

政府總部
運輸及房屋局

運輸科
香港添馬添美道2號
政府總部東翼



Transport and
Housing Bureau
Government Secretariat

Transport Branch
East Wing, Central Government Offices,
2 Tim Mei Avenue,
Tamar, Hong Kong

Tel No: (852) 3509 8241

Fax No: (852) 2524 9397

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2 March 2015

Clerk to the Legislative Council Panel on Economic Development
(Attn: Ms Debbie YAU)
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Ms Yau,

**Panel on Economic Development
Policy briefing on 2 February 2015**

Thank you for your letter dated 4 February 2015. With regard to the follow-up items arising from the above briefing, I am authorised to reply as follows.

(a) Operations of the SkyPier

The SkyPier, owned and managed by the Airport Authority Hong Kong (AA), is located within the Airport Restricted Area at the Hong Kong International Airport (HKIA). The main purpose of the SkyPier is to provide convenient and speedy ferry services for air-to-sea/sea-to-air transit passengers travelling between Hong Kong and the Pearl River Delta region. The AA operates the SkyPier in accordance with the Deed of Security signed with the Government, and is required to meet security requirements for transit passengers and baggage. Customs, immigration and quarantine facilities are not provided at the existing SkyPier. Therefore, the existing SkyPier is not open for use by non-transit passengers.

At present, the Government manages two terminals which are the Macau Ferry Terminal and the China Ferry Terminal. The planning and provision of cross boundary ferry terminals are on territory-wide basis. Since the two terminals still have sufficient capacity to cater for the anticipated demand for cross boundary ferry services in the foreseeable future, the Government has no plan to set up the third government-managed cross boundary ferry terminal.

(b) The development of maritime industry of Hong Kong

The National 12th Five-Year Plan, which was promulgated in March 2011, clearly supports Hong Kong to consolidate and enhance its status as an international maritime centre. Meanwhile, the Transport and Housing Bureau (THB) and Hong Kong Maritime Industry Council (MIC) commissioned in November 2011 a consultancy study on “Enhancing Hong Kong’s Position as an International Maritime Centre”. The study examined and reviewed the strengths of Hong Kong and the challenges we face as compared with five other international maritime centres (namely London, Singapore, Oslo, Rotterdam and Shanghai). The study analysed the development potential of our maritime industry, and also made strategic recommendations on the future development of our maritime cluster. The findings were released in early 2014, and were made available at the MIC website (<http://www.mic.gov.hk/eng/bulletin/report.htm>). The Government is following up on the consultant’s recommendation of establishing a new maritime body, including to look into the scope of work and organisation of the new body with a view to ascertaining its financial and business sustainability. Preliminary proposals are expected to be available in the first half of this year.

To promote Hong Kong’s strength as a regional maritime and logistics hub, since 2011, the Government has joined hands with the Hong Kong Trade Development Council (TDC) in organising the annual Asian Logistics and Maritime Conference (ALMC). The number of participants has increased from about 650 at the first ALMC (in November 2011) to over 1 600 representatives from 30 countries/regions at the fourth ALMC (in 2014). The duration of the conference also extended from 1 day to 1.5 days in 2014, during which time the “Logistics and Maritime Weeks” also took place when exchange activities and seminars were held by various sectors of the maritime industry and related professional services bodies.

As regards commercial maritime services, the total gross tonnage of vessels on the Hong Kong Shipping Register (HKSR) increased from 59.25 million tonnes in April 2011 to 94.04 million tonnes this January, representing an overall growth of nearly 60%, in which the growth of vessels owned or controlled by Mainland capital for the same period was about 18%. According to the statistics published by the Danish Shipowners' Association, the HKSR ranks the fourth in the world in terms of total gross tonnage. Apart from ship registration and ship management, Hong Kong has also over the years attracted a host of institutions and talent providing professional maritime services. Taking maritime arbitration as an example, subsequent to the establishment of the Hong Kong International Arbitration Centre in 1985, the China International Economic and Trade Arbitration Commission set up its Hong Kong Arbitration Centre in September 2012. Another prominent Mainland arbitration institution, the China Maritime Arbitration Commission, also set up its branch office in Hong Kong in November 2014, which is its first arbitration centre outside the Mainland. Hong Kong is thus in a better position to meet the needs for arbitration service from Mainland and overseas enterprises, including those of the maritime sector. At present, there are about 700 shipping-related companies in Hong Kong, offering a comprehensive range of maritime services, including ship management, broking, chartering, finance, marine insurance, maritime law and arbitration and other support services.

To allow overseas enterprises to gain a better understanding of the development potential of our maritime industry, the MIC (chaired by the Secretary for Transport and Housing) has been joining efforts with TDC, Invest Hong Kong and the trade in carrying out promotional activities, holding seminars and participating in exhibitions both overseas and in the Mainland. For instance, promotional visits were conducted to Korea in May 2011 and Dalian in November 2012, and to Taipei and Shanghai (for the Marintec China exhibition) in September and December 2013 respectively. A Hong Kong delegation visited Greece and London last June, and participated in a large-scale international maritime exhibition (Posidonia) held in Greece. The MIC is planning to visit Germany this April to meet with the local maritime sector, and to promote to them Hong Kong as the preferred location to expand their maritime businesses in Asia.

In nurturing maritime talent, during the period of 2011-14, the Sea-going Training Incentive Scheme had provided subsidy and professional examination fees reimbursement to over 180 deck and engineer cadets for supporting them to undergo cadetship training. Moreover, the Government has been collaborating with three local universities, namely the University of Hong Kong, Hong Kong Polytechnic University and City University of Hong Kong, as well as the Dalian

Maritime University in the Mainland to run scholarship schemes for students enrolled in selected master degree programmes. More than 170 students have been awarded such scholarships so far, among which over 130 graduates have joined the local maritime field, while some others are still studying.

(c) Hong Kong's role as the platform for Mainland maritime companies to "go global"

The Chief Executive has positioned Hong Kong as the "super connector" between the Mainland and other parts of the world. With the centre of global economic development shifting eastward¹, and the emergence of China to become a "world shipping power", the Government has started preparations in relation to formulation of the National 13th Five-Year Plan and has made proposals to the Central Authorities. Besides, as pointed out in the aforesaid consultancy study, our maritime industry can be positioned at the following three levels:

- (1) Local level: To expand the presence of commercial principals such as ship managers, owners, operators and traders in Hong Kong; and also enhance capabilities in high value-added maritime services (e.g. ship finance, maritime insurance, maritime law and arbitration).
- (2) Regional/National level: To become the preferred location of global (and in particular Mainland) commercial principals sourcing intermediary services.
- (3) Global level: To differentiate Hong Kong from other international maritime centres by positioning as a maritime service centre and springboard that facilitates Mainland shipping companies to operate internationally, and for foreign shipping companies to expand into the Mainland market.

As identified in the consultancy study, Hong Kong enjoys comparative strengths in various aspects in developing its maritime industry, including its strategic location, close ties with the Mainland, highly educated population, being the traditional banking capital of Asia, low and simple tax system, free flow of capital and information, stable currency pegged to the US dollar and a reliable judicial system. Based on these findings, the Government will continue to take forward the setting up of the new maritime body, pooling resources to

¹ In 2013, nine out of the world's top ten ports with highest throughput are in Asia, among which seven are in China, namely Shanghai, Shenzhen, Hong Kong, Ningbo-Zhoushan, Guangzhou, Qingdao and Tianjin.

drive the development of our maritime service industry. We will also step up the promotion efforts at regional and international level. In early 2014, the Government set up the \$100-million Maritime and Aviation Training Fund, and established a government-industry-academia tripartite taskforce to support manpower development. We will continue with our work on this front in the coming year.

(d) The capacity of the two-runway system of the HKIA

Over the years, the Civil Aviation Department (CAD) has taken measures to enhance air traffic management, and increased the capacity of the two-runway system (2RS) at the HKIA to the existing maximum of 66 aircraft movements per hour as planned. The CAD will further increase the capacity of the 2RS of the HKIA to their practical maximum capacity of 68 movements per hour in the second half of this year to cope with the continuous growth in air traffic volume.

The practical maximum capacity of the 2RS of the HKIA of 68 aircraft movements per hour is arrived at after taking into account all relevant objective factors, including the minimum lateral spacing requirements between aircraft, airspace dimension, terrain, operating environment in the vicinity of airport, the mix of aircraft types operating at the airport, and airport infrastructures, etc.

Subject to the concurrent occurrences of various favourable conditions, including fine weather in the Hong Kong Flight Information Region, visibility at acceptable level is achieved, suitable wind speed and direction in the vicinity of airport, suitable mix of operating aircraft types, etc, that are favourable to flight and runway operations, the actual number of runway movements operated under the 2RS of the HKIA might be able to slightly exceed 68 movements per hour occasionally. Nevertheless, as these favourable conditions are beyond our control, unpredictable and infrequent, the actual number of runway movements above 68 movements per hour could not be sustained continuously. According to the CAD's statistics, the total number of occasions where runway movements at the HKIA exceeded 68 per hour in 2014 was 28, accounting for 0.44% of the total number of hours of the 2RS operation at the HKIA in 2014.

Thank you for the interest of the Members in the project.

Yours sincerely,



(Desmond Wu)
for Secretary for Transport and Housing

c.c. Hon Jeffrey LAM Kin-fung, GBS, JP
Chairman of the Panel on Economic Development