

For discussion on
25 July 2005

Legislative Council Panel on Economic Services

Measures to Enhance the Competitiveness of Hong Kong Port and the Maritime Industry

Purpose

This paper briefs Members on and seeks their support for the proposed measures to enhance the competitiveness of Hong Kong port (HKP) and the maritime industry with a view to attracting more cargo business to Hong Kong.

Proposal

2. In view of increasing competition from neighbouring ports, we have consulted industry stakeholders such as shipowners, port operators, mid-stream operators and shipping lines. With their support, we propose a number of measures to enhance the competitiveness of the port and maritime industries. These are:

- (a) to streamline the application procedure for river trade vessels (RTVs) to enter Hong Kong waters and lower the permit cost by introducing a multiple entry permit;
- (b) to reduce port facilities and light dues for ocean going vessels (OGVs) and licence fees for local vessels (LVs);
- (c) to expand mid-stream cargo handling capacity by establishing new anchorages;
- (d) to lower anchorage charges for ocean going vessels; and
- (e) to introduce annual tonnage charge wavier for Hong Kong registered vessels.

To streamline Entry Application Procedures for RTVs

3. There are about 117,500 RTVs visiting Hong Kong bringing about 3.5 million TEUs to and about 3 million TEUs out of Hong Kong last year. They handled a total of about 6.5 million TEU or 29.6% of the total container throughput in 2004. On average, a RTV visits Hong Kong six times each month. A RTV needs to apply for a permit and pay an average fee of about \$1,200 to enter Hong Kong water for loading/unloading cargoes for every visit.

4. To further enhance the efficiency and attractiveness of river trade cargoes to HKP by RTVs, we propose streamlining the application procedure and lowering the permit cost by introducing a multiple entry permit.

5. The proposed multiple entry permit allows RTVs a maximum of ten visits to Hong Kong within a period of one month with a maximum stay of two days per visit. There must be an interval of at least 24 hours between each visit using the same multiple entry permit. The multiple entry permit fee would be pitched at the cost for five single entry permits so that the RTVs would have greater incentive to call Hong Kong more frequently and hence ship more cargoes to Hong Kong by maximizing the use of the multiple entry permit.

6. There are established mechanisms for monitoring the entry to and operation of RTV in Hong Kong. RTVs are required to seek port entry clearance every time they enter/leave Hong Kong waters. Even with the multiple entry permit arrangement, the entry and exit of RTVs would be closely monitored under the port entry clearance mechanism. The monitoring could be further strengthened by using the global positioning system which RTVs would be required to install under the Mainland regulations.

7. Based on Marine Department statistics, about 50% of RTVs visit HK five or more times each month. They would benefit from the new multiple entry permit.

Reducing Ports Facilities and Light Dues for OGVs, and the Licence Fees for LVs

8. To enhance our port competitiveness, we propose to reduce the port facilities and light dues for OGVs by about 5% from \$57 per 100 tons to \$54 per 100 tons. An OGV of 6,500 tons will save about \$200 for each visit. We also propose to reduce the licence fees for LVs by 5% when the revised charging basis under the Merchant Shipping (Local Vessels) Ordinance is implemented. All the 13,820 LVs would benefit from the proposal. For a large cargo barge, it can save about \$600 per year.

Expanding Mid-stream Cargo Handling Capacity

9. To expand the mid-stream cargo handling capacity of our port, we proposed new anchorages at various locations of Hong Kong waters as suggested by the industry. Currently, there is a lack of anchorage area in the waters north of Lantau, vessels carrying cargo for this part of waters have to discharge their cargo at anchorages in the harbour and shift the cargo to this area by sea via Ma Wan Fairway or land transport. We propose to establish two anchorages near the Brothers islands to cater for the demand.

10. In addition, three new anchorages are proposed to be established at the Kellett Bank with a view to optimizing the use of the water space following the removal of the government moorings in 2004. We have consulted the Pilotage Advisory Committee, the Port Operations Committee and industry stakeholders and they supported the proposal.

11. To facilitate liner shipping operators planning their shipment, Marine Department would also be flexible and prepared to designate new anchorage area such as area near Sunny Bay proposed by some industry stakeholders subject to navigational safety to meet the need of shipping lines and port operators.

Lowering the Anchorage Charges for Ocean Going Vessels

12. With the development of mega container vessels, hub port operation becomes more important with the mega container vessels calling at fewer ports with fewer frequencies. To strengthen HKP's attractiveness as a hub port, we need to encourage more shipment from other Asian countries. To attract more OGVs calling at Hong Kong, particularly Intra-Asia vessels with trans-shipment, we propose lowering the anchorage due paid by liner shipping companies. This would reduce the cost of intra-Asia vessels calling Hong Kong for direct / trans-shipment cargo and would help the mid-stream industry.

13. Currently we charge daily anchorage dues of HK\$69 and HK\$47 per 100 tons per day for waters within and outside the harbour limits respectively with the first day (or part thereof) free and a cut-off time by mid-night. We propose charging the OGVs on an hourly basis counting from the time of their arrival but with a free period for the first 12 hours and at a tonnage charge of \$0.02 per ton (\$2 per 100 tons) and \$0.015 per ton (\$1.5 per 100 tons) per subsequent hours for waters within and outside the harbour limits respectively. This proposal would encourage quicker turn-around to alleviate the congestion at the Hong Kong harbour and encourage more frequent calls by intra-Asia vessels at Hong Kong. We estimate that for an average sized OGV of about

6,500 tonnes anchored in Hong Kong for two days, there would be a saving of about \$1,500 per trip at the inner harbour with the reduced fee at about \$4,600.

Introducing Annual Tonnage Charges Waiver for Hong Kong Registered Vessels

14. The Hong Kong Shipping Register (HKSR) achieves a healthy growth with a total gross tonnage of about 28 million as at May 2005. To encourage a long term and stable registration under HKSR, and to promote the HKSR as a quality register, we suggest giving a six-month fee waiver to HKSR ships for continuous registration for every two years provided that the registered ships have no record of detention and that the shipowners provide for the option of Hong Kong as the place for arbitration in their standard chartering agreement. This approach has the advantage of promoting our quality maritime services in shipping arbitration.

Financial Implications

15. The proposed measures are estimated to cause a revenue loss of \$60.9 million per annum. As identified in the study on Hong Kong Port - Master Plan 2020 commissioned by the Government, every tonne of direct containerised cargo using HKP services will generate an economic benefit of \$193 and every tonne of containerised trans-shipment cargo \$135. Assuming a RTV visits Hong Kong one more time extra each month carrying a few containers, the economic benefit will outweigh the total cost for the multiple entry permit. In view of the foregoing, the proposed multiple entry permit is fully justified in the overall interest of Hong Kong. Moreover, we believe that RTVs previously visiting Hong Kong three to four times a month would likely apply for a multiple entry permit, and this would further increase the volume of cargo to Hong Kong. The industry and government could also achieve savings on administrative work. Also the proposed annual tonnage charges waiver would help promote our maritime service industry and maintain Hong Kong's position as an international maritime centre.

Public Consultation

16. We have consulted the port and maritime industries through the established mechanism including the Port Operations Committee, the Shipping Consultative Committee, the Provisional Local Vessels Advisory Committee, the Port Development Advisory Group of the Hong Kong Port Development Council and the Maritime Services Task Force of the Hong Kong Maritime Industry Council. They generally support the proposals. Some are of the

view that the proposals , particularly the multiple entry permit for RTV, would attract more cargo and ship tonnage to Hong Kong. Some however expressed worries that the proposals alone would not be enough to redress the cost differentials between HKP and our neighboring ports.

Way Forward

17. The proposals above, if agreed, would be implemented through the draft fee regulation under the Merchant Shipping (Local Vessel) Ordinance and other relevant existing legislations on OGVs. Subject to the agreement of this Panel, we would table the draft fee regulation and amendment regulations at LegCo in October/November for negative vetting with commencement at the end this year/early next year.

Advice Sought

18. We seek Members' support for the proposals described in this paper.

Economic Development and Labour Bureau
18 July 2005