1. Key development issues and rationale for Bank involvement

Over the last twenty years, the total tonnage handled by China’s seaports has increased by almost ten times (from 0.483 billion tonnes in 1990 to 4.874 billion tonnes in 2009). This growth has been driven by both international trade in goods, which has increased at an average annual rate of about 33 percent since 1990, and also by inter-regional flows of commodities of which China’s coastal shipping handles about 29 percent in 2009.

The development strategy for China’s seaports is set out in the National Sea Ports Layout Plan to 2020, agreed by the Ministry of Transport (MOT) and the National Development and Reform Commission (NDRC), and approved by the State Council in August 2006. The Plan aims to coordinate port planning, utilize and protect coastal resources, and improve efficiency of resource utilization by focusing ports development in key locations. Therefore, the Plan divides national sea ports into five groups: Bohai Sea Ports; Yangtze River Delta Ports; Pearl River Delta Ports; South-West Ports; and South-East Ports.

The ports in the South-East group designated for development are Xiamen, Zhangzhou, Fuzhou, Ningde, Putian and Quanzhou in Fujian Province. The latter two, Putian and Quanzhou (each of which covers part of Meizhou Bay and other smaller ports), were amalgamated in 2009 to form a
single Meizhou Bay Harbor authority under management of the Meizhou Bay Harbor Administration Bureau (MBHAB). According to the Sea Ports Layout Plan in Fujian Province (2008-2020), the ports in the province will handle over 600 million tonnes of freight by 2020. There will be three major ports which will have the capacity handling over 100 million tonnes of freight per year. Meizhou Bay Port, one of the said three ports, is the subject of this Bank-funded Project.

Meizhou Bay, with a long indented coastline of sheltered waters, is an ideal place for developing deep water ports. Because of its natural advantages, the development of Meizhou Bay has been further boosted by the Development Plan for Strait West Economic Zone (SWEZ), a region covering the entire Fujian Province, the eastern part of Jiangxi Province, the southern part of Zhejiang Province, and the northern part of Guangdong Province. This Plan, endorsed by the State Council, is a comprehensive regional economic and social development plan to 2020 for Fujian Province and those parts of Zhejiang, Guangdong and Jiangxi provinces that form the hinterland of Meizhou Bay. The total area of the SWEZ is around 270,000 square kilometers.

The objective of the SWEZ Plan is to better integrate the infrastructure, transport systems and economic policies in the region to support (i) the increase of competitiveness of the SWEZ region generally versus the more affluent Pearl River Delta region to the south and Yangtze River Delta region to the north; (ii) the region’s social development; and (iii) encouragement of trade links with Taiwan, China. One of the key aspects in the SWEZ Plan is the construction of a comprehensive and integrated transport network with new rail and road links being built to better connect Meizhou Bay and other ports with the SWEZ hinterland. The Plan is not only to supply the heavy industries of the region, such as steel and chemicals, but to create manufacturing clusters in industries, such as mechanical and electrical products, automatic data processing equipment, clothing and accessories and footwear, and to promote tourism and service industries.

The specific role of Meizhou Bay in the SWEZ Plan is to be the main bulk transport port in the SWEZ. It is already a substantial port, handling nearly 40 million tonnes of freight annually, a throughput that has doubled in the last six years. It will continue to specialize, as now, in dry bulk cargo, oil products, LNG, and other bulk products. According to the preliminary results of the project feasibility study, the annual freight volume is projected to be some 160 million tonnes by 2020 and 230 million tonnes by 2030. Its expansion plans envisage complementary development of handling, storage and transshipment facilities, logistics services, and other modern harbor-based activities while maintaining the recreational and environmental amenities of the Bay. As a part of the SWEZ Plan, road and railway networks connecting the seas ports and the hinterlands have already been planned, and some of the highways and railways are being built.

The current navigation capacity of the Bay, which is currently unidirectional for vessels over 25,000 DWT, tide-dependent for cargo ships of over 50,000 DWT, and cannot handle vessels over 250,000 DWT, is a constraint for meeting the target. MBHAB has made a plan to develop and improve the navigation channels in Meizhou Bay, including upgrading the main channel to be bi-directional for vessels up to 50,000 DWT, unidirectional and tide-independent for vessels up to 100,000 DWT, and with tide-dependent navigation for bulk cargo ships up to 400,000
DWT; MBHAB also plans to build its capacity in terms of ports planning, business development and operational management.

Relationship to CPS. The second and third pillars of World Bank’s Country Partnership Strategy (CPS) for 2006-2010 support China towards ‘reducing poverty, inequality, and social exclusion’ and ‘managing resource scarcity and environmental challenges’, respectively. The proposed Project will address the second pillar, by promoting inter-regional transport links, particularly for industries, between the lagging land-locked provinces of western part of Fujian, Jiangxi and Hunan and the dynamic coastal regions. It will also address the third pillar through optimizing energy use and reducing air pollution by facilitating the use of more energy-efficient waterway transport. Thus, the proposed Project is in line with the CPS objectives and directions.

A Progress Report on implementation of the 2006-2010 China CPS was discussed by the Board in January 2008 (Report 46896-CN). Since then, implementation progress has continued to be strong. The program has been carried out as envisaged, in alignment with the Government’s 11th Five-year Plan objectives. The Bank lending and TA have enhanced the piloting of innovative approaches as well as establishing replicable demonstration models for scaling-up. A Completion Report on the 2006-2010 CPS is in progress and its lessons will inform the new CPS. The Government of China has requested that the new CPS be coterminous with, and aligned to, its 12th Five-year Plan (FYP) covering 2011-2015. The new CPS will therefore correspond to this timeframe, and will be submitted to the Board for its consideration with the first operation of FY12. Being in line with the 12th Five-year Transport Plan, the Project is expected to be compatible with the new CPS.

2. Proposed objective(s)

The development objective of the Project is to improve the capacity of the main navigation channel and enhance the operational management capacity of Meizhou Bay Harbor.

3. Preliminary description

The proposed Project consists of the following two main components:

Component 1: Improvement of the main navigation channel. This component will upgrade the main navigation channel in Meizhou Bay to a 300,000 DWT standard that will allow for unidirectional tide-independent navigation of Q-MAX LNG ships, as well as unidirectional tide-dependent navigation of up to 400,000 DWT bulk cargo ships.

The main navigation channel of Meizhou Bay starts from Dazuo sea area outside bay-mouth to Luoyu for a total length of 52.2 kilometers. About 22.4 kilometers of the existing main channel, mostly inside the Bay, will be widened and deepened through dredging and rock blasting. It is estimated that the volume of dredged materials will be about 18 million cubic meters and the volume from rock blasting will be about 0.9 million cubic meters. The dredged materials will be used as a backfilling for construction of several docks. The improved channel will be equipped with navigation buoys.

Component 2: Capacity building to enhance operational management capacity. This component includes technical studies and training programs that are designed to build the FPTD and
MBHAB’s capacity of ports planning, business development and operational management, so as to improve the operational efficiency and competitiveness of Meizhou Bay Ports. The following TA activities have been discussed with FPTD and will be further identified and screened during project preparation:

- Providing technical assistance in reviewing and upgrading the draft Master Plan of Meizhou Bay Harbor;
- Developing a comprehensive business and operation plan to improve the competitiveness of Meizhou Bay Harbor;
- Detailing a plan for a port logistics concept and a platform for logistic activities linked to the port system;
- Preparation of a study on utilization and treatment of dredged materials in environmentally-friendly and economical manner.

4. Safeguard policies that might apply

The task team proposes that this Project be classified as Category A. The initial assessment proposed that Environmental Assessment (OP 4.01), Natural Habitats (OP4.04) and Involuntary Resettlement (OP 4.12) will be triggered by this Project.

5. Tentative financing

Source: ($m.)
Borrower 88
International Bank for Reconstruction and Development 50
Total 138

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