

**LegCo Panel on Economic Development
Follow-up to the Meeting on 28 January 2008**

Facilitation of ship finance in Hong Kong

(a) The economic benefits for Hong Kong, in particular the quantifiable benefits to be brought by the proposal.

The port and maritime sectors are closely related. Hong Kong houses the world's 3rd largest container port and the 7th largest maritime centre. Hong Kong shipowners manage about 8% of the world's merchant fleet.

Enhancing the support for financing of vessels owned by Hong Kong shipowners would help stimulate the demand for other maritime services like shipping registration under Hong Kong flag, ship brokering, ship management and legal support thus strengthening the position of Hong Kong as an international maritime centre.

In 2006, the port and maritime sectors contributed to around 2.5% of GDP and took up 3.3% of total employment, providing jobs to over 110,000 persons. According to the results from the Annual Economic Surveys conducted by the Census and Statistics Department, over the past few years ship owners/operators of sea-going vessels made the highest contribution in terms of value-added per person engaged among the various port and maritime sub-sectors, followed by shipbrokers. Ship owners/operators of sea-going vessels alone contributed to around 0.5% of GDP. The Hong Kong Shipping Register, renowned as a register of high quality, crossed the 36 million gross tonnage mark on 21 December 2007. The maritime services clusters contribute greatly to the Hong Kong economy. The proposal to facilitate their development should bring in economic benefits to Hong Kong.

(b) How the Hong Kong Export Credit Insurance Corporation (ECIC) would conduct risk assessment and work out the relevant premium for shipowners' applications for credit insurance?

ECIC would assess the company risk of the charterers to whom Hong Kong shipowners have chartered their vessels based on Company Credit Reports produced by market specialists. In addition, ECIC would assess the risk associated with the business, the length of the charter hire period, the economic environment of the marine freight transport industry, and the country in which the charterer resides.

(c) The extent of possible risks ECIC would be exposed to under the proposal.

Depending on the terms and conditions as specified in the insurance policy, ECIC could be exposed to commercial risks due to insolvency of the charterer, failure of the charterer to pay charter hire, failure or refusal of the charterer to fulfill the charter agreement. It could also be exposed to country risks such as payment transfer delay, general moratorium, riot or natural disaster which prevents performance of the charter agreement.

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