

**For discussion
on 26 June 2017**

Legislative Council Panel on Economic Development

Further Development of Hong Kong's Port and Maritime Services

Purpose

This paper briefs Members on the latest development of Hong Kong's port and maritime industry and the directions for further development.

Port and Maritime Development in Hong Kong

Economic Contributions

2. The port and maritime industry is an important tenet of Hong Kong's economy. It contributes to 1.3% (\$29 billion) of Hong Kong's GDP and employs 88 000 people, which represents 2.3% of our total employment. The port and maritime industry underpins the development of trade and logistics industry, which accounts for 20% of Hong Kong's GDP and 20.4% of total employment. In terms of exports of services, sea transport accounts for 14% of Hong Kong's total exports of services in 2015, and its net export accounts for 24% our total net export in services. Excluding merchandise trade, maritime sector was the third largest external driving force of our economic growth among the service sectors, after tourism and financial services in 2015. The development of our port and maritime industry are detailed in the following paragraphs.

Hong Kong Port

3. In 2016, Hong Kong Port ("HKP") is the fifth busiest container port in the world, with a throughput of around 20 million Twenty-foot Equivalent Units (TEUs), of which 60% are transshipment cargo. Hong Kong is also a major hub port in Southern China, with approximately 80% of the import and export goods in value related to the Mainland. HKP thrives on its efficiency and connectivity, with high frequency and wide coverage of about 330 weekly liner

shipping services sailings to some 470 destinations worldwide.

4. To maintain the competitiveness and vibrancy of HKP and meet the future development needs of the port and logistics industries, we completed a review in 2015, which has made a number of recommendations to optimise the utilisation and efficiency of the land to support the operation of the port. Various measures have been implemented to ensure its efficiency and continuous improvement, as follows —

- (a) deepening the Kwai Tsing Container Basin and its approaching channel from 15 metres to 17 metres to enable ultra large container vessels to access the container terminals at all tides;
- (b) providing additional barge berths and six port back-up sites of about 18 hectares for the container terminals, so as to expand the terminal yard space for enhancing container handling efficiency; and
- (c) releasing a sea frontage of 120 metres at Stonecutters Island Public Cargo Working Areas for port back-up use.

5. The Guangdong-Hong Kong and Macao Bay Area (“Bay Area”) is an important regional development plan which aims at promoting the cooperation and development of Hong Kong, Macao and the nine cities in the Pearl River Delta region in areas including trade, logistics, professional services and transportation infrastructure. With the further development of the Bay Area, Hong Kong and other major cities in the region will, under the principles of complementarity and mutual benefits, work together to foster the development of the port and maritime industries in both places whilst avoiding unhealthy competition.

Maritime Services

6. Hong Kong is home to a strong base of shipowners, who own or manage about 9% of the world’s merchant fleet in terms of deadweight tonnage. Being an international financial centre and with a robust foundation of mature professional services, a vibrant maritime cluster of maritime-related services has developed over the years to support shipping businesses, not only in Hong Kong but also for the global shipping community. At present, there are over 800 shipping-related companies, providing a wide range of high

value-added maritime services, including ship agency and management, ship broking, marine insurance, ship finance, and maritime legal and arbitration services, as well as other supporting services.

7. These maritime services have been growing steadily over the past decades. For instance, on marine insurance, the total gross premium of insurance on ships in Hong Kong surged by 10.3% yearly on average in the past decade, which is higher than the annual average growth of 7.1% for general insurance business. Besides, 12 out of the 13 members of the International Group of Protection and Indemnity Clubs have presence in Hong Kong, which is the largest representation outside London. On ship finance, in 2016, the loans and advances for the shipping industry in Hong Kong amounted to around \$101.3 billion, which accounts for 2% of total loans and advances in Hong Kong.

Hong Kong Shipping Register

8. The Hong Kong Shipping Register (“HKSR”) is an important component of Hong Kong’s maritime cluster. HKSR has been performing well in terms of both tonnage and fleet quality. It is the fourth largest shipping register in the world¹ in terms of total registered gross tonnage (GT). As at end May 2017, a total of 2 540 ships with a total GT of 110.1 million were registered with HKSR, representing an increase of 47% in GT from five years ago. Hong Kong registered ships are also among the best performers in the world, with port state control detention rate² of only 0.81%, which is much lower than the world average of 3.13% in 2016.

Hong Kong Maritime and Port Board

9. To reinforce and enhance Hong Kong’s status as an international maritime centre, the Government commissioned a consultancy study in November 2011 on “Enhancing Hong Kong’s Position as an International Maritime Centre” (“Consultancy Study”). Having regard to the findings of the Consultancy Study and taking into

¹ According to the Danish Shipping Statistics published by the Danish Shipowners’ Association in November 2016, the top three shipping registers are Panama, Liberia and Marshall Islands.

² Port State Control detention rate refers to the percentage of detention among inspections undertaken by various port state control regimes, including Tokyo MOU, Paris MOU, Indian Ocean MOU, Black Sea MOU, Viña del Mar MOU, Abuja MOU, Mediterranean MOU, Caribbean MOU, Riyadh MOU and United States Coast Guard.

account the views of the then Hong Kong Maritime Industry Council and Hong Kong Port Development Council, as well as industry stakeholders, the Government decided to merge the two councils to form a new maritime body empowered with new functions.

10. The Hong Kong Maritime and Port Board (“HKMPB”) was subsequently established on 1 April 2016. Chaired by the Secretary for Transport and Housing, HKMPB provides a high-level platform for the Government to work closely with the trade to map out policies and initiatives for the further development of the port and maritime industry. There are three functional committees under HKMPB to oversee three major areas of work, namely maritime and port development, manpower development, as well as promotion and external relations. The committees are chaired by industry figures to strengthen industry participation in formulating measures to drive the further development of Hong Kong as a vibrant port and an international maritime centre. Additional resources have been provided to HKMPB to support its work. A Deputy Secretary of the Transport and Housing Bureau is also designated to be the Commissioner for Maritime and Port Development.

11. Having regard to the established strengths and positioning of Hong Kong and the latest developments in the global shipping market, HKMPB has agreed on the following vision to steer the future direction of the development of the port and maritime industry in Hong Kong —

“Building on the vibrant port and established shipping heritage as an international maritime centre, Hong Kong will be further consolidated into a major maritime services hub through effective governance, policies and practices for the maritime cluster, with good synergy with shipping and port operations.”

12. To achieve this vision, HKMPB seeks to spur the growth of Hong Kong’s maritime cluster by creating a business-friendly environment, promoting maritime manpower development and strengthening promotion and external relations. The measures undertaken in the past year are outlined in the following paragraphs.

Trade Facilitation

Relaxation of the Maximum Hours of Stay for Multiple Entry Permits

13. In the past, feeder vessels holding multiple entry permits

were allowed to stay in Hong Kong for a maximum of 48 hours only. To support the development of HKP in handling transshipment and river trade cargo, the Government has lifted the maximum hours of stay for feeders holding a multiple entry permit since February 2017. Under the new arrangement, river trade vessels are no longer subject to restriction in the hours of stay, which would help facilitating river trade business and increase transshipment business.

Hong Kong Shipping Register

14. With round-the-clock services (on appointment basis) and provision of quality services, HKSR has a sizable and quality fleet highly recognised worldwide. To keep up with the latest industry trends and maintain its competitiveness, the Marine Department (“MD”) from time to time reviews and enhances the services of HKSR. In response to the industry’s feedback, a number of measures are being taken forward to further improve its services, as follows —

- (a) exploring the possibility to streamline the process of issuing exemptions and dispensations by putting in place a delegation arrangement from the Director of Marine to professional surveyors;
- (b) exploring the feasibility to expedite the delivery of the Certificates of Registry for newly built Hong Kong registered vessels in the Mainland and overseas by enlisting the assistance of Government’s Economic and Trade Offices; and
- (c) improving operational arrangements, such as releasing marine accident investigation reports as soon as practicable, and arranging pre-clearance of registration documents prior to the day of ship registration to ensure smooth processing of the registration, etc.

Immigration Arrangement for Non-local Contract Seamen for Vessels in Distress

15. Under the existing Immigration Regulations (Cap. 115A), non-local contract seamen entering Hong Kong to join ocean-going vessels cannot remain in Hong Kong after departure of the ship or later than 14 days after the date of landing, whichever is earlier. The average duration of stay for ocean-going vessels is around 28 hours. However,

some vessels will have to stay in Hong Kong for more than 14 days due to unforeseeable circumstances beyond vessel operators' control, such as ship arrest, detention, urgent ship repair, etc. For these cases, the 14-day immigration rule necessitates frequent crew replacement, causing difficulties in manpower deployment for the ship companies concerned. We are working with relevant bureaux and departments on possible immigration arrangements to enable the crew to remain in Hong Kong for more than 14 days through employment visa or entry permit.

Promoting Manpower Development

Maritime and Aviation Training Fund

16. To nurture talents for the long-term development of the maritime and port industry, Government established the Maritime and Aviation Training Fund ("MATF") with a commitment of \$100 million in April 2014. Since its inception, MATF has sponsored a number of training and incentive schemes covering various aviation and maritime sectors, benefitting over 3 000 students and in-service maritime and aviation practitioners as at March 2017. Details of the various maritime-related schemes supported by the Fund are set out at [Annex](#).

17. To ensure better use of MATF to meet the development needs of the industry, the Manpower Development Committee ("MDC") of HKMPB has reviewed the maritime-related schemes under the Fund. For the scholarship programmes, a number of refinements have been implemented, including more vigorous selection process, increasing the number of intakes, etc., so as to cater for the industry's needs and widen the talent pool.

Seamen for Local Vessels

18. MDC has also endorsed a range of measures to address the problems of manpower shortage and ageing in the local vessel trade, as follows —

- (a) allowing recipients of the Local Vessel Trade Training Incentive Scheme under MATF to change companies during the subsidy period, provided that they are still working as local seamen;

- (b) granting an equivalent commercial local trade Certificate of Competence (“CoC”) to retired civil servants who are qualified to operate government vessels when they were in service;
- (c) allowing holders of a Coxswain Grade 2 Certificate (“CoC 2”)³ to operate certain types of large local vessels for routes specified by MD, provided that the applicant completed relevant in-house shipboard training and passed capability assessment; and
- (d) allowing candidates to sit for coxswain or engine operator Grade 3⁴ examination first before acquiring the necessary sea experience.

HKU-Shanghai Maritime University Academic Collaboration Scheme

19. To widen the talent pool for the maritime legal services sector, a new scholarship scheme, similar to the HKU-Dalian Maritime University Academic Collaboration Scheme, has been instituted whereby scholarships will be awarded to selected students from the Shanghai Maritime University (“SMU”) to undertake the Master of Common Law course at the University of Hong Kong (“HKU”) starting from the 2017/18 academic year. The scholarship recipients will be required to serve the local maritime industry for at least one year. This scholarship programme will help nurture more maritime-related legal professionals equipped with knowledge of Hong Kong’s legal system, as well as Hong Kong and the Mainland’s shipping practices.

Maritime Law Scholarship Scheme

20. To groom more maritime lawyers, we are working with HKU to introduce a new scholarship scheme under MATF to encourage its law students to undertake maritime law modules. Students enrolling in specified maritime-related modules during the final two academic years of their law degree studies and have attained good results in those

3 A holder of “CoC 2” may act as the coxswain of any local vessel that is: (1) not a pleasure vessel; (2) of not more than 24 m in length; and (3) of not more than 26.4 m in length overall.

4 A holder of Grade 3 CoC may as the coxswain or engine operator of any local vessel that is – (1) not a pleasure vessel; (2) of not more than 15 m in length; and (3) of not more than 16.5 m in length overall.

modules will be awarded a scholarship of \$40,000 per year.

The Hong Kong Nautical and Maritime Scholarship Scheme

21. At present, the International Shipping and Transport Logistics (“ISTL”) Programme run by the Hong Kong Polytechnic University is the only undergraduate programme in Hong Kong providing training in international shipping and logistics. To encourage more students with good academic results to enrol in the Programme and to attract university graduates to contemplate a seafaring career, we will introduce a new scholarship scheme under MATF for students of the ISTL Programme in the 2017/18 academic year. The new scholarship scheme consists of two prongs, i.e. a “Seafaring Scholarship” to encourage more students to enrol in nautical courses to pursue a seafaring career, and a “Maritime Scholarship” to attract students with good Hong Kong Diploma of Secondary Education Examination results to enrol in the ISTL Programme. The new scholarship scheme would help build up a local talent pool of seafarers and maritime professionals, in particular degree-level talents, for the maritime industry.

Asian Hub of the International Union of Marine Insurance

22. In October 2016, the International Union of Marine Insurance (“IUMI”) has set up its first Asian Hub in Hong Kong to foster closer ties with the marine insurance sector in Asia and provide professional training for industry practitioners in the region. We are working closely with IUMI, the Hong Kong Federation of Insurers and relevant academic institutions to develop professional training programmes to nurture a pool of marine insurance talents both in Hong Kong and for the region, with a view to positioning Hong Kong as a centre of excellence for maritime insurance education.

Sector-specific Seminars

23. To facilitate local industry practitioners to enhance their knowledge and better grasp the latest industry development, we have, in collaboration with local professional bodies and tertiary institutions, organised a number of sector-specific seminars on various maritime disciplines during the Hong Kong Maritime Industry Week last year (paragraph 28 refers), e.g. Seminar on Maritime Business Review by the C Y Tung International Centre for Maritime Studies, Seminar on Marine Insurance Law by the Hong Kong Federation of Insurers, etc., to encourage continuous professional development of maritime talents.

Strengthened Promotion on Manpower Development

24. To attract more young people to pursue a career in the maritime industry, we have been stepping up promotional efforts in manpower development, including participation in the annual Education and Careers Expo, arranging career seminars, and promoting the “image” of maritime career among secondary schools and tertiary students and the general public. Besides, to better disseminate information on maritime jobs and career, maritime-related programmes and courses are featured in the HKMPB website for reference by interested students or industry practitioners.

Strengthening Promotion

25. Promoting Hong Kong’s maritime services is one of the key strategies to further develop our maritime and port industry. In the past years, we have been actively promoting the industry in overseas and Mainland markets to raise the awareness of Hong Kong as an international maritime centre and to attract maritime undertakings to set up in Hong Kong. Besides, to raise community awareness of the economic contributions of the maritime and port industry, we have embarked on programmes to strengthen local promotion.

Overseas Promotion

26. In the past year, the Government actively participated in large-scale international maritime exhibitions and conducted delegation visits to potential Mainland and overseas maritime cities. These include the visit to Athens in June 2016 to participate in the biennial international maritime exhibition “Posidonia” and visit to London and Hamburg in February 2017 to meet with various local maritime enterprises and international organisations, and visit to Tokyo in March 2017 to promote Hong Kong maritime sector to the Japanese shipping community.

27. The overseas promotion efforts have been fruitful with a number of leads generated. For instance, subsequent to the visit to London earlier this year, Government is now actively discussing with the UK Department for Transport and two UK maritime organisations, namely Maritime London and Maritime UK, to foster closer collaboration in manpower development and promotion.

Hong Kong Maritime Industry Week 2016

28. With the support of the industry, we organised the first-ever Hong Kong Maritime Industry Week (“HKMIW”) on 20-27 November 2016. The objectives of HKMIW are to unite the Hong Kong maritime industry as a strong cluster, showcase Hong Kong’s strengths as a preferred base for operating maritime business and raise the community’s awareness of Hong Kong’s maritime industry. The eight-day event was well-received by the industry and general public, with 4 600 participants attended 29 events organised by 34 local and overseas organisations.

Way Forward

29. Promulgated in March 2016, the National 13th Five-Year Plan pledges support for Hong Kong to consolidate and enhance its status as an international transportation centre. On the other hand, the Belt and Road Initiative will create additional trade flows and generate demand for shipping and port services. With the support from the Central Government, the recent national development strategies (including the Bay Area) present enormous business opportunities to the further development of Hong Kong’s maritime and port sectors. Riding on these opportunities, Hong Kong should leverage on its institutional strengths and competitive edges in professional maritime services to serve as a “super-connector” for Mainland maritime enterprises to “go global”, and to attract overseas enterprises to tap the Mainland market by making use of Hong Kong’s high value-added maritime services. We will continue to draw up necessary trade facilitation measures, promote Hong Kong’s port and maritime services and foster manpower development to sustain the growth of various maritime sectors.

Advice Sought

30. Members are invited to note our efforts in further developing the maritime and port industry in Hong Kong.

Annex

Maritime-related Training and Incentive Schemes under the Maritime and Aviation Training Fund (MATF)

Schemes under MATF	Details
(1) Professional Training and Examination Refund Scheme	<p>The Scheme aims to enhance the professionalism and competency of practitioners in the maritime and aviation sectors and encourage them to acquire relevant professional qualification(s). The approved courses include maritime- or aviation-related courses and professional examinations provided by various education institutions, professional organisations and trade bodies.</p> <p>Eligible applicants are refunded with 80% of the fees after completing approved courses or passing examinations, subject to a cap of \$18,000.</p>
(2) Maritime and Aviation Internship Scheme	<p>The Scheme offers internship places in maritime and aviation-related companies for students of tertiary institutions through tripartite co-operation among the Government, the industry and academia.</p> <p>The MATF will cover up to 75% of the intern's monthly honorarium, or \$6,000 (whichever is lower), for an internship period of up to 3 months.</p>
(3) Local Vessel Trade Training Incentive Scheme	<p>The Scheme provides a monthly allowance of up to \$30,000 for eligible deck or engine room ratings newly employed by the local vessel trade.</p>
(4) Sea-going Training Incentive Scheme	<p>The Scheme offers a monthly subsidy of \$6,000 to deck or engine room cadets on ocean-going vessels for a maximum period of 18 months.</p>
(5) Ship Repair Training Incentive Scheme	<p>The Scheme offers a monthly subsidy of \$1,500 to eligible graduates of the Vocational Training Council (VTC) who have enrolled for apprenticeship in the ship repair industry for a maximum period of 36 months.</p>

Schemes under MATF	Details
(6) Hong Kong Maritime and Logistics Scholarship Scheme	Scholarship for selected students of the Master of Science in International Shipping and Transport Logistics of the Hong Kong Polytechnic University (HKPU).
(7) The University of Hong Kong (HKU) - Dalian Maritime University (DMU) Academic Collaboration Scheme	The Scheme consists of two parts – (1) provides scholarship to selected students of DMU to undertake the Master of Common Law course at the HKU; and (2) supports HKU students and in-service practitioners to undertake summer courses and professional seminars.
(8) Hong Kong Maritime Law Scholarship Scheme	Scholarship for selected students of the Master of Laws (Maritime and Transportation Law) programme of the City University of Hong Kong (CityU HK).
(9) Overseas Exchange Sponsorship Scheme	The Scheme provides financial support (\$30,000 - \$50,000) to undergraduates or postgraduates of selected maritime-related disciplines in the HKPU, the CityU HK, the Chinese University of Hong Kong and the Hong Kong University of Science and Technology (HKUST) to attend maritime-related overseas exchange courses.