

For discussion on
26 April 2010

Legislative Council Panel on Economic Development

Sea-going Training Incentive Scheme

Purpose

This paper seeks Members' support for a proposal to increase the approved commitment for the Sea-going Training Incentive Scheme (the Scheme) by \$19.2 million from \$9.0 million to \$28.2 million for the operation of the Scheme from 2010-11 to 2013-14.

Background

2. Hong Kong is a major international maritime centre. Hong Kong's maritime sector provides a whole range of quality maritime services for the global shipping community. The Central Government has also stated clearly in its 11th Five Year Plan support for Hong Kong to maintain its status as an international maritime centre. Premier Wen Jiabao, in his report to the National People's Congress in March 2010, reaffirmed the Central Government's support for Hong Kong to strengthen and promote its position as an international maritime centre.

3. The success of our maritime industry is largely attributable to a strong pool of maritime professionals, many of whom possess sea-going experience. The industry, however, has been faced with an acute shortage of professionals with a sea-going background for the last decade. The problem, if unattended, will only get worse and also erode Hong Kong's edge as a major maritime centre and regional hub port because it hampers our ability to provide essential services, such as pilotage, vessel traffic regulation, surveying, ship management, ship repair, etc.

4. The problem is two-fold. First, all sea-going officers begin their career as a cadet and spend three to five years at sea to progress to senior officer level. A sea-going career appears to be unattractive to the youngsters today largely because they do not want to leave home for too long and life at sea is perceived to be less colourful. Second, the international nature of the maritime industry is unique in that it can employ globally. Hong Kong cadets would

hence seem unattractive to shipping companies as their pay is higher than their peers elsewhere. Besides, a cadet is an extra, and a ship may operate without one.

The Sea-going Training Incentive Scheme

5. With the support of the Hong Kong Maritime Industry Council¹ (MIC), the Scheme was introduced in 2004 to arrest and reverse the trend of declining number of home-grown sea-going professionals. It involves collaboration between the Government and the industry in that the Government undertakes to provide a financial incentive to attract youngsters to the sea-going career while the industry endeavours to provide the required training onboard ships for Hong Kong cadets and active support in the form of sponsorships and internship opportunities.

6. The Scheme is being administered by the Marine Department (MD) with an approved commitment of \$9.0 million. The commitment approved in 2004 for the Scheme was meant to be time-limited in nature to address a critical situation and kick-start the maritime industry's own efforts to develop local expertise. Under the Scheme, a cadet may receive a monthly subsidy of \$5,000 during the cadetship training; that is, up to a maximum of 18 months for a deck cadet (\$90,000) or six months for an engineer cadet (\$30,000). A cadet will be eligible to take the Class 3 Certificate of Competency (CoC) Examination after completion of cadetship training at sea for 18 months for graduates of the "Higher Diploma in Maritime Studies" (HDMS) programme run by the Maritime Services Training Institute (MSTI)², and for six months in the case of graduates of the "Higher Diploma in Mechanical Engineering" programme run by the Institute of Vocational Education, Tsing Yi (IVE), and the mechanical engineering programmes of the local universities. The Class 3 CoC is the entry qualification of a sea-going career for any officers or engineers serving onboard merchant ships. An additional incentive was introduced under the Scheme in January 2009 to encourage cadets to attain their first professional qualification and then begin their career at sea by reimbursing those cadets who have successfully passed the Class 3 CoC Examination their examination fee³.

¹ The MIC is a high-level advisory body, chaired by the Secretary for Transport and Housing, to advise the Government on measures and initiatives to further develop Hong Kong's maritime industry. Its membership comprises senior representatives from the private sector and the Government.

² The minimum cadetship training was reduced from 24 to 18 months in 2010, after the MSTI two-year programme "Diploma in Maritime Studies" was upgraded to the three-year HDMS as from the 2007-08 academic year.

³ The fees of the Class 3 Deck and Engineer CoC Examinations are \$6,020 and \$2,410 respectively.

7. At the time of its launch in 2004, the Scheme aims at training about 24 cadets each year. Of the approved commitment of \$9.0 million, a total of \$5.7 million had already been paid out to the cadets, and another \$3.2 million have been earmarked for 48 cadets who are still undergoing training at sea, leaving an uncommitted balance of only \$0.1 million. Hence an increase in approved commitment is required for the Scheme to continue to serve its important purpose.

Collaborative Efforts of the Industry

8. Apart from providing training onboard ships under the Scheme, the industry has also joined the Government promotional efforts to publicise among the general public, especially the youngsters, the maritime industry and promising opportunities in the industry. These activities include organizing the Maritime Week, participating in the annual Career Expo, conducting secondary school promotion talks and introducing various scholarship schemes for maritime related studies. Moreover, we note that the maritime industry has taken the initiative to put in extra resources and efforts to develop local expertise. For instance, two shipowners have each made a donation of \$10 million to help establish an International Centre for Maritime Studies as well as a Maritime Library and R&D Centre at one of our tertiary institutions to nurture local maritime talents. Others are footing the bill for local students to attend major maritime-related events like the Marine Money conferences/seminars to broaden their horizons. The Hong Kong Seamen's Union (HKSU) will provide free accommodation at its premises for setting up a study centre with reference books and materials to assist local candidates in their studies for the CoC examinations. The HKSU will manage and operate the centre at its cost. The Hong Kong Shipowners Association and the HKSU have both organised pre-qualification classes for local candidates to prepare for the CoC examinations.

Improvements Observed Since the Launch of the Scheme

9. The great majority of cadets receive their education from either the MSTI or the IVE. Since the launch of the Scheme in 2004 and with the collaborative promotion efforts of the industry, we observe a growing interest for local talents to join the sea-going profession. By way of illustration, the average annual intake of the MSTI maritime study programme for the period 2004 to 2009 reaches 38, as compared to 18 for the period 1998 to 2003. In fact, the class size of the MSTI programme before 2009 was around 25. In response to the overwhelming interest in the programme, the class size has been

increased to 60 since 2009. It is especially encouraging that the average percentage of their graduates who have opted to go to sea have recorded a marked increase - 46.7% (57) since the launch of the Scheme from 2004 to 2008 as compared to 22.4% (17) for the period 1999 to 2003.

10. On participation in the Scheme, the number of graduates from the MSTI and other institutions joining the Scheme from its launch in 2004 to 31 March 2010 totalled 123, or about 21 per year on average. As mentioned in paragraph 7 above, the Scheme sets out to attract 24 cadets a year. In other words, the Scheme has achieved almost 90% of its target and is deemed satisfactory. Moreover, among the graduates joining the Scheme, 70.7%, including 48 deck and 39 engineer cadets, have successfully completed their sea-going training with the remainder still on training. Of those who have completed training, 24 deck cadets and 27 engineer cadets have already obtained their Class 3 CoC and two other engineer cadets have even obtained the Class 2 CoC, which shows not only that the participants in the Scheme have stayed in the industry but also that they have achieved good progress in obtaining the professional qualifications.

11. It is also worth noting that the MD has recently approved graduates of the mechanical engineering programme of the Hong Kong University of Science and Technology (in addition to the University of Hong Kong and the Hong Kong Polytechnic University) to be eligible applicants for the Scheme. So far, the MD has received quite a number of enquiries from university students on the Scheme.

12. With the growing intake of the MSTI and the increasing interest of university graduates in the mechanical engineering discipline, it is expected that there will be a rising number of cadets joining the Scheme, estimated to be 38 for the year 2010.

The Proposal

13. We propose to increase the commitment for the Scheme by \$19.2 million from \$9.0 million to \$28.2 million to extend its operation by four years from 2010-11 to 2013-14. The class size of the three-year MSTI maritime study programme was more than doubled from 25 to 60 in 2009 and the first cohort will graduate in 2012. They will be required to undergo sea training for 18 months before being eligible to take the Class 3 CoC examination sometime in 2014. To operate the Scheme for four more years will enable us to ascertain whether the interest of our youngsters to opt for a sea-going career is a sustained and increasing one. It will also furnish us with further data and information to

help review the situation and project future trends.

14. The increase in commitment is intended to benefit about 230 participants based on the recent trend and the enlarged class size of the MSTI maritime study programme. As with the existing arrangements, each cadet will be offered a monthly allowance of \$5,000 (18 months for a deck cadet and six months for an engineer cadet) and be reimbursed the Class 3 CoC examination fee, subject to passing of the examination. The additional financial commitment by year is at **Annex 1** and the estimated cashflow from 2010-11 to 2013-14 is at **Annex 2**. The additional resources required will be met by internal redeployment of existing resources within the Transport and Housing Bureau. The Administration will continue to monitor and evaluate the Scheme, as well as report progress to the MIC on a regular basis.

Justifications

15. Despite the fact that the Scheme has been effective, the problem of manpower shortage for our maritime industry will likely be more challenging in the near future because of aging of our seafaring elite. The majority of serving professionals who joined the industry in the 70's and 80's will reach retirement within the next decade. According to the MD, as many as 488 professionals, or 65% of the existing workforce, will be retiring from service between 2009 and 2019. The extent of the problem can best be demonstrated by the fact that over the past four years, Hong Kong imported over 200 foreign nationals and Mainlanders to work as marine superintendents or managers.

16. The time, however, is not ripe yet to leave it to the maritime industry to solve the problem on its own. As mentioned in paragraph 4 above, the maritime industry is very unique. As opposed to other industries, shipping companies can employ globally and therefore lack the initiative to train up Hong Kong cadets who are comparatively remunerated with higher wages. On the other hand, we need home-grown professionals to support our industry's growth, as well as to provide essential services for our port. The continuation of the Scheme, while not a total solution, will help stabilise the situation.

17. We have already seen some positive signs - the Scheme is beginning to bear fruit as more and more local youngsters are interested in the sea-going career, increasing number of university graduates are ready to join the industry, the MSTI has substantially expanded the class size of its HDMS programme from 25 to 60 in response to increasing demand, and last but not least, the industry has realised the importance of its contribution and has been playing an active role to promote and support maritime education and training. The

momentum must be maintained for now if we want to contain the problem, and get the supply of sea-going professionals back on the normal track eventually.

18. The Scheme is meant to help address the present manpower shortage that is threatening our maritime industry's further growth and our ability to provide essential port services as a leading regional hub port. It is also meant to be a primer to revive the normal supply of sea-going professionals. During the extension of the Scheme, we will review the situation in consultation with the industry to map out a sustainable strategy of addressing the shortage of maritime professionals.

Consultation

19. The Human Resources Task Force of the MIC was consulted on 19 January 2010. It considered the Scheme to be effective in encouraging local youngsters to take up sea-going training and beneficial to the development of the maritime industry. It pledged full support for the Government to continue with the Scheme.

Advice Sought

20. We seek Members' support for the proposed extension of the Scheme for four years till 2013-14 by increasing the commitment by \$19.2 million to address the acute shortage of maritime professionals, as well as to nurture home-grown talents for the benefit of the maritime industry and the port.

*Transport and Housing Bureau
April 2010*

Estimated Additional Financial Commitment by Year

	2010-11	2011-12	2012-13	2013-14	Total
\$ million	3.14	3.69	5.67	6.70	19.20

For 2010-11:

For 30 deck cadets:

$$30 \times \$5,000 \times 18 \text{ months} + 30 \times \$6,020^1 = \$2.88\text{M}$$

For 8 engineer cadets:

$$8 \times \$5,000 \times 6 \text{ months} + 8 \times \$2,410^2 = \$0.26\text{M}$$

Total commitment for 2010-11 = \$3.14M

For 2011-12:

For 35 deck cadets:

$$35 \times \$5,000 \times 18 \text{ months} + 35 \times \$6,020 = \$3.361\text{M}$$

For 10 engineer cadets:

$$10 \times \$5,000 \times 6 \text{ months} + 10 \times \$2,410 = \$0.324\text{M}$$

Total commitment for 2011-12 = \$3.685M (say \$3.69M)

¹ The Class 3 CoC examination fee for a deck cadet is \$6,020.

² The Class 3 CoC examination fee for an engineer cadet is \$2,410.

For 2012-13:

For 55 deck cadets:

$$55 \times \$5,000 \times 18 \text{ months} + 55 \times \$6,020 = \$5.281\text{M}$$

For 12 engineer cadets:

$$12 \times \$5,000 \times 6 \text{ months} + 12 \times \$2,410 = \$0.389\text{M}$$

Total commitment for 2012-13 = \$5.67M

For 2013-14:

For 65 deck cadets:

$$65 \times \$5,000 \times 18 \text{ months} + 65 \times \$6,020 = \$6.241\text{M}$$

For 14 engineer cadets:

$$14 \times \$5,000 \times 6 \text{ months} + 14 \times \$2,410 = \$0.454\text{M}$$

Total commitment for 2013-14 = \$6.695M (say 6.70M)

Annex 2

Estimated Cash Flow by Year

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Committed ¹ (\$M)	1.64	0.77	-	-	-	2.41
Additional ² (\$M)	1.61	3.43	4.65	6.19	3.32	19.20
Total (\$M)	3.25	4.20	4.65	6.19	3.32	21.61

Remarks

- 1 Estimated cash flow required for those cadets who joined the Scheme before 2010.
- 2 Estimated cash flow requirements by year of the increase in commitment.