

ITEM FOR FINANCE COMMITTEE

LOAN FUND

HEAD 262 – PRIMARY PRODUCTS

Subhead 101 Fisheries Loans

Subhead 132 Fish Marketing Organization Loan Fund – fishing moratorium loan scheme

Members are invited to approve –

For Subhead 101 Fisheries Loans

- (a) expanding the scope of the Fisheries Development Loan Fund (FDLF) to provide loans to capture fishermen and owners of fish collectors at an interest rate at 2.5% per annum (p.a.), for switching to more sustainable fisheries operations and other fisheries-related operations, and for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort);
- (b) providing one-off loans to owners of trawlers and fish collectors affected by the trawl ban at an interest rate at 1% p.a. for the full term of the loan tenure, if the application is submitted on or before 31 December 2015, for upgrading their vessels to operate outside Hong Kong waters, or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort);

/(c)

- (c) adjusting the security requirements of the FDLF as follows –
 - (i) in respect of all loans, lifting the existing requirement of providing guarantors if the borrower has provided acceptable/sufficient securities such as bank guarantee, properties and vessels;
 - (ii) in respect of loans not exceeding \$500,000, lifting the collateral requirement if the borrower has provided at least one guarantor for the loan and the income and assets of the guarantors will be able to repay in case of default of the borrower; and
 - (iii) accepting up to 95% of the construction cost of a newly constructed fishing vessel or fish collector, or 95% of the estimated market selling price of a vessel provided as collateral;
- (d) streamlining the loan processing procedures;

For Subhead 132 Fish Marketing Organization Loan Fund – fishing moratorium loan scheme

- (e) increasing the loan ceiling per vessel of the fishing moratorium loans from \$150,000 to a maximum of \$250,000, which may be revised on the advice of the Fish Marketing Advisory Board (FMAB) taking into consideration fuel price, operating environment of the fishermen and the details of the fishing moratorium, provided that the maximum amount for each loan would not exceed \$300,000; and
- (f) under exceptional circumstances and on the advice of the FMAB, adjusting the interest rate charged on borrowers from 2% p.a. down to a minimum of 1% p.a..

PROBLEM

In view of the challenges to be brought about by the trawl ban and annual fishing moratorium in the South China Sea, we need to revise the scope, terms, conditions and processing procedures of the Fisheries Development Loan Fund (FDLF) and the fishing moratorium loan scheme (FMLS) with a view to better meeting the needs of the fisheries sector, and helping the trade tide over the challenges to be brought about by the trawl ban and fishing moratorium, and encouraging them to upgrade themselves to sustainable fisheries.

PROPOSAL

2. The Secretary for Food and Health proposes –

For Subhead 101 Fisheries Loans

- (a) to expand the scope of the FDLF to provide loans to capture fishermen and owners of fish collectors, for switching to more sustainable fisheries operations and other fisheries-related operations, and for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort). The interest rate for these loans will remain at 2.5% p.a., the existing rate for loans to capture fishermen;
- (b) to provide one-off loans¹ to owners of trawlers as well as fish collectors affected by the trawl ban at an interest rate at 1% p.a. for the full term of the loan tenure, if the application is submitted on or before 31 December 2015, for upgrading their vessels to operate outside Hong Kong waters, or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort);
- (c) to adjust the security requirements of the FDLF as follows –
 - (i) in respect of all loans, lifting the existing requirement of providing guarantors if the borrower has provided acceptable/sufficient securities such as bank guarantee, properties and vessels;

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¹ Owners of trawlers or fish collectors affected by the trawl ban may obtain only one loan for upgrading their vessels to operate outside Hong Kong waters at an interest rate of 1% p.a. for the full term of the loan tenure if applications are made on or before 31 December 2015.

- (ii) in respect of loans not exceeding \$500,000, lifting the collateral requirement if the borrower has provided at least one guarantor for the loan and the income and assets of the guarantors will be able to repay in case of default of the borrower;
- (iii) accepting up to 95% of the construction cost of a newly constructed fishing vessel or fish collector, or 95% of the estimated market selling price of a vessel provided as collateral;
- (d) to streamline the loan processing procedures;

For Subhead 132 the Fish Marketing Organization Loan Fund (FMOLF) – the fishing moratorium loan scheme (FMLS)

- (e) to increase the loan ceiling per vessel of the fishing moratorium loans from \$150,000 to a maximum of \$250,000, which may be revised on the advice of the Fish Marketing Advisory Board (FMAB), taking into consideration fuel price, operating environment of the fishermen and the details of the fishing moratorium, provided that the maximum amount for each loan would not exceed \$300,000; and
- (f) under exceptional circumstances and on the advice of the FMAB, to adjust the interest rate charged on borrowers from 2% p.a. down to a minimum of 1% p.a..

JUSTIFICATION

Fisheries Loans

3. The fisheries resources in the traditional fishing grounds of Hong Kong's fishing fleet, namely local waters and the South China Sea, have been beset with problems leading to a reduction in the quality and quantity of fish catch. The catches of the local fishing fleet have decreased from 224 000 tonnes in 1990 to 171 000 tonnes in 2011. Apart from the declining fisheries resources, local fishermen also face the rise in operating costs, in particular the soaring fuel costs, the increasing competition from non-local fishing vessels and the implementation of the annual fishing moratorium in the South China Sea.

4. In 2010, the Committee on Sustainable Fisheries (CSF)² recommended, among others, a review of the existing terms and processing procedures of the FDLF, such as providing loans for improving environmental friendliness and cost effectiveness of fishing vessels, and making appropriate adjustments where necessary so as to match the fisheries community's needs for developing or switching to modernised and sustainable fisheries. Areas recommended for review include purposes of the loans, application eligibility, interest rates, loan guarantees and security requirements. The local fisheries community has also repeatedly urged the Government to relax such terms and conditions of the FDLF so that the loan fund would better meet their needs to develop sustainable fisheries.

Expanding the scope of the FDLF

5. Currently, the FDLF provides loans to capture fishermen and fish farmers only but not to owners of fish collectors. Owners of fish collectors are those who use their vessels to gather fish from fishing vessels which get their catch either from Hong Kong waters or further afield. Fish collectors would then transport the catch to fish wholesalers either in Hong Kong or on the Mainland. Fish collectors' service is required because not all fishermen would wish to undertake the journey to the wholesalers for fuel and time efficiency reasons. Owners of fish collectors have repeatedly requested the Government to make loans to them like capture fishermen and fish farmers. As owners of fish collectors have been making significant contribution and are indispensable to the fisheries trade, we consider it justified to provide financial assistance to them through the FDLF.

6. With a view to helping capture fishermen and owners of fish collectors reduce fuel consumption and promoting environmentally friendly operations, we also propose to extend the scope of the FDLF to help them carry out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort). The interest rate for these loans will remain at 2.5% p.a. The expanded scope would benefit capture fishermen and owners of fish collectors in developing environmentally friendly operations, which would in turn benefit the protection of local marine and fisheries resources as well as the environment as a whole.

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² CSF was established by the Government in 2006 to study the long term goals, directions and feasible options for the sustainable development of the fisheries industry.

Providing one-off loans to owners of trawlers and fish collectors affected by the trawl ban

7. The Chief Executive announced in his 2010-11 and 2011-12 Policy Addresses that the Government will –

- (a) implement a basket of fisheries management measures, including banning trawling in Hong Kong waters through legislation; and
- (b) put forward a bill in the 2011/12 legislative session to set up a registration system for local fishing vessels and prohibit non-local fishing vessels from operating in Hong Kong waters, and provide for the designation of fisheries protection areas.

The subsidiary legislation on the trawl ban was passed by the Legislative Council in May 2011 and will come into effect on 31 December 2012. The owners of trawlers will lose their fishing grounds in local waters due to the Government's policy. Owners of fish collectors, which act as the intermediaries between trawlers and the wholesale fish markets, may also be affected if they have been serving owners of inshore trawlers who leave the business after the trawl ban.

8. In view of the impact of the trawl ban on fishermen, the Finance Committee (FC) approved a commitment for granting ex-gratia allowance (EGA) to owners of affected trawlers. In addition to granting EGA, the Administration undertook to review the mechanism, terms and eligibility of the FDLF to provide more initiatives for the fisheries sector to regenerate and to brace itself to meet the challenges posed by the trawl ban. Moreover, the Administration also undertook to assess if owners of fish collectors would be affected by the trawl ban, and if affirmative, explore the option of offering a one-off subsidy to affected owners of fish collectors who apply for loans administered by Agriculture, Fisheries and Conservation Department for upgrading their fish collectors or switching to sustainable fisheries-related or other sea-related operations.

9. In order to help the fisheries trade to regenerate and to brace itself to meet the challenges posed by the trawl ban, we propose to provide one-off loans to owners of trawlers as well as fish collectors affected by the trawl ban at an interest rate at 1% p.a. for the full term of the loan tenure, if the application is submitted on or before 31 December 2015, for upgrading their vessels to operate outside Hong Kong waters, or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort).

10. The above transitional period up to 31 December 2015 would provide sufficient time for the owners of trawlers and fish collectors affected by the trawl ban to make an informed business decision on whether a loan for upgrading their vessels or switching their operations is required. The concessionary loans with a more favourable interest rate at 1% p.a. is therefore meant to be a transitional measure and will only be provided to the owners of trawlers and fish collectors affected by the trawl ban who apply for the loan on or before 31 December 2015. The interest rate will be 2.5% p.a. if applications are made after 31 December 2015, the same interest rate for loans to other capture fishermen and other owners of fish collectors. Interest rate of loans to fish farmers will remain unchanged at the NGNL level.

Adjusting the security requirements and loan handling procedures

11. In recent years, borrowers of the FDLF loans have voiced out their difficulties in providing guarantors and collateral. For a large loan, the borrower may be able to provide sufficient collateral but have practical difficulties in providing guarantors with enough incomes or assets to secure the loan. On the other hand, a borrower interested in a small loan may not have collateral but can provide guarantors for the loan. Suitably adjusting the requirements in respect of collateral and guarantors would facilitate fishermen in borrowing loans without causing unacceptable risks to the FDLF.

12. Moreover, the construction costs of fishing vessels have been increasing due to a general increase in prices of the construction materials and equipment, the appreciation of Reminbi, and the increase in labour costs. Fishermen have indicated that the cost for constructing a new vessel for fishing in distant waters has gone up a lot due to increasing labour and material costs. It would now cost some \$15 million to 20 million to build a fishing vessel. In this connection, the existing arrangement that newly constructed fishing vessels and converted vessels provided as collateral will be accepted up to 75% of the vessel's construction cost and 95% of the estimated market selling price of the vessel respectively, or a maximum of \$5 million, whichever is the lower, should be suitably adjusted.

13. In view of the above, we propose to –

- (a) in respect of all loans, lift the existing requirement of providing guarantors if the borrower has provided acceptable/sufficient securities such as bank guarantee, properties and vessels;

/(b)

- (b) in respect of loans not exceeding \$500,000, lift the collateral requirement if the borrower has provided at least one guarantor for the loan and the income and assets of the guarantors will be able to repay in case of default of the borrower; and
- (c) accept up to 95% of the construction cost of a newly constructed fishing vessel or fish collector, or 95% of the estimated market selling price of a vessel provided as collateral.

14. Furthermore we also propose to streamline the loan processing procedures, such as revising the loan approving authority for loan applications, lowering repayment temporarily to assist the borrowers on a need basis, and approving loan extension or transfer of vessels. A comparison of the existing and proposed terms and conditions of the FDLF is in Enclosure 1.

Encl. 1

15. The proposals in paragraphs 5 to 14 above would not only help owners of trawlers and fish collectors tide over the challenges to be brought about by the trawl ban, but also benefit the environment as a whole by encouraging them to switch to more sustainable fisheries operations or other fisheries-related operations. Projects that will reduce fuel consumption or carbon footprint of fishing operations, but without increasing fishing effort, would also benefit the environment as a whole. The revised procedures to streamline processing of loan applications and following up of the loans will also save the borrowers' time and enhance the efficiency of the loan fund administration. As at end 2011, there was some \$279 million under the FDLF available for application. We consider that it is sufficient to meet the needs for loans of the trade and further injection by the Government is not required in the near future.

The FMOLF – the FMLS

Increasing the loan amount

16. The Administration has been helping the fishermen affected by the annual fishing moratorium through the provision of the fishing moratorium loan and extra loan under the FMOLF. However, the requirement to apply for two separate loans for an affected vessel has caused inconvenience to the fishermen and given rise to increased administrative costs to the Government and the Fish Marketing Organization (FMO). To save the time of the fishermen and enhance the efficiency of loan fund administration, we propose to increase the loan ceiling per vessel of the fishing moratorium loans from \$150,000 to a maximum of \$250,000 and that the loan ceiling may be revised on the advice of the FMAB, a

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statutory advisory body under the Marine Fish (Marketing) Ordinance (Cap. 291), taking into consideration fuel price, operating environment of the fishermen and the details of the fishing moratorium, provided that the maximum amount for each loan would not exceed \$300,000.

Interest rate under exceptional circumstances

17. Earnings of the fishing operations and livelihood of fishermen depend heavily on the operating environment, in particular the fuel price and the fisheries resources. In this connection, we also propose that subject to the advice of the FMAB, FMO may lower the interest rate charged on borrowers from 2% p.a. down to a minimum of 1% p.a. under exceptional circumstances (e.g. spiking fuel price, very difficult operating environment, etc.). The interest payable by FMO to the Government will remain at the no-gain-no-loss (NGNL)³ level. This is considered appropriate as FMO's revenue mainly comes from charging commission and fees from fishermen and fish traders for using the services and facilities at its wholesale fish markets. It is also in line with FMO's policy to plough back its surplus earnings to the local fisheries industry for promotion and sustainable development of the industry.

Encl. 2

18. A comparison of the existing and proposed terms and conditions of the FMLS under the FMOLF is in Enclosure 2. As at February 2012, FMOLF had a capital of \$143 million, including an approved commitment of \$60 million from the Government, with an amount of some \$86 million available for application. As the total amount of fishing moratorium loans issued each year is about \$70 million, we are of the view that the balance together with the loan repayments to be received before the commencement of the fishing moratorium would be sufficient to make loans to fishermen affected by the fishing moratorium and further injection by the Government is not required in the near future.

CONSULTATION

19. We have taken the opportunities to consult and gather views of the trade when meeting the fisheries community and their representatives on various occasions, including liaison meetings held at various fishing homeports. The trade in general agreed to the direction of the proposals. We also briefed the Legislative Council Panel on Food Safety and Environmental Hygiene about the proposals on 10 April 2012. Members supported the proposals.

/FINANCIAL

3 The NGNL rate is 1.674% as at June 2011.

FINANCIAL IMPLICATIONS

20. The proposed loans with an interest rate at 1% p.a. is a transitional measure for owners of trawlers and fish collectors affected by the trawl ban who apply for loans under the FDLF on or before 31 December 2015. The actual financial implications will depend on the amount of successful loan applications. Assuming a total of \$267 million are let out successfully in the three years till end 2015 to owners of trawlers and fish collectors affected by the trawl ban, and that repayment is to be spread over a 14-year period, the total interest forgone as a result of such loans issued will be in the order of some \$31 million. For the FMLS under the FMOLF, there will be no additional financial implication as the approved commitment will remain at the existing amount of \$60 million and the interest payable by FMO to the Government will still be based on the NGNL principle.

BACKGROUND

21. The FDLF is a revolving fund established in January 1960 with a commitment of \$2 million from the Development Loan Fund to provide loans at an interest rate of 6% per annum to promote fishing in middle and distant waters. The approved commitment for this fund was increased to \$5 million in December 1961, \$7 million in October 1984 and \$100 million in November 1997. In June 2006, the approved commitment was further increased to \$290 million to provide loans for fishermen to switch to sustainable fisheries or related operations, and for mariculturists and pond fish farmers to develop sustainable aquaculture business so as to conserve fishery resources. Interest for loans to fishermen is compound interest calculated on a monthly basis at 2.5% p.a., and for loans to fish farmers is compound interest calculated on a monthly basis at the NGNL rate. Loans are repayable by instalments according to a quarterly repayment pledge, normally by deduction at a minimum rate of 15% of the proceeds of sale of catches at the wholesale fish markets run by the FMO and by cash as appropriate.

22. The Mainland authorities started implementing the annual fishing moratorium in the South China Sea since 1999 with a view to conserving fisheries resources and promoting sustainable development of the fishing industry. During the two-month moratorium period from 1 June to 1 August, fishing operations using trawl net and purse-seine were banned in the South China Sea. In 2009, the duration of the fishing moratorium was increased from two to two and a half months (16 May to 1 August) and the types of fishing methods banned were extended to cover all fishing methods except mono-layer gill netting and cage trapping. Since vessels using the banned fishing methods were not allowed to

/operate

operate in their traditional fishing grounds in the South China Sea, they had to be berthed in typhoon shelters during the fishing moratorium period. In leaving their vessels idle during the moratorium, fishermen incurred additional costs for repair work (e.g. anti-fouling, and cleaning and inspection of propellers and engines) required for the vessels to resume operation after the moratorium.

23. In 2006, FC approved a commitment of \$60 million to the FMOLF to provide loans on a revolving basis to fishermen affected by the annual fishing moratorium. The loans are to assist the fishermen to tide over the moratorium and to make preparation for resumption of fishing operation after the moratorium. The maximum amount for each loan would not exceed \$150,000 and the interests of the loans are calculated based on the NGNL principle, with the interest payment to be shared out, with the fishermen paying 2% p.a. and the FMO paying to the Government any excess of the NGNL rate over the 2% p.a.. In view of the increase of fuel price in recent years and the extension of the duration of the fishing moratorium and types of banned fishing methods in 2009, we have further strengthened the financial assistance to fishermen affected by the fishing moratorium by providing extra loans through the FMOLF with FMO's own financial resources since 2008. In 2011, the amount of extra loan was up to \$100,000 per vessel. In other words, a fishing vessel affected by the fishing moratorium in 2011 might apply for two loans, totalling a maximum of \$250,000 (\$150,000 fishing moratorium loan plus \$100,000 extra loan).

Food and Health Bureau
April 2012

Comparison of the Existing and Proposed Fisheries Development Loan Fund Terms and Conditions

		Existing	Proposed
1.	Loan Capital	<p>(a) HK\$250,000,000 to help fishermen switch to sustainable fisheries operations; and</p> <p>(b) HK\$40,000,000 to help fish farmers develop sustainable aquaculture.</p>	HK\$290,000,000.
2.	Loan Purpose	<p>(a) To provide loans to capture fishermen to help them switch to sustainable fisheries or related operations, including offshore/deep sea fishing, recreational fishing, fish farming, fish transportation and fisheries product processing, which are conducive to reducing fishing efforts and conserving fisheries resources in local waters; and</p> <p>(b) To provide loans to fish farmers to help them develop or improve their fish farming businesses with a view to improving the quality and food safety standards of aquaculture products as well as enhancing their competitiveness in the market.</p>	<p>(a) To provide one-off loans to owners of trawlers and fish collectors affected by the trawl ban, if the application is submitted on or before 31.12.2015, for upgrading their vessels to operate outside Hong Kong waters or switching to more sustainable fisheries operations and other fisheries-related operations, or for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort);</p> <p>(b) To provide loans to capture fishermen and owners of fish collectors for switching to more sustainable fisheries operations and other fisheries-related operations, and for carrying out projects that will reduce fuel consumption or carbon footprint of their operations (without increasing fishing effort); and</p> <p>(c) To provide loans to fish farmers to help them develop aquaculture or improve their</p>

		Existing	Proposed
			<p>aquaculture businesses leading to more environmentally friendly operations or an improvement of the quality and food safety standards of the aquaculture products.</p>
3.	Eligibility criteria	<p>(a) Applicants for loans to capture fishermen must be Hong Kong residents and local fishing vessel owners on or before 16 June 2006; or locally registered companies wholly owned by local fishermen who are also local residents, the majority of whom are local fishing vessel owners fulfilling the afore-mentioned criteria; and any eligible fisherman (either as an individual applicant or a shareholder of a fishing company) or company may borrow under this loan fund once only; and</p> <p>(b) Applicants for loans to fish farmers must be Hong Kong residents, and marine fish farmers holding valid Marine Fish Culture Licences issued by the Agriculture, Fisheries and Conservation Department (the Department) or local fish farmers engaging in freshwater, pond or other inland culture operations; or locally registered companies wholly owned by any of the afore-mentioned fish farmers who are also local residents.</p>	<p>(a) Applicants for loans to capture fishermen and fish collector owners must be Hong Kong residents and local fishing vessel or fish collector owners, holding valid licences necessary for their operations, such as Vessel Operating Licence and Certificate of Ownership of a Class III vessel issued by the Marine Department; or locally registered fisheries co-operative societies/companies, the majority of their members/shareholders are local capture fishermen fulfilling the afore-mentioned criteria; and</p> <p>(b) Applicants for loans to aquaculture operators must be Hong Kong residents, holding valid licences necessary for operating their aquaculture businesses, such as Marine Fish Culture Licence issued by the Agriculture, Fisheries and Conservation Department (the Department); or locally registered fisheries co-operative societies/companies, the majority of their members/shareholders are local aquaculture operators fulfilling the afore-mentioned criteria.</p>

		Existing	Proposed
		<p>Subject to the applicant –</p> <ul style="list-style-type: none"> (i) submitting a detailed proposal of the project for which the loan is required, a professional valuation of the collateral and other documents deemed necessary by the Director of Agriculture, Fisheries and Conservation (the Director). The project must be feasible and the loan must be used for the purposes prescribed in Item 2 above; (ii) being able to contribute from his own resources an amount acceptable to the Director, such amount being not less than 10% of the total cost of the project for which the loan is required; (iii) agreeing to the terms under which the loan is issued; and (iv) submitting an application which is supported by the Director. 	<p>Subject to the applicant –</p> <ul style="list-style-type: none"> (i) submitting a proposal of the project for which the loan is required, a professional valuation of the collateral and other documents deemed necessary by the Director of Agriculture, Fisheries and Conservation (the Director). The project must be feasible and the loan must be used for the purposes prescribed in Item 2 above; (ii) being able to contribute from his own resources an amount acceptable to the Director, such amount being not less than 10% of the total cost of the project for which the loan is required; (iii) agreeing to the terms under which the loan is issued; and (iv) submitting an application including a proposed loan amount which is supported by the Director.
4.	Interest	(a) For loans to capture fishermen: Compound interest calculated on a monthly basis at 2.5% per annum; and	(a) For one-off loans to owners of trawlers and fish collectors affected by the trawl ban in 2(a): Compound interest calculated on a monthly basis at 1% per annum;

		Existing	Proposed
		<p>(b) For loans to fish farmers: Compound interest calculated on a monthly basis at an annual rate set by the Government on the no-gain-no-loss principle.</p>	<p>(b) For loans to owners of fishing vessels and fish collectors in 2(b): Compound interest calculated on a monthly basis at 2.5% per annum; and</p> <p>(c) For loans to fish farmers in 2(c): Compound interest calculated on a monthly basis at an annual rate set by the Government on the no-gain-no-loss principle.</p>
<p>5.</p>	<p>Authority for approval of loans</p>	<p>(a) Any loan exceeding \$10,000,000 recommended by the Fisheries Development Loan Fund Advisory Committee (the Committee) should be subject to the approval of the Finance Committee;</p> <p>(b) Loans exceeding \$5,000,000 but not exceeding \$10,000,000 recommended by the Committee should be subject to the approval of the Secretary for Financial Services and the Treasury; and</p> <p>(c) Loans not exceeding \$5,000,000 should be subject to the approval of the Director on the advice of the Committee.</p>	<p>(a) Any loan exceeding \$15,000,000 recommended by the Fisheries Development Loan Fund Advisory Committee (the Committee) should be subject to the approval of the Finance Committee (FC);</p> <p>(b) Loans exceeding \$10,000,000 but not exceeding \$15,000,000 recommended by the Committee should be subject to the approval of the Secretary for Financial Services and the Treasury;</p> <p>(c) Loans exceeding \$5,000,000 but not exceeding \$10,000,000 should be subject to the approval of the Director on the advice of the Committee; and</p> <p>(d) The Director will be the authority to approve loans not exceeding \$5,000,000.</p>

		Existing	Proposed
6.	Authority for approval of transfer of vessels/ fisheries product processing plants/ fish farms/ other production facilities or capital goods which are subject of the outstanding loans	<p>(a) The Finance Committee will be the authority to approve transfers of vessels/fisheries product processing plants/fish farms/other production facilities or capital goods which are subject of outstanding loans approved by FC originally; and</p> <p>(b) The Secretary for Financial Services and the Treasury and the Director will be the authority to approve transfers of vessels/fisheries product processing plants/fish farms/other production facilities or capital goods which are subject of outstanding loans approved by them originally.</p>	<p>(a) The Secretary for Financial Services and the Treasury will be the authority to approve transfers of vessels/fisheries product processing plants/fish farms/other production facilities or capital goods which are subject of outstanding loans approved by FC originally; and</p> <p>(b) The Director will be the authority to approve transfers of vessels/fisheries product processing plants/ fish farms/ other production facilities or capital goods which are subject of outstanding loans approved by the Secretary for Financial Services and the Treasury or himself originally.</p>
7.	Repayment	<p>(a) Loans are to be repaid by instalments according to a quarterly repayment pledge drawn up by the Director to recover the total sum of the loan principal plus the interest thereon within the loan term (a maximum of 14 years);</p> <p>(b) The loan repayment is to be effected by deducting not less than 15% of the proceeds of sales of catches at the wholesale fish markets run by the Fish Marketing Organization. In case the deduction falls short of the quarterly repayment pledge, the shortfall will be made</p>	<p>(a) Loans are to be repaid by instalments according to a quarterly repayment pledge drawn up by the Director to recover the total sum of the loan principal plus the interest thereon within the loan term (a maximum of 14 years); and</p> <p>(b) The Director may temporarily reduce the quarterly repayment amount in special cases of loans with outstanding amounts not exceeding \$5,000,000, and loans with outstanding amounts exceeding \$5,000,000 on the advice of the Committee.</p>

		Existing	Proposed
		<p>up by the borrower in cash; and</p> <p>(c) The Director may temporarily reduce the quarterly repayment amount in special cases on the advice of the Committee.</p>	
8.	Guarantee and security	<p>(a) Loans made to members of a co-operative society are to be guaranteed by the society which acts as a co-borrower. In case of default, the Director may recover the outstanding loan from the borrower and the society in such a manner as may be appropriate;</p> <p>(b) Where the applicant is an individual, two guarantors and/or other guarantee to the satisfaction of the Director are required;</p> <p>(c) Loans made to fishing companies require personal guarantee from all shareholders;</p> <p>(d) The applicant is required to provide adequate collateral for the loan acceptable to the</p>	<p>(a) The applicant is required to provide adequate collateral acceptable to the Department, except for a loan not exceeding \$500,000 as provided for in 8(d). He may be required to appoint at his own cost a qualified person accepted by the Department to assess the value of the collateral to be provided for the reference of the Department;</p> <p>(b) The borrower is required to insure his collateral against loss in a sum not less than the outstanding balance of the loan, with the Government as the beneficiary;</p> <p>(c) Loans made to registered fisheries co-operative societies/companies require personal guarantee from more than 50% of their members or from shareholders with more than 50% shareholding of the company;</p> <p>(d) For a loan not exceeding \$500,000, if the applicant provides at least one guarantor to the</p>

		Existing	Proposed
		<p>Department. He may be required to appoint at his own cost a qualified person accepted by the Department to assess the value of the collateral to be provided for the reference of the Department;</p> <p>(e) The borrower is required to insure his collateral against loss in a sum not less than the outstanding balance of the loan, with the Government as the beneficiary; and</p> <p>(f) Subject to the provision of full and valid security, the Director may exempt the borrower from any of the guarantee requirements stipulated above (loans made to fishing companies still require personal guarantee of all shareholders).</p>	<p>satisfaction of the Director, no collateral will be required (loans made to fisheries co-operative societies/companies still require personal guarantee from more than 50% of their members or from shareholders with more than 50% of shareholding of the company); and</p> <p>(e) When a fishing vessel or fish collector (no matter a newly constructed or converted vessel) or a property is used as collateral, the maximum security value will be equivalent to 95% of the vessel's construction cost; or 95% of the estimated market selling price of the vessel or property. If bank guarantee is used as collateral, the maximum security value will be equivalent to 100% of the full value of the bank guarantee.</p>
9.	Loan extension	The Director may approve the granting of loan extension in special cases on the advice of the Committee.	The Director may approve the granting of loan extension in special cases of loans with outstanding amounts not exceeding \$5,000,000, and loans with outstanding amounts exceeding \$5,000,000 on the advice of the Committee.
10.	Delegation of authority	N/A	The Director may delegate his authority by administrative direction.

Comparison of the Existing and Proposed Fishing Moratorium Loan Scheme Terms and Conditions

		Existing	Proposed
1.	Loan Capital	HK\$60,000,000.	HK\$60,000,000.
2.	Purpose of the loan	To provide loans to fishermen to help them tide over the annual fishing moratorium implemented in the South China Sea by the Mainland. Loans will be used to meet fishermen's need over the fishing moratorium period and to make preparations (such as repairing of fishing vessels and gear and purchase of fuel) for resumption of fishing activities after the fishing moratorium.	To provide loans to fishermen to help them tide over the annual fishing moratorium implemented in the South China Sea by the Mainland. Loans will be used to meet fishermen's need over the fishing moratorium period and to make preparations (such as repairing of fishing vessels and gear and purchase of fuel) for resumption of fishing activities after the fishing moratorium.
3.	Qualification of applicants	<p>Owners of fishing vessels who –</p> <p>(a) hold valid licences issued by the Marine Department and valid fishing permits issued by the Mainland authority for fishing with the following fishing gear and affected by the annual fishing moratorium in the South China Sea -</p> <ul style="list-style-type: none"> • trawl net (including pair trawl, stern trawl, shrimp trawl and hang trawl); • purse-seine; or • any other gear affected by the fishing moratorium; and 	<p>Owners of fishing vessels who –</p> <p>(a) hold valid certificate of ownership and operating licences issued by the Marine Department and valid fishing permits issued by the Mainland authority for fishing and affected by the annual fishing moratorium in the South China Sea; and</p>

		Existing	Proposed
		<p>(b) undertake not to fish in Hong Kong waters during the fishing moratorium.</p> <p>Subsequent to granting the loan, if there is evidence supporting that a borrower has been engaged in fishing in Hong Kong waters during the fishing moratorium, he/she has to return the entire loan immediately.</p>	<p>(b) undertake not to fish in Hong Kong waters during the fishing moratorium.</p> <p>Subsequent to granting the loan, if there is evidence supporting that a borrower has been engaged in fishing in Hong Kong waters during the fishing moratorium, he/she has to return the entire loan immediately.</p>
4.	Applications not considered	Applicants who have unsatisfactory repayment record (including all fisheries loans and related fees such as insurance fees) in the past.	Applicants who have unsatisfactory repayment record (including all fisheries loans and related fees such as insurance fees) in the past.
5.	Number and maximum amount	<p>Only one loan per vessel; and</p> <p>(a) not exceeding \$80,000 for vessels with engine power less than 500 horsepower;</p> <p>(b) not exceeding \$120,000 for vessels with engine power not less than 500 but less than 1 000 horsepower; and</p> <p>(c) not exceeding \$150,000 for vessels with engine power not less than 1 000 horsepower.</p>	<p>Only one loan per vessel for each annual fishing moratorium; and</p> <p>(a) not exceeding \$150,000 for vessels with engine power less than 500 horsepower;</p> <p>(b) not exceeding \$200,000 for vessels with engine power not less than 500 but less than 1 000 horsepower; and</p> <p>(c) not exceeding \$250,000 for vessels with engine power not less than 1 000 horsepower.</p>

		Existing	Proposed
		(Subject to revision on the advice of the Fish Marketing Advisory Board (FMAB) taking into consideration the change in fuel price in the preceding year and the operating environment of the fishermen, provided that the maximum loan amount for each loan would not exceed \$150,000.)	(Subject to revision on the advice of the FMAB taking into consideration the change in fuel price and the operating environment of the fishermen, provided that the maximum loan amount would not exceed \$300,000.)
6.	Guarantee/ security	<p>Loan borrowers are required to either submit the licence book of his fishing vessel to the Marine Department for endorsement that the vessel is the subject of the loan concerned or to provide an acceptable guarantor or a co-operative society as a co-borrower.</p> <p>Subject to the provision of full and valid collateral/ security, Director of Marketing may exempt the borrower from any of the endorsement/ guarantee requirements stipulated above.</p>	<p>Loan borrowers are required to either submit the licence book of his fishing vessel to the Marine Department for endorsement that the vessel is the subject of the loan concerned or to provide an acceptable guarantor or a co-operative society as a co-borrower.</p> <p>Subject to the provision of full and valid collateral/ security, Director of Marketing may exempt the borrower from any of the endorsement/ guarantee requirements stipulated above.</p>
7.	Interest	The interest rate for the loan scheme is set at a no-gain-no-loss (NGNL) level, with the interest payment to be shared out by both the loan borrowers and the Fish Marketing Organization (FMO) calculated on a monthly basis at 2% per annum (compound rate) and the differential between the NGNL and 2% per annum, respectively.	The interest rate for the loan scheme is set at a NGNL level, with the interest payment to be shared out by both the loan borrowers and the FMO calculated on a monthly basis at 2% per annum (compound rate) and the differential between the NGNL and 2% per annum, respectively.

		Existing	Proposed
			(On the advice of the FMAB, taking into consideration the change in fuel price and the operating environment of the fishermen, the FMO may lower the interest rate charged on borrowers from 2% per annum down to a minimum of 1% per annum. The FMO will share the differential between the NGNL and the interest rate charged on borrowers.)
8.	Loan period	Up to 1 year	Up to 1 year
9.	Repayment	4 equal quarterly instalments (repayments) to be made upon issue of the loan to borrowers.	4 equal quarterly instalments (repayments) to be made upon issue of the loan to borrowers.
10.	Approving authority	Director of Marketing who may delegate her authority by administrative direction.	Director of Marketing who may delegate his authority by administrative direction.
11.	Extension	N/A	Extension of repayment period may be approved by the Director of Marketing who may delegate his authority by administrative direction.
