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Panel on Economic Development
Meeting on 27 May 2015

Background brief on
proposed creation of a supernumerary directorate post
for supporting the development of the maritime industry

Purpose

This paper provides background information on the proposed creation of a supernumerary directorate post for supporting the development of the maritime industry, and views expressed by members of the Panel on Economic Development ("the Panel") on relevant matters.

Background

Policy initiatives of the Transport Branch of the Transport and Housing Bureau ("THB(TB"))

2. Under the initiatives set out in the 2015 Policy Agenda, the Government will continue to pursue to reinforce and enhance Hong Kong's status as an international maritime centre ("IMC").

Further development of Hong Kong as an international maritime centre

3. Further to the Central Authorities support under the 12th Five-Year Plan for Hong Kong, the Government is driving the further development of the maritime services sector to tie in with the planning under the 13th Five-Year Plan. The Government will continue to improve the transport infrastructure network and Hong Kong's land, sea and air connectivity with the Mainland, Asia and the world. The Administration will also capitalise on Hong Kong's advantages as a regional hub to play the role as the "super connector", by serving as the platform for Mainland maritime companies to "go global" and providing professional services for overseas maritime companies to tap into the Mainland market. This

will help drive the further development of high value-added aviation and maritime services in Hong Kong.

4. At present, there are about 700 shipping-related companies in Hong Kong, offering a comprehensive range of maritime services, including ship management, broking and chartering, finance, marine insurance, maritime law and arbitration and other support services. Hong Kong has the potential to become an important international maritime services hub for China and the Asia-Pacific region. Taking marine insurance as an example, seven of the 13 members of the International Group of Protection and Indemnity Clubs have presence in Hong Kong, being the largest cluster of representatives outside London. In addition, the Hong Kong Shipping Register offers quality ship registration service, with its registered total gross tonnage ranked fourth in the world. The Government will make full use of these competitive advantages and continue to take forward the establishment of a new maritime body and manpower development.

Establishment of a new maritime body

5. The consultant released the findings of the consultancy on "Enhancing Hong Kong's Position as an International Maritime Centre" in end 2013. Among other things, the consultant recommended that the Government set up a new maritime body. The new body is to drive the development of the Hong Kong maritime industry in seizing opportunities in the global economy and facing competition from other maritime centres. In 2014, THB commissioned an expert study to look into the scope of work and organization of the new body with a view to ascertaining its financial and business sustainability. The expert study is in the final stages. Preliminary proposals are expected to be available in the first half of 2015. The Government will then consult the Legislative Council and the industry, and start the relevant preparatory work as appropriate.

6. The trend for the maritime industry in Hong Kong to move towards high value-added services is obvious. The consultant recognizes that Hong Kong has the potential to further enhance its position as an international maritime services hub. Setting up a new maritime body will bring together resources of the Government and the industry more effectively in driving policy and industry research, overseas promotion, manpower training etc.. Pending the establishment of the new body, THB will enhance the functions of the Hong Kong Maritime Industry Council ("MIC"), and will join hands with the industry, Hong Kong Trade Development Council ("TDC"), Invest Hong Kong and Vocational Training Council to step up promotion in overseas and the Mainland markets, conduct policy research and manpower training, and attract more high value-added maritime services to cluster in Hong Kong.

Manpower development

7. The Maritime and Aviation Training Fund ("MATF") was launched on 1 April last year. With the \$100-million funding provided by the Government, THB has launched a number of training and incentive schemes which seek to provide support to more young people or in-service practitioners to undertake relevant skills training and pursue professional studies, and encourage them to join the maritime and aviation industries, thereby enhancing the overall competency and professionalism of the sectors.

8. The Maritime and Aviation Internship Network ("MAIN") is one of the major initiatives being introduced under the MATF. Through tripartite collaboration between the Government, industry and academia, internship positions were provided in maritime- and aviation-related companies to over 250 tertiary students last summer. The 29 participating companies are in the maritime law and marine insurance, ship broking/chartering, liner, shipping, ship repair, terminal operation, airport, airlines and air cargo terminal operation, aircraft maintenance and ground handling services sectors etc. The Administration have received positive feedback from the participating companies and students, remarking that the MAIN had been useful to them. This year, THB will continue with the scheme and will encourage more companies to join, so as to provide even more diversified internship positions for students to enrich their understanding of the maritime and aviation sectors. Another major MATF initiative is the Professional Training and Examination Refund Scheme ("ProTERS"). It aims to encourage and support in-service practitioners of the two sectors to attend courses being offered by education institutions and professional/industry associations, as well as to sit for professional examinations, with a view to enhancing their competency and facilitating them to acquire professional qualifications. Under ProTERS, successful applicants will be refunded 80% of the fees after completion of/passing the approved courses/examinations. By end of last year, about 50 professional courses and examinations have been listed under ProTERS and over 100 applications received.

9. MATF will continue to support other incentive and scholarship schemes including the Sea-going Training Incentive Scheme, the Local Vessel Trade Training Incentive Scheme, the Partial Tuition Refund Scheme for the Specialized Aircraft Maintenance Programme etc. New initiatives will also be launched to provide overseas learning opportunities for undergraduate ("Ug") and taught-postgraduate ("TPg") students of selected maritime-related programmes, and to provide scholarships for selected Ug and TPg aviation-related programmes.

Proposed creation of a supernumerary directorate post

10. According to the Administration, to achieve the above policy aim, THB(TB) has to step up efforts and to work with the stakeholders in promoting the development of the maritime industry. THB(TB) proposes to create a supernumerary Administrative Officer Staff Grade C (D2) post for five years to strengthen the directorate support in THB(TB) for taking forward policy measures and initiatives such as implementing the institutional changes to promote maritime development; devising long-term plans for manpower development of the maritime sector, and engaging the industry and other stakeholders to enhance Hong Kong's position as an IMC.

Concerns expressed by Panel members in previous discussions

11. Briefing by the Secretary for Transport and Housing ("STH") on relevant policy initiatives in the Chief Executive's 2015 Policy Address was held on 2 February 2015.

Further development of the maritime industry

12. Members enquired about the efforts and accomplishments that had been made by the Administration in driving the further development of the maritime service sector in Hong Kong. According to the Administration (LC Paper No. CB(4)589/14-15(01)), THB and 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 it faces as compared with five other international maritime centres (namely London, Singapore, Oslo, Rotterdam and Shanghai), analyzed the development potential of the local maritime Industry, and made strategic recommendations on the future development of the maritime cluster. 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 organization of the new body with a view to ascertaining its financial and business sustainability.

13. To allow overseas enterprises to gain a better understanding of the development potential of Hong Kong's maritime industry, the MIC (chaired by STH) 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 example, since 2011, the Government has joined hands with TDC in organizing the annual Asian Logistics and Maritime Conference to promote Hong Kong's strength as a regional maritime and logistics hub.

14. Members also asked about the tasks that would be undertaken by Hong Kong in playing the role as "super connector" for the Mainland and the overseas maritime companies, and the advantages it possessed in playing this role. They also enquired about the number of Mainland companies that had been helped by Hong Kong to "go global". In response, the Administration advised that about 9% of the ships worldwide were managed by Hong Kong which enabled it to serve as an important platform for Mainland maritime companies to "go global" and as a gateway providing professional services for overseas maritime companies to tap into the Mainland market.

15. According to the supplementary information provided by the Administration (LC Paper No. CB(4)589/14-15(01)), 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 eastward, 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, the maritime industry can be positioned at the following three levels-

- (a) 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);
- (b) Regional/National level: To become the preferred location of global (and in particular Mainland) commercial principals sourcing intermediary services;
- (c) 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.

Manpower development for the maritime industry

16. Members asked about the manpower demand of the maritime industry, and the nature as well as types of training programmes to be provided under MATF. The Administration advised that the incentive schemes of MATF supported both vocational and professional training programmes as well as scholarship schemes in collaboration with universities so as to support the manpower development of the maritime and aviation industries. For example, during the period of 2011-2014, the Sea-going Training Incentive Scheme had

provided a monthly 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 which covered professional training in law and other maritime-related courses. Several overseas institutions including those from Singapore, Denmark, the United Kingdom and the United States had been engaged as partnership overseas institutions.

Latest development

17. THB(TB) plans to seek Panel members' views and support on the staffing proposal at its meeting on 27 May 2015, and then consult the Establishment Subcommittee and seek approval from the Finance Committee on 10 June 2015 and 3 July 2015 respectively.

References

18. The links to the relevant papers are as follows:

Panel on Economic Development meeting on 2 February 2015 -

Agenda

<http://www.legco.gov.hk/yr14-15/english/panels/edev/agenda/edev20150202.htm>

Information paper

<http://www.legco.gov.hk/yr14-15/english/panels/edev/papers/edev20150202cb4-363-3-e.pdf>

Minutes

<http://www.legco.gov.hk/yr14-15/english/panels/edev/minutes/edev20150202.pdf>

Supplementary information paper

<http://www.legco.gov.hk/yr14-15/english/panels/edev/papers/edev20150202cb4-589-1-e.pdf>