best endeavours to raise land utilisation efficiency of port back-up land near KTCTs. In this connection, we are exploring the technical feasibility of developing multi-storey facilities on potentially suitable sites for uses such as goods/container vehicles parking and cargo consolidation operations, etc. so as to free up more land in that area to better support port operations and cater for future development.

##### **Feasibility study on the development of multi-storey car park**

- 4.2 TD has commissioned a feasibility study to look into the development of multi-storey parking facilities at **Site 3a** (plan at **Annex B**) mainly for container vehicles and goods vehicles (“the Multi-storey Parking Study”). The Multi-storey Parking Study will assess the supply of and demand for parking of container / goods vehicles near the port in Kwai Tsing, and prepare conceptual designs and layout of the multi-storey car park. It will also assess whether a business case could be established having regard to the construction, maintenance and operation costs, which are likely to be significant, and the operation mechanism. The Study commenced in June 2014 and is scheduled for completion around 3<sup>rd</sup> quarter of 2015.
- 4.3 Subject to the Study findings and industry feedback, we will consider commissioning another similar Study for **Site 3b** in Tsing Yi.



**Figure 5** An existing multi-storey cargo centre in Kowloon Bay

#### **Feasibility study on the development of a multi-storey complex for mixed uses**

- 4.4 We are also exploring more innovative ways to enhance land use efficiency of existing sites through creating space in a multi-storey development, drawing reference from existing facilities near KTCTs that allowed for combined use for container storage and cargo handling. We plan to conduct a feasibility study on the development of multi-storey complex for mixed uses including container storage and cargo handling at **Site 3c** (i.e. the combined **Sites 2e** and **2f**). We aim to commence the Study as soon as possible.

**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	<p>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</p> <p>b) Subject to findings of the above study, to conduct a similar study on a site in Tsing Yi</p> <p>c) To conduct a study on the feasibility of a Multi-storey Complex in Tsing Yi for cargo handling and container storage</p>	<p>Study to be completed around Q3 2015</p> <p>To be planned</p> <p>To be planned</p>

## **5. NEXT STEPS**

- 5.1 Subject to views received, we plan to implement the recommendations for the identified sites as outlined above and set out in **Tables 1 to 3** above.
- 5.2 For existing STTs, recommendations relating to the allocation of land for various port back-up uses and the administrative arrangement will be implemented upon retendering of the STTs to be conducted by LandsD in phases. Existing sites permitting multiple uses (e.g. container storage / cargo handling and vehicle parking) will be changed to single use upon retendering. We will deal with their re-tendering case-by-case, sorting out how different operations could as far as possible be re-allocated to different sites taking into account size, location and access to the sites.

### **Mixed modes of land disposal**

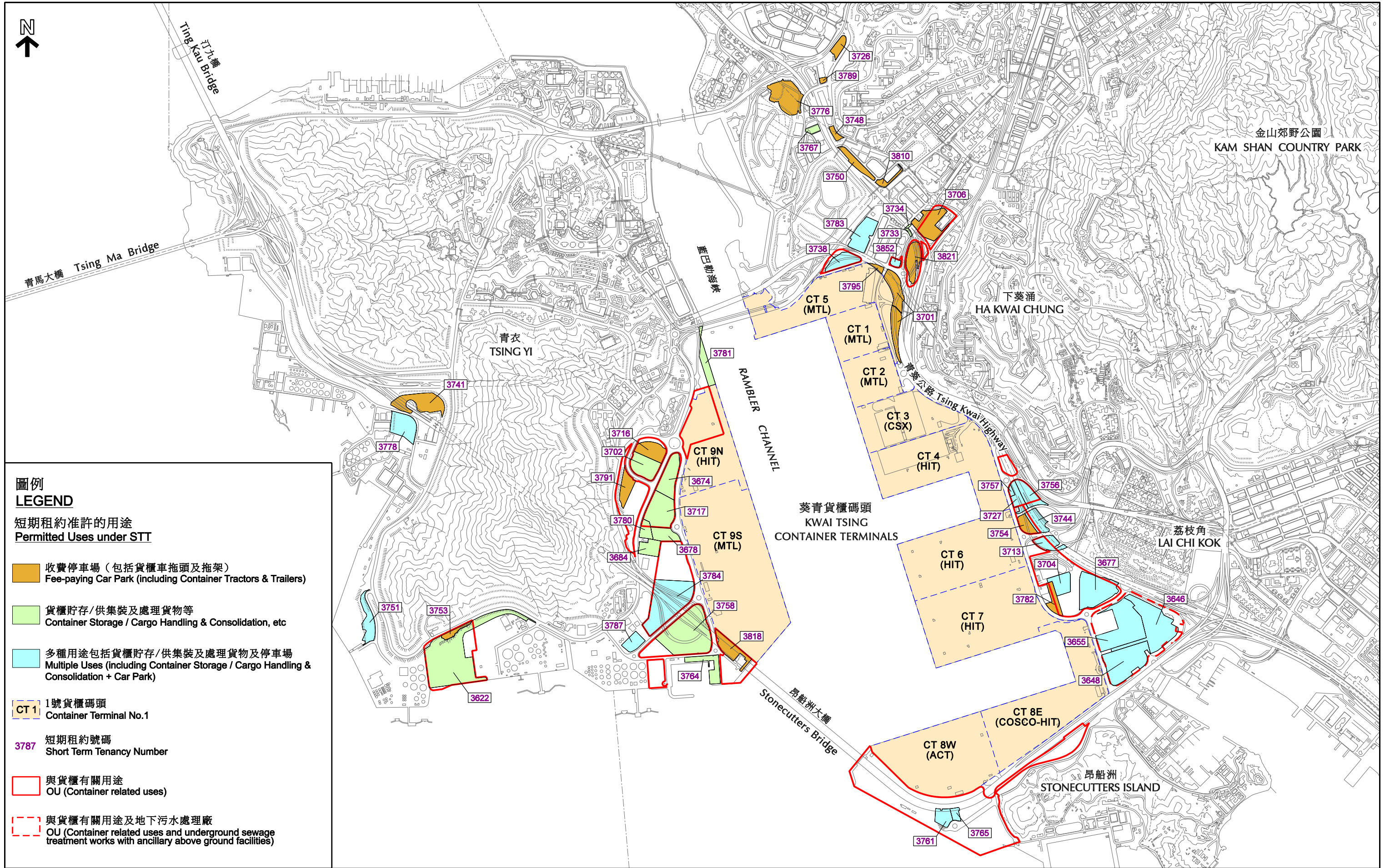
- 5.3 The 100 ha of port back-up land in Kwai Tsing will continue to be disposed of by mixed modes, that is, some by permanent disposal, some by longer STT tenure (up to 7 years) and some shorter tenure (1-5 years), depending on the designated use and availability of each STT site. The objective is to retain flexibility and variation in the land allocation system to meet changing demands and market needs.
- 5.4 For STTs in the Kwai Tsing area, they will continue to be disposed of through open tender as per the existing arrangements and established procedures to give market players a fair and open chance to join the business.

## **6. CONCLUSION**

- 6.1 The HKP is an important contributor to Hong Kong's economy and plays an instrumental role in Hong Kong's maritime and logistics cluster. We recognise the need for timely action and closer collaboration between Government and industry (involving different port operators and STT operators) to maintain the efficiency and competitiveness of the HKP.
- 6.2 In mapping the way forward, we need to bear in mind our port development strategy is to position the HKP as a competitive transshipment and logistics hub for South China and the region. As such, and given the limited land resources in Hong Kong, usage of the some 100 ha of land let on STT in Kwai Tsing for port back-up uses should be optimised. Coordinated efforts by all parties concerned are needed in order that we could upgrade the capacity of the HKP's facilities in the coming years to meet forecast demand and market/operational changes. We will make our best endeavours to work in collaboration with stakeholders to implement the agreed measures. As complex land issues and diverse interests among stakeholders are involved, we would adopt a pragmatic approach in taking matters forward. Implementation of measures would best be in a phased manner, taking into account different views and needs.
- 6.3 In the light of the fast changing market, THB will conduct further Port Cargo Forecast in about 5 years' time as suggested in the HKP2030 Study to monitor demand and ensure timely provision of infrastructural facilities.

**Transport and Housing Bureau  
June 2015**





**圖例**  
**LEGEND**

短期租約准許的用途  
Permitted Uses under STT

收費停車場 (包括貨櫃車拖頭及拖架)  
Fee-paying Car Park (including Container Tractors & Trailers)

貨櫃貯存/供集裝及處理貨物等  
Container Storage / Cargo Handling & Consolidation, etc

多種用途包括貨櫃貯存/供集裝及處理貨物及停車場  
Multiple Uses (including Container Storage / Cargo Handling & Consolidation + Car Park)

1號貨櫃碼頭  
Container Terminal No.1

短期租約號碼  
Short Term Tenancy Number

與貨櫃有關用途  
OU (Container related uses)

與貨櫃有關用途及地下污水處理廠  
OU (Container related uses and underground sewage treatment works with ancillary above ground facilities)

葵青區範圍內以短期租約租出作港口後勤用途的用地 (直至 2014 年 2 月)  
LAND FOR PORT BACK-UP USES IN KWAI TSING AREA UNDER SHORT TERM TENANCY  
(As at Feb 2014)

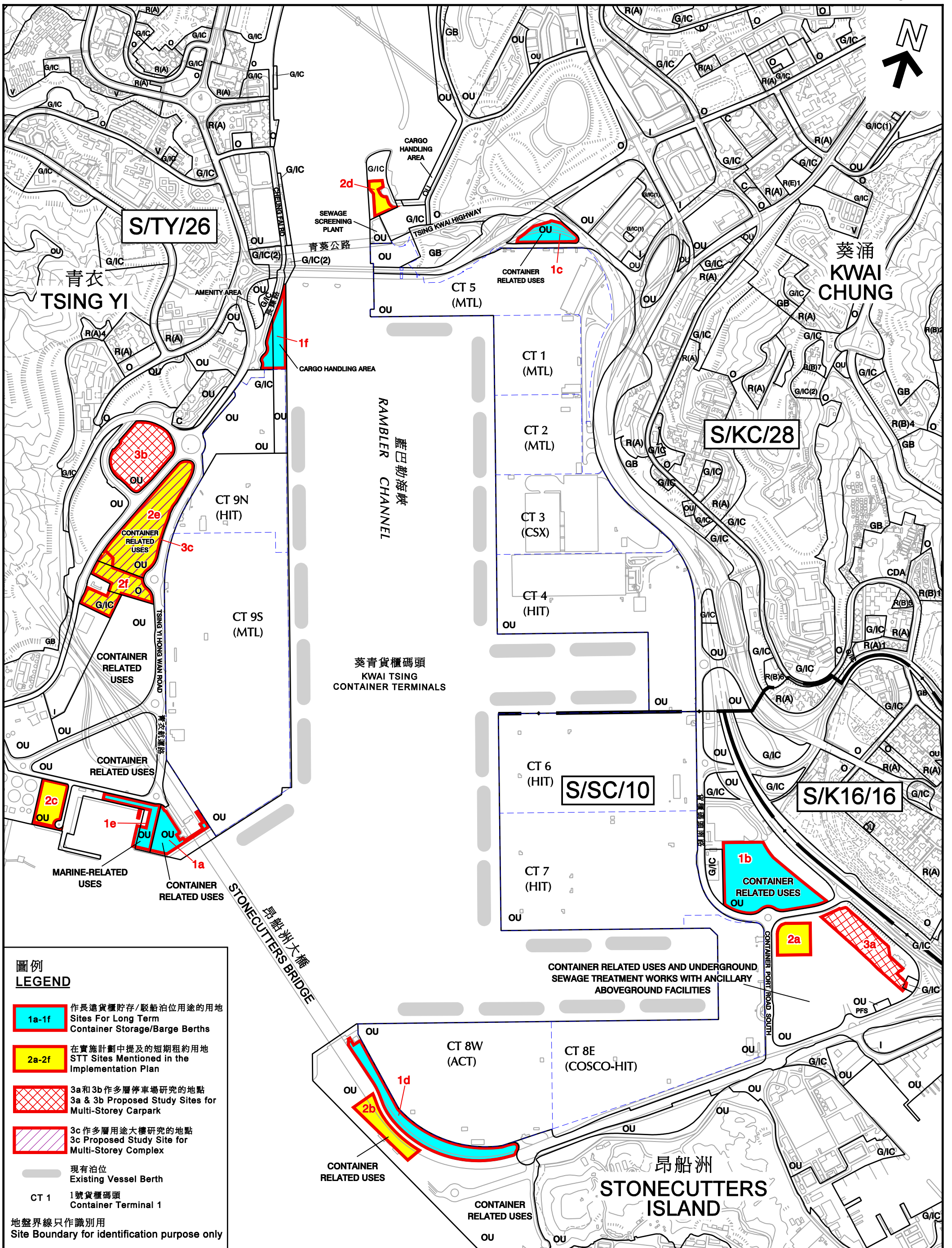
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附件  
Annex

圖則編號 Plan No. : M/SP/15/099

日期 Date : 30/04/2015



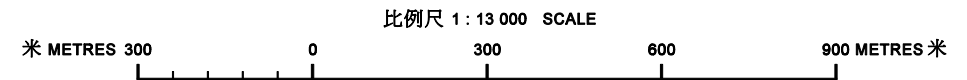


**圖例**  
**LEGEND**

- 1a-1f 作長遠貨櫃貯存/駁船泊位用途的用地  
Sites For Long Term Container Storage/Barge Berths
- 2a-2f 在實施計劃中提及的短期租約用地  
STT Sites Mentioned in the Implementation Plan
- 3a和3b 作多層停車場研究的地點  
3a & 3b Proposed Study Sites for Multi-Storey Carpark
- 3c 作多層用途大樓研究的地點  
3c Proposed Study Site for Multi-Storey Complex
- 現有泊位  
Existing Vessel Berth
- CT 1 1號貨櫃碼頭  
Container Terminal 1

地盤界線只作識別用  
Site Boundary for identification purpose only

中短期建議措施以改善港口的運作  
Recommended Short to Medium Term Measures for Enhancing Port Operation



附件  
Annex

圖則編號  
Plan No. : M/SP/15/101

日期  
Date : 10/06/2015