

What future for Hong Kong's port in the 2020s?

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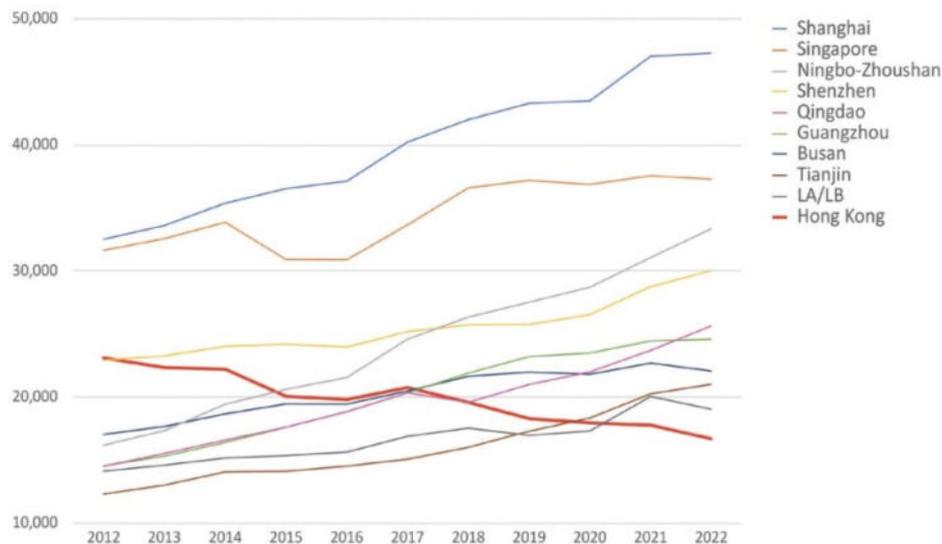
Splash • November 22, 2023 1 33 5 minutes read



Dr Jonathan Beard, a partner at EY Infrastructure Advisory, defines the city's port role going forward as part of our brand new magazine looking at Hong Kong maritime.

Two years' ago I wrote an article for this publication, titled "Hong Kong Port and the Greater Bay Area (GBA) in the 2020s – Defining a Role or a Declining Role?". A continued and steady loss of cargo volumes suggests increasingly that the port will play a "declining role" unless some major action is taken. The drop in Hong Kong's international throughput ranking has been stark, and whilst the rise of Shanghai to number one was always inevitable, it is Hong Kong's performance versus other regional ocean-transshipment hubs, notably Singapore and Busan, and versus its gateway competitors in the GBA that is the real cause for concern.

Where did my port go? '000 teu handled 2012-22



Source: Hong Kong Marine Department; Alphaliner

Earlier this year, the HKSAR Government commissioned a consultancy study "Provision of Services for Action Plan on Maritime and Port Development of Hong Kong". It is notable, that the scope of work focuses on Hong Kong's maritime cluster of professional services -i.e. ship financing, ship registry, maritime law, insurance, etc. and enabling technologies for those sectors, rather than addressing the challenges for Hong Kong port in attracting physical cargo. Perhaps this is tacit acknowledgement of the challenges faced by the port and a practical realisation that focusing on the high value-added professional services, of the type that London retained, even as its port fell away, is the pragmatic route to follow.

Some measures have been successfully implemented, notably the creation of the Hong Kong Seaport Alliance (HKSPA), whereby all terminals, save terminal 3, are operated as one facility, has gone a long way to addressing the inefficiencies created by the fragmented nature of terminal ownership and operations. That ownership and operational structure made sense when the port was the "only show" in the GBA, and the Government quite rightly wanted to encourage competition. However, GBA importers and exporters now have a choice of ports and terminals, and shipping lines have a choice of transshipment hubs (e.g. Hong Kong, Busan, Kaohsiung, Singapore, etc.). Inter-port competition provides choice – there is little need for inter-terminal competition.

There is little need for inter-terminal competition

High cross-boundary trucking costs, generated by regulatory inefficiencies rather than distance, have been a major competitive weakness for over 20 years. Failure to take swift remedial action, and liberalise this sector to permit better access by PRC Mainland drivers whilst reducing the cross-boundary licence cost – and align it with the more successful cross-boundary barge industry – has diverted cargo to GBA competitor ports. Somewhat ironically, seeking to extend the life of a declining cross-boundary trucking industry by protecting it from competition, has undermined the port on which that very same cross-boundary trucking industry depends.

No port authority

Hong Kong Port does not have a port authority. This is highly unusual and many industry stakeholders feel it has undermined the ability of the port to undertake strategic change, – for example, implementation of a smart port initiative to close the digital gap with competitors – and has left it without a champion in government to represent its interests. The Maritime and Port Board (MPB) was created in 2016 to fulfil some of this advocacy role, but it has very limited powers and resources. It is primarily the re-creation of the earlier Port and Maritime Board (PMB) which had been in abeyance.

In the absence of a port authority, industry stakeholders and consultants put together a Smart Port Initiative (SPI) in 2020 and an application for initial funding to one of the Government's technology funds. Unfortunately, the application was rejected. On the upside, the initiative was then put into the Chief Executive's policy address and has been taken forward by the Government's Logistics and Supply Chain Multi-tech R&D Centre. However, three years later, progress has been limited, especially in terms of the critical cross-boundary digital connectivity.

In stark contrast, Hong Kong's airport, which is still the world's busiest for air cargo and does have an Airport Authority, has made considerable progress on its Cargo Data Platform. A quicker, more practical option for Hong Kong port might therefore be to extend the coverage of that platform to include maritime cargo, not least as some of the industry stakeholders and critical issues are similar.

Relocation time?

One drastic option for the port, is its wholesale relocation to a greenfield site, where it would benefit from new state of the art facilities, but more importantly, would free up the Kwai Tsing site for much needed housing and commercial development. The current site is in a dense urban environment, but key infrastructure – roads, mass transit system, utilities are all in place. The redevelopment potential is considerable – a fact that was noted in the Hutchison Ports' prospectus for its South China Port Trust – and offers a better located and lower cost option to address Hong Kong's housing needs, as compared with "Lantau Tomorrow Vision", which entails costly and environmentally challenging creation of artificial islands to the south of Lantau, in Hong Kong's harbour. None of the supporting infrastructure for this site is in place and is extremely challenging and expensive to build.

Moving port facilities from congested brownfield sites, to newer out of town locations is common practice. There are numerous examples, from Shanghai to Singapore and Oman to South Vietnam. However, in those instances, cargo volumes were growing. This is not a given for Hong Kong and it makes little sense to embark on such a Hong Kong centric initiative without considering the GBA port market. In that respect there may be an alignment of interests and an option for the Hong Kong and local GBA governments to partner for a "true" GBA port project which incorporates the needs of both Hong Kong and Shenzhen, and could showcase the potential for cross-boundary policy implementation.

The West Shenzhen port facilities at Shekou, Chiwan and Mawan are also in a congested urban area, that is increasingly focused on residential and hi-tech commercial property. Moving the cargo handling elements to another location, whilst preserving the cruise and passenger facilities, would likely also provide a range of economic and environmental benefits for Shenzhen.

Is there a location within Hong Kong that could provide a large enough site for both Hong Kong and West Shenzhen? Possibly not, however there are options to the southwest of Lantau, close to Hong Kong's airport and strategically located for GBA inland barge services, that are currently part of Zhuhai's jurisdiction, but which under current legislation can be ceded to Hong Kong and operated as such. This might be a win-win-win solution for Hong Kong, Shenzhen and Zhuhai and could demonstrate the potential of GBA co-operation. At the very least, it is worthy of further consideration and study. Could this be a way for Hong Kong to redefine its role rather than accepting a declining role?

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#Hong Kong

Comments



Phil Mortimer

November 22, 2023 at 5:37 pm

The absence of a good rail connection between the port/terminals and the mainland for containerised cargo possibly accounts for the loss of competitiveness. Deleting the previously operated link was arguably a major error leading to excessive reliance on trucking.

Any new or combined port option would need to incorporate a rail option into the mainland as an integral part of the infrastructure .

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