

**For discussion  
on 23 November 2015**

**Legislative Council Panel on Economic Development**

**The Setting Up of a New Maritime Body for the  
Further Development of the Maritime Industry**

This paper briefs Members on a proposal to establish a new maritime body to support the further development of the maritime industry in Hong Kong.

**Challenges and Opportunities Faced by Hong Kong as an International  
Maritime Centre (IMC)**

2. Hong Kong has a long maritime history, with the benefits of its natural harbour, free economy and strategic location, facilitating its ascent to become one of the major shipping hubs and a thriving container port in the Asia Pacific region. Apart from an efficient and competitive port, Hong Kong also has a strong base of shipowners. Members of the Hong Kong Shipowners Association own and manage about 9% of the deadweight tonnage of the world's merchant fleet. The Hong Kong Shipping Register, managed by the Marine Department (MD), is ranked the World's fourth largest.

3. To support Hong Kong's shipping businesses, a comprehensive cluster of maritime-related services has been developed over the years. At present, there are over 700 companies in Hong Kong offering a wide range of quality and high-value added maritime services, such as ship agency and management, chartering and broking, finance, insurance, maritime law and arbitration. The maritime and port industries directly contribute 1.2% (\$24 billion) to Hong Kong's GDP and 2.5% (92 000 jobs) of the total employment.

## **Recommendation of a Consultancy Study to Set Up a New Maritime Body**

4. The Government attaches great importance to the development of the maritime industry in Hong Kong. We are committed to enhancing Hong Kong's position as an IMC, in particular, by leveraging on our competitive edge in providing quality and high value-added maritime-related services. The Hong Kong Maritime Industry Council<sup>1</sup> (MIC) commissioned in November 2011 a Consultancy Study on Enhancing Hong Kong's Position as an International Maritime Centre (the IMC Consultancy).

5. According to the IMC Consultancy analysis, Hong Kong has many strengths and competitive advantages. Hong Kong enjoys a range of institutional strengths including its strategic location, close ties with the Mainland of China, free flow of capital and information, an independent legal and judicial system well-entrenched in the rule of law, low and simple tax system and a highly educated population etc. We also have the potential to congregate a diversity of high value-added maritime services and reinforce its position as the preferred base in Asia for international maritime business. The consultancy report recognised that the Central Government has been supporting the development of Hong Kong maritime industry. Indeed, the Central Government has indicated clear support, under the recently announced blueprint of the 13<sup>th</sup> National Five-Year Plan, for Hong Kong to reinforce its status as an IMC. As the centre of global economic development shifts eastward, Hong Kong is also prepared to be an important international maritime services hub for China and the Asia Pacific region, serving as a springboard for Mainland maritime companies to "go global" and providing services for overseas enterprises to tap into the Mainland market.

6. On the other hand, the consultancy report noted that Hong Kong's maritime and port sectors are facing intense competition from other IMCs and emerging gateways to China. As well, Hong Kong has comparatively less land resources available for putting into use by the

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<sup>1</sup> The MIC is a high level advisory body chaired by the Secretary for Transport and Housing and comprises members who are industry stakeholders or institutional representatives, such as Hong Kong Trade Development Council, Vocational Training Council, Hong Kong Shipowners Association, Hong Kong Liner Shipping Association and Hong Kong Container Terminal Operators Association.

shipping and port sectors.

7. In the light of the above strengths and inadequacies, the IMC consultancy report pointed out that Hong Kong should strengthen the institutional set-up and dedicate human resources to drive more proactively the industry's development. A major recommendation is that the Government should re-structure the existing institutional support for the maritime industry in Hong Kong and set up a new statutory body to drive its long-term maritime development and meet challenges ahead. Members have been informed about this when the Government briefed the Panel on the 2014 Policy Agenda initiatives.

### **Findings of Business Case Study on the Proposed New Maritime Body**

8. The Government supports the principle of setting up a new maritime body to spearhead maritime industry development in Hong Kong. On the preliminary basis of the IMC Consultancy report, the Transport and Housing Bureau (THB) commissioned a Business Case Study Consultant in mid-2014 to look into the business case of setting up the proposed new maritime body, to examine in detail the body's scope of work and to ascertain its operational and financial sustainability. The major findings of the Business Case Study Consultant are highlighted in paragraphs 9-11 below.

9. The Business Case Study Consultant concurs with the IMC Consultancy that a new maritime body will be conducive to driving the further development of the maritime industry and enhancing Hong Kong's position as an IMC. It has identified the following key functions for the new maritime body :

- (a) policy research and development – to advise the Government on the formulation of maritime policy and engagement of relevant stakeholders; undertake industry-related strategic and economic research on topical issues with a view to providing more robust input to the Government's policy-making; and publish findings for reference by the Government and the wider maritime community;

- (b) marketing and external relations – to partner with the industry to promote Hong Kong’s status as an IMC and Hong Kong’s maritime services, and to play a more proactive role in maritime-related investment promotion and marketing initiatives; champion Hong Kong’s interests in the international maritime landscape (e.g. speaking at international conferences) and foster international networks;
- (c) manpower and training – to oversee the manpower development needs of the maritime and port industries (including maritime services industries); monitor manpower supply and demand in different sectors; promote community awareness of the career prospects in the industries to help attract new talents; and formulate suitable training initiative to address manpower needs; and
- (d) information and services – to provide a one-stop communication window between the local, Mainland and international maritime communities, and publish industry information and trends.

10. On the basis of the functions identified above, the Business Case Study Consultant holds the view that it is not a requisite for the new maritime body to be a *statutory* body because these functions can all be performed administratively. Besides, to set up a statutory organisation will require considerable time, and the Consultant notes that the trade would like the new maritime body to be set up within a short time span. Moreover, it would not be realistic to expect the new body to be able to operate on a self-financed basis given its likely lack of regular revenue collection venues.

11. The Business Case Study Consultant also opines that the scope of work of the new maritime body should preferably cover not only maritime services sectors but also port-related / international shipping development. Whilst port, shipping and maritime services are different businesses, they do have close interface and are inter-connected in many ways. A strong IMC should leverage on a vibrant cluster of maritime services as well as our world-class port infrastructure. Besides, at the international level, it is also often the case that international bodies, such as the International Maritime Organization, include port, shipping and maritime matters on their agenda. An integrated maritime and port body should facilitate enhanced synergy in

the development of our IMC. Such a structure is also adopted by maritime body in other jurisdictions, such as Singapore's Maritime and Port Authority.

12. During the course of the study, the Business Case Study Consultant has engaged relevant industry stakeholders to solicit their views. In broad terms, their feedback is that the new maritime body should be :

- (i) set up as quickly as possible;
- (ii) empowered to have influence on the Government's policies;
- (iii) able to champion industry development and to help Hong Kong compete with other international maritime centres;
- (iv) able to leverage on the expertise and networks readily available;
- (v) able to tap on suitable talents from the industry; and
- (vi) suitably resourced with support from the Government.

13. Taking into account the views expressed by the trade, experience of overseas jurisdictions as well as other industry advisory bodies in Hong Kong, the Business Case Study Consultant suggests that the new maritime body should encompass the following key features :

- (i) it should come under the leadership of a Policy Secretary (the Secretary for Transport and Housing (STH)) to reinforce Government's commitment to the maritime and port sectors;
- (ii) there should be more participation from industry representatives;
- (iii) it should be equipped with policy and market research capability; and
- (iv) it should be provided with necessary executive support.

## **The Proposed New Maritime Body**

14. The Business Case Study Consultant recommends that a new maritime body be formed. The institutional model of the new body proposed by the Business Case Study Consultant is at Annex. Some of the key features are highlighted in the ensuing paragraphs.

(i) High-level steering body with the leadership of Policy Secretary

15. The Business Case Study Consultant suggests that the proposed new body should be a high-level steering body which has the mandate to advise the Government on matters regarding the maritime- and port- related industries and set direction for their development. It is also recommended that the proposed new body should be chaired by STH to ensure the influence of the new body on the Government's policy making and provide a direct link between the new body and the Government. In this relation, THB should provide the proposed new body with close policy support, maintain policy overview on maritime and port development, and assume a coordination role for cross-bureau subjects.

(ii) Formation of functional committees

16. In order for the proposed new body to effectively drive the future development of the port- and maritime-related industries in Hong Kong and play an active role in fostering their development, the Business Case Study Consultant suggests that functional committees should be formed under the proposed new body on three specific areas, namely on manpower, marketing, and maritime and port development. This will allow more proactive and focused discussion, initiation and execution of initiatives for the areas concerned. These functional committees should be provided with the necessary executive support, to enable them to advise and steer the implementation of initiatives under their remit, as well as monitoring their progress.

### *Manpower Committee*

17. Noting that manpower and talents are crucial to the sustainable development of the maritime and port industries, the Business Case Study Consultant recommends the setting up of a Manpower Committee to monitor

manpower situation in the maritime and port sectors, as well as to attract new talents to join the related industries. The Manpower Committee will also formulate and implement manpower development and training initiatives, including the Maritime and Aviation Training Fund (MATF)<sup>2</sup>.

### *Marketing Committee*

18. The Business Case Study Consultant considers it essential to build and strengthen relationships with international maritime communities, and to represent Hong Kong's interests in the international maritime landscape. The Marketing Committee will take up the functions of initiating and conducting marketing activities in overseas and Mainland markets, with a view to promoting Hong Kong's role and capabilities as an IMC and attracting businesses to set up in Hong Kong.

### *Maritime and Port Development Committee*

19. To drive the further development of the maritime and port industries, the Business Case Study Consultant suggests that a Maritime and Port Development Committee be set up under the proposed new body and be tasked to conduct or coordinate policy and market studies to enhance the overall competitiveness of the IMC, to keep both the Government and the industries abreast of the latest development and business environment, and to explore new strategic initiatives. In addition, it is suggested that the Committee could collect feedback and ideas from the trade, and explore, identify and initiate services facilitation measures for the industries.

#### (iii) Proactive industry involvement to drive policy changes

20. The Business Case Study Consultant holds the views that more direct inputs from industry talents are necessary. In this light, the proposed new body should have a wide-ranging membership representing different sectors in the maritime cluster, with members to be drawn from the industries, academia, relevant statutory bodies and Government bureaux / departments

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<sup>2</sup> MATF was approved by the Legislative Council in January 2014, with a commitment of \$100 million over a period of five years from 2014-15 to 2018-19. The Fund is being used to enhance and launch training schemes and scholarships for the maritime and aviation sectors. MATF aims to build up in due course a vibrant, diversified and competitive pool of professionals and technical personnel to support Hong Kong's future development in the two sectors.

etc. To enhance the engagement and involvement of the industries in taking forward initiatives agreed by the new body, it is also recommended that the three functional committees be chaired by industry representatives. The Business Case Study Consultant also suggests that relevant specialists be employed as expert staff from the trade and academia to support the work of the new body.

(iv) Capitalise on existing networks and expertise

21. The Business Case Study Consultant recognises the value in stepping up efforts in promoting Hong Kong as a regional and global platform for operating international maritime businesses and presenting the quality maritime services that we can offer. On marketing and promotion work in overseas and Mainland markets, the Business Case Study Consultant recognises that the Hong Kong Trade and Development Council (HKTDC) and the Invest Hong Kong (InvestHK) have been closely engaged in past maritime-related promotional initiatives, and that the two organisations have a ready pool of experts, well-established local and overseas networks, and rich experience in marketing and promoting Hong Kong's service industries. The Consultant opines that the proposed new body should seek to strengthen collaboration with these two organisations.

22. Within the Government setting, THB and MD are important players in the subject area. THB has the policy responsibility to oversee and take forward the Government's policy commitments and initiatives in fostering the development of Hong Kong's maritime and port sectors and enhancing Hong Kong's position as an IMC. As for MD, in addition to its regulatory functions, the Department also operates the Hong Kong Shipping Register and has been working with higher education institutions in accrediting maritime-related courses. Both THB and MD also have good contact with the maritime communities, such as shipowners and shipping companies. The Business Case Study Consultant considers that it would be appropriate for THB / MD to help provide executive support to the proposed new body in the area of services facilitation, manpower development and trade-related market and policy research.

23. The Business Case Study Consultant suggests that the various organisations, such as HKTDC, InvestHK and THB / MD, should be properly resourced by the Government.

24. The Business Case Study Consultant considers that the above proposal is a pragmatic step forward in the short term future. It also notes the aspirations from the industry that the setting up of a statutory body in the long term should not be ruled out. The actual experience of the proposed new body, after it has been set up and in operation for some time, can serve as a reference and provide the basis for further discussions on the notion of establishing a statutory body when the critical issues on funding and sustainability are addressed.

25. The Business Case Study Consultant recommends that, with the establishment of the proposed new body, the two existing Government advisory bodies, i.e. the MIC and the Hong Kong Port Development Council<sup>3</sup> (PDC), be disbanded.

## **Consultation**

26. Members of the MIC, the PDC and Sub-group on Maritime under the Economic Development Commission have been consulted and they are in general supportive of the recommendations made by the Business Case Study Consultant.

## **Next Steps**

27. A final report and recommendations on the Business Case Study will be submitted by the Consultant to the Government thereafter. The Government will take full account of the views expressed by the industry stakeholders as well as from Members of this Panel in finalising our plan. Resources will be sought in accordance with established procedures where appropriate. In the meanwhile, we will join hands with the existing MIC and PDC to continue our efforts in promoting the development of Hong Kong's maritime and port industries.

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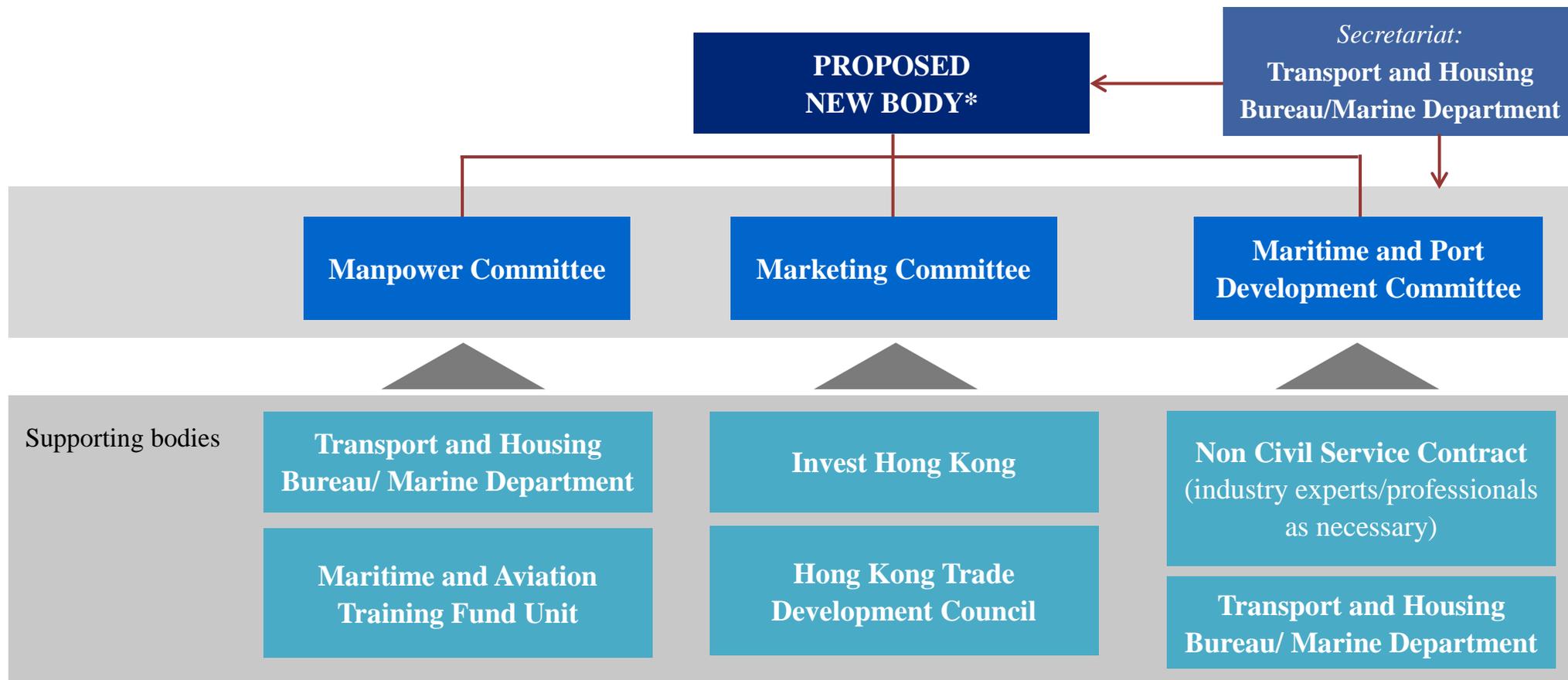
<sup>3</sup> The PDC was set up in June 2003 to enhance the competitiveness and attractiveness of the port of Hong Kong. PDC is a dedicated, high-level advisory body serving as a forum for key players from the private sector and the Government to discuss and co-ordinate matters in developing and promoting the port industry.

## **Advice Sought**

28. Members are invited to note the Business Case Study Consultant's above proposals and give their views on them.

**Transport and Housing Bureau  
November 2015**

**Institutional Model of the Proposed New Body**



\* To be chaired by the Secretary for Transport and Housing

Members include Government officials and industry representatives, academia and relevant statutory bodies etc.