

**For information
on 22 October 2018**

**Legislative Council Panel on Economic Development
The 2018 Policy Address and Policy Agenda
Policy Initiatives of the Transport Branch of the
Transport and Housing Bureau**

Introduction

This paper elaborates on the initiatives set out in the 2018 Policy Address and Policy Agenda that the Government will pursue and continue to pursue to reinforce and enhance Hong Kong's status as an international aviation and maritime centre.

Further Development of Hong Kong as an International Maritime and Aviation Centre

2. In the dedicated chapter for Hong Kong and Macao in the National 13th Five-Year Plan, the Central Authorities has expressed clear support for Hong Kong in consolidating and enhancing our status as an international transportation centre. In fact, Hong Kong enjoys a premier geographical location, unique institutional strengths (including the rule of law, a simple tax system and highly educated workforce, etc.), free economic system, and extensive experience in international trade and commerce. These enable us to fully equip ourselves to be a major international aviation hub, international maritime centre and regional logistics hub. Looking ahead, we will continue to enhance our competitiveness in aviation and maritime through various means, and to foster the development of high value-added aviation, maritime and logistics businesses.

3. On aviation, the Hong Kong International Airport (HKIA) is the busiest cargo airport and one of the busiest international passenger airports in the world. Air traffic at the HKIA continued to grow this

year. In the first eight months of this year, the HKIA handled a total of 50.4 million passenger trips and over 285 000 aircraft movements, representing a year-on-year growth of 3.4% and 2.3% respectively. On the other hand, the cargo throughput for the first eight months was more than 3.25 million tonnes, up by 3.2% year-on-year. We will continue to enhance the HKIA's hardware and software to maintain Hong Kong's status as an international aviation hub. Regarding hardware, the Government will focus on enhancing the airport's passenger and cargo handling capacity. Measures include actively assisting the Airport Authority Hong Kong (AAHK) in implementing the Three-Runway System (3RS) and enhancing airport infrastructure and intermodal facilities. For software, the Government will continue to work closely with the Civil Aviation Administration of China (CAAC) and the Civil Aviation Authority of Macao SAR (CAAM) to harmonise the airspace, develop high value-added aviation services and continue to expand Hong Kong's aviation network.

4. On maritime, Hong Kong has a long maritime tradition, with port, shipping and maritime services being the key driving force and cornerstone of the trading and logistics sector. The Hong Kong Port is among the busiest container ports in the world and an important hub port in the Asia-Pacific region. It handled around 20.8 million twenty-foot equivalent units (TEUs) in 2017, of which some 60% were transshipment cargo. Hong Kong Port provides frequent and comprehensive liner shipping services, with about 320 container liner services per week connecting to around 470 destinations worldwide.

5. Hong Kong has been home to a strong base of shipowners, shipping companies and maritime services cluster. Hong Kong shipowners and ship management companies together own or manage a sizeable fleet which accounts for 9.6% of the deadweight tonnage of the world's merchant fleet. The Hong Kong Shipping Registry (HKSR) administered by the Marine Department (MD) ranks the fourth in the world. It has been providing round-the-clock quality services for shipowners to cope with the global nature of the shipping industry. Ships registered in Hong Kong enjoy excellent reputation of high quality, with a port State detention rate far below those of other flag States. In addition, there are currently over 800 shipping-related companies

operating in Hong Kong, providing a wide range of quality high value-added maritime services to local, Mainland and overseas shipping companies, including marine insurance, maritime legal and arbitration services, ship agency and management, ship broking and leasing, etc. Hong Kong is also a ship finance centre in Asia.

6. Maritime is an international business susceptible to external economic factors, having to face constant challenges and competitions. The Hong Kong Special Administrative Region (HKSAR) Government is committed to developing and consolidating Hong Kong's position as a high value-added maritime services centre and an important transshipment hub in the Asia Pacific region. Through collaborating with the trade via the Hong Kong Maritime and Port Board (HKMPB), we shall fully seize the immense opportunities arising from the Belt and Road Initiative and the Greater Bay Area Development and continue to be the best springboard for Mainland maritime companies to "go global" while facilitating international maritime organisations to set up presence in Hong Kong and enter the Mainland market.

New Initiatives

7. Please refer to paragraphs 8 to 23 below for the new initiatives we will implement in 2018.

(a) Using tax measures to foster ship leasing business in Hong Kong and commissioning the HKMPB to set up a task force to devise the details, with a view to enhancing Hong Kong's position as a ship leasing centre in the Asia-Pacific region.

8. Among the various maritime services, ship finance is a high value-added and high growth business. Shipping loans and advances in Hong Kong has more than doubled in the past ten years, registering over 10% growth per annum on average. Within ship finance, ship leasing is a new business model with growing prevalence in the global shipping industry, particularly in the Mainland China, and has great development potentials. As an international financial centre, Hong Kong has solid foundations and strengths in further developing the ship leasing business.

9. The Financial Services Development Council published in May this year a research report titled the “Maritime Leasing Paper” which recommended fostering development of ship finance and ship leasing businesses in Hong Kong. The Government agreed to use tax measures to foster ship leasing business and has commissioned the Maritime and Port Development Committee of the HKMPB to set up a Task Force to study the details of the relevant tax measures. The objective is to attract more shipowners and ship finance companies to establish their presence and expand operations in Hong Kong, thereby inject new impetus to the future development of our maritime sector. The study is expected to be completed in the second half of 2019.

(b) Providing tax reliefs to promote the development of marine insurance in Hong Kong.

10. The marine insurance industry of Hong Kong has been growing steadily over the past few decades, with the total gross premium for marine insurance amounted to HK\$2.36 billion in 2017¹. The total gross premium of insurance on ships in Hong Kong surged by almost 7.9% yearly on average in the past decade, which is higher than the annual average growth of around 7.1% for general insurance business. Currently, there are close to 90 local and foreign insurance companies authorised by the Insurance Authority (IA) to operate marine insurance business in Hong Kong. Many internationally renowned marine insurance organisations and enterprises have been set up in Hong Kong. For instance, in October 2016, the International Union of Marine Insurance 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.

11. The Government will provide 50% profit tax concessions for marine insurance to promote the development of the industry in Hong Kong. The Government will work with IA to devise implementation measures and legislative proposals, and during the process, the Government will closely communicate with the stakeholders. The target

¹ According to the information provided by IA, marine insurance includes ships, damage and liability, as well as reinsurance, but does not include insurance for goods in transit.

is to introduce the relevant amendment bill into the Legislative Council in the 2019-20 legislative session.

(c) Exploring streamlining regulation with a view to facilitating the operation of protection and indemnity clubs for shipowners in Hong Kong.

12. Apart from insurance companies which provide hull and machinery insurance and cargo insurance, Protection & Indemnity (P&I) clubs are also actively involved in Hong Kong's marine insurance market. To date, 12 out of the 13 members of the International Group of P&I Clubs have had presence in Hong Kong (among which 7 of them are authorised insurers whereas the others operate as claims or service offices in Hong Kong), making Hong Kong the largest P&I Club cluster outside London. Having regard to the unique business nature of the P&I Clubs which is different from general insurance companies, the Government will explore ways to streamline regulation for the P&I Clubs, and consult the sector during the course of study, with a view to facilitating their expansion of business in Hong Kong.

(d) Offering the necessary facilitation and measures in support of Hong Kong's provision of reliable and quality dispute resolution services for the global maritime industry.

13. Hong Kong is a leading centre of international legal and dispute resolution services in the Asia-Pacific region with a comprehensive framework of arbitration legislation. Hong Kong also has a vast pool of arbitrators who are familiar with various specialised areas of practice and have developed an international perspective. Many top-notch international law firms and arbitral institutions (for example the International Court of Arbitration of the International Chamber of Commerce, the China International Economic and Trade Arbitration Commission and the China Maritime Arbitration Commission) have set up their presence in Hong Kong, providing professional and quality maritime legal and arbitration services to the shipping industry..

14. Furthermore, arbitral awards made in Hong Kong are recognised and enforceable in many countries in the world. Awards made in Hong Kong are enforceable in over 150 contracting states under the New York Convention, including our major maritime business partners such as the United States, the United Kingdom, Greece, Singapore and Japan.

Meanwhile, under the “Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the HKSAR”, arbitral awards made in Hong Kong are enforceable in the Mainland. The above enforcement regimes help safeguard the interests of shipping companies from around the world with business operations in Hong Kong.

15. We will continue to cooperate with the legal professional bodies and arbitral institutions in Hong Kong to promote Hong Kong’s maritime legal and arbitration services, thereby enhancing Hong Kong’s status as a major maritime arbitration centre in the region. At the same time, we will encourage overseas and Mainland shipowners and ship charterers to adopt provisions specifying Hong Kong as the place of arbitration in their standard contracts, with a view to providing high-end international legal and dispute resolution services under the Belt and Road Initiative.

(e) Setting up Regional Desks of the Hong Kong Shipping Registry (HKSR) in selected Economic and Trade Offices (ETOs) and Mainland Offices and Liaison Units to render more direct and prompt support to shipowners at the ports concerned and to promote the HKSR.

16. The HKSR administered by the Marine Department is the fourth largest shipping register in the world (in terms of gross tonnage.) As at end August 2018, there were 2 589 ships registered in Hong Kong and their gross tonnage exceeded 120 million, representing an increase of almost 9% over the same period last year. Ships registered in Hong Kong enjoy excellent reputation of high quality with a port State detention rate far below those of other flag States.

17. The HKSR has all along been providing round-the-clock quality services for shipowners to cope with the global nature of the shipping industry. To further extend the HKSR’s service coverage, attract more ships to register in Hong Kong, and enhance regulation for the safety and quality of ships flying the Hong Kong flag, the Government will set up regional desks in selected ETOs overseas and Liaison Units in the Mainland by phases, for instance in Shanghai, Tokyo, Singapore, London and San Francisco, so that HKSR’s services will cover the Mainland, Asia, Europe and Northern America. This initiative aims at enhancing the quality of Hong Kong registered ships, providing more direct and prompt support to shipowners, and promoting the HKSR.

(f) Injecting \$200 million into the Maritime and Aviation Training Fund to enhance the training and nurturing of talent for the sectors.

18. Manpower resources are one of keys to the continued development of the maritime and aviation sectors in Hong Kong. The Government established the Maritime and Aviation Training Fund (the MATF) in 2014 with a commitment of \$100 million. Various schemes under the MATF serve to attract young people to join the maritime and aviation industries and enhancing the overall competency level and professionalism of practitioners of the sectors, thereby building up a vibrant, diversified and competitive pool of professional personnel to support Hong Kong's future development in the two sectors.

19. The MATF is currently supporting 14 schemes, 12 of which are maritime-related². As at end-August 2018, it has benefitted over 6 200 students and in-service maritime and aviation practitioners. We will inject \$200 million into the MATF to continue its operation and introduce more new schemes so as to nurture maritime and aviation talents. Major schemes under the Fund and their progress, including improvement measures made/to be made under specific schemes in 2018, are set out at **Annex**.

(g) Further expanding our network of comprehensive avoidance of double taxation agreements to attract more international maritime and marine service providers to set up offices in Hong Kong.

20. Due to the international nature of shipping operations, shipping operators are more susceptible to double taxation than other taxpayers. To support international enterprises to expand their businesses, Hong Kong has all along been actively pursuing negotiations with other tax jurisdictions, with a view to concluding more comprehensive avoidance of double taxation agreements (CDTAs) to help Hong Kong shipping companies to assess their tax liabilities from cross-border economic activities and to resolve double taxation issues. At present, Hong Kong has signed shipping-related avoidance of double taxation agreement with 47 tax jurisdictions, including 40 CDTAs. Among our CDTA partners, more than half of them are located along the Belt and Road.

² Among the 12 schemes, two of them cover both the maritime and aviation sectors.

21. The Government will continue to initiate negotiations with other trading partners actively for signing relevant agreements, so as to establish a more comprehensive network to foster bilateral trade and avoid double taxation, and attract more international shipping and maritime services companies to set up regional offices in Hong Kong.

(h) Working with the trades to jointly promote our marine and port services to overseas and local stakeholders and encourage more companies and individuals to seize the business and job opportunities of the relevant industries.

22. The HKSAR Government has been promoting the strengths of Hong Kong as a regional premier maritime services hub to the maritime sectors overseas and in the Mainland, with a view to attracting world-renowned overseas and Mainland maritime enterprises to operate in Hong Kong. Together with respective Government departments and institutions, the HKMPB has actively participated in large-scale international maritime exhibitions and arranged delegation visits to promote Hong Kong's high value-added maritime services to Mainland and overseas cities with vibrant maritime industries. These include the visit to Shanghai and Beijing in December last year to participate in the biennial Marintec China; and a Hong Kong delegation visit to Athens, Greece in June this year to participate in the Posidonia to promote Hong Kong's status as an international maritime centre and exchange views with the local maritime community. The HKMPB is planning a delegation visit to Copenhagen, Denmark and Oslo, Norway to promote Hong Kong's quality maritime services; and another visit to Guangxi to explore cooperation between the logistics and maritime industry of the two sides and foster a better understanding of the development of the "Southern Corridor".

23. On local promotion, the HKMPB is organising the third "Hong Kong Maritime Week" from 18 to 24 November this year. The Hong Kong Maritime Week aims at uniting and showcasing the Hong Kong maritime industry as a strong cluster, and promoting Hong Kong as a preferred base for operating maritime business. Over 50 local and overseas maritime organisations will participate in the third edition of Hong Kong Maritime Week and organise more than 50 activities, including conferences and seminars, industry briefings, corporate functions and networking events, etc. to raise the community's awareness of the economic contributions of Hong Kong's maritime and port industries.

On-going Initiatives

24. We will continue to implement various on-going initiatives in 2018. Details are set out in paragraphs 25 to 46 below.

International Maritime and Aviation Centre

(i) ***Continuing to actively assist the AAHK in implementing the 3RS at the HKIA and ensure the completion of Hong Kong-Zhuhai-Macao Bridge. Their ancillary facilities will also be fine-tuned. These initiatives will increase Hong Kong's air and land transport throughput, placing us in an advantageous position to embrace the business opportunities in shipping and logistics and to reinforce our status as an aviation hub and maritime centre.***

25. With the completion of the relevant statutory procedures relating to reclamation and town planning, the AAHK commenced the 3RS construction works in August 2016. The AAHK anticipates that the whole project would take approximately eight years to complete and the current stage of works focuses on reclamation works as well as design and tendering works of relevant airport facilities. The Transport and Housing Bureau and the AAHK will continue to report and explain the latest progress of the 3RS to Members through the Panel on Economic Development of the Legislative Council (the Panel) as appropriate.

26. This important infrastructure investment will not only strengthen Hong Kong's strategic position as a global and regional aviation hub, but will also contribute substantively to the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the promotion of the national Belt and Road Initiative. The AAHK estimates that upon full commissioning of the 3RS, the HKIA will have the capacity to handle future air traffic demand. The annual passenger volume is expected to increase from 72.9 million in 2017 to around 100 million, and the cargo volume will also increase from 4.92 million tonnes to around 9 million tonnes. The 3RS will bring long-term economic and social benefits to Hong Kong, create considerable employment opportunities for various

sectors, promote Hong Kong's overall competitiveness and bring substantial benefits to the well-being of our community.

(ii) Enhancing the HKIA's runway capacity before the implementation of the 3RS.

27. To complement the development of HKIA's 3RS, the Civil Aviation Department (CAD) will continue to closely collaborate with the CAAC and CAAM in airspace management with a view to progressively achieving the target capacity of the 3RS. To this end, the CAD signed a Memorandum of Co-operation with the CAAC and the CAAM in July 2017 to further enhance the efficiency of air traffic management in the Pearl River Delta region and carry out detailed technical analysis to facilitate the optimisation and synergised development of the airspace in the Bay Area. One of the areas of focus is to initiate modelling and simulation (i.e. fast-time simulation) of the airspace and air traffic in the Guangdong-Hong Kong-Macao Greater Bay Area, with a view to providing statistics and technical support for the implementation of the 3RS at the HKIA and the continual expansion and development of the airports the Pearl River Delta (PRD) region. At present, the database required for the fast-time simulation software is near completion. Consolidation and validation of the database are about to begin, while assessment and analysis work is expected to be largely completed by 2019. The three aeronautical authorities will formulate specific measures to further optimise airspace and air traffic management based on the results of the assessment and analysis.

28. In addition, in order to meet the imminent air traffic demand before the commissioning of the 3RS, the CAD will continue to study and implement the latest air traffic management technologies, including updating and improving satellite-based navigation technology with the aim of enhancing the navigation procedures in Hong Kong, and studying the feasibility of implementing "Performance-based Capacity Declaration"³ and "European Wake Vortex Re-categorisation"⁴ in Hong

³ Performance-based Capacity Declaration (PBCD) is a capacity management solution which utilises computer simulation software to consider various operational conditions such as runways and air traffic management, as well as different combinations of flight mix, to develop a schedule which enhances the capacity and efficiency of airport operation. PBCD has already been implemented in London Heathrow Airport.

⁴ European Wake Vortex Re-categorisation (RECAT-EU) is a project jointly undertaken by the

Kong, so as to marginally enhance the capacity of the existing two runways of the HKIA.

(iii) Fostering Hong Kong to become an international aviation training hub.

29. To further strengthen Hong Kong's leading status as a major aviation hub in the region, the AAHK established the Hong Kong International Aviation Academy (the Academy) to nurture local and regional talents in the aviation sector. Its first batch of courses was launched in April 2017. So far, the Academy has provided professional training programmes covering airport management, security and aviation services for more than 7 400 students. The HKIAA actively co-operates with local educational and vocational training institutions, the AAHK's business partners and other organisations to provide different levels of courses, including the Certificate in Airport Services and Operations programme and the Earn and Learn scheme which focuses on the aviation industry.

30. Besides, the Academy, together with the Ecole Nationale de l'Aviation Civile (ENAC), provides the Advanced Master in Air Transport Management, which targets local and regional talents in the aviation industry. The first cohort of the programme was launched in December 2017. Enrollees included students from, among others, the Mainland and countries along the Belt and Road. The second cohort is expected to commence in January 2019. The collaboration of the Academy and ENAC will not only promote our soft strengths but also help foster Hong Kong as a training base for aviation talents. We will strengthen collaboration with international aviation organisations and institutions with a view to enhancing civil aviation capacity and safety awareness in the region.

Federal Aviation Administration and the European Organisation for the Safety of Air Navigation (EUROCONTROL) in 2005, with the aim of re-considering the current wake turbulence separation minima between aircraft set by the International Civil Aviation Organization and optimising the wake turbulence separation classes from the existing four categories to six categories, in order to achieve higher efficiency of runway capacity.

(iv) Enhancing the HKIA's air cargo handling capacity.

31. With the various major infrastructure projects coming into play, Lantau will become a “double-gateway” between the world and the Greater Bay Area. To capitalise on the competitive edges of and opportunities in Lantau, AAHK has reserved land on both the airside and landside in the South Cargo Precinct of the airport island to strengthen its handling capacity and efficiency of various types of cargo as well as the relevant logistics development, thereby supporting the growth in transshipment, cross-boundary e-commerce and high-value air cargo business.

32. In November 2017, the AAHK announced the collaboration with its business partner in expanding the express air cargo terminal, so as to enhance Hong Kong's capability in handling express and small parcel shipments. This is particularly important in consolidating our leading status in cargo logistics. In addition, the land parcel of about 5.3 hectares at Kwo Lo Wan in the South Cargo Precinct has been awarded in June 2018 for development of a premium logistics centre. With the facility stages nearby the air cargo terminals, the development effectively addresses the need of warehousing and distribution of e-commerce, and is conducive to unleashing the potentials of the HKIA as an aviation hub. The premium logistics centre is expected to come into operation in 2023.

33. The AAHK and the industry will continue to proactively enhance the HKIA's capacity to handle high-value temperature-controlled goods (including pharmaceuticals). Apart from being recognised by the International Air Transport Association (IATA) as a Partner Airport of IATA's Center of Excellence for Independent Validators in Pharmaceutical Logistics (IATA CEIV Pharma) since July 2017, the AAHK has also been investing in the HKIA's cold chain facilities, including building apron shelters and purchasing cool dollies, so as to better meet the special requirements of different temperature-controlled goods thereby attracting more temperature-controlled goods be transshipped to all over the world via Hong Kong. We will also work with the AAHK to actively examine facilitation measures to promote air-to-air transshipment in Hong Kong with a view to maintaining HKIA's competitive edge as an international air cargo hub.

(v) *Continuing to support the AAHK to develop the SKYCITY.*

34. The AAHK is actively implementing the SKYCITY development project. The tender for hotel development was awarded last year and construction is currently underway. It is scheduled to open in the year 2020 to 2021. The tender for the first phase of retail, dining and entertainment, etc. development is awarded in April 2018 and is scheduled to open in phases from 2023 to 2027.

35. The SKYCITY development is of strategic importance to the economic and social development of Lantau and Hong Kong. Apart from generating investment, business and employment opportunities for Hong Kong, the SKYCITY development will enhance the attractiveness and competitiveness of the HKIA as a global aviation hub and promote the further development of tourism. Taking into account the planning of the 3RS and synergy with developments on Lantau Island, the AAHK endeavour to maximise the economic benefits brought about by the SKYCITY.

36. With a view to creating a cluster of aviation-related businesses with high economic efficiency and diversified employment opportunities on Lantau, as a new initiative this year, the Government will invite the AAHK to assess the topside development at the Hong Kong Boundary Crossing Facilities Island of the Hong Kong-Zhuhai-Macao Bridge (HZMB) with a view to exploring possible land use options complementing airport development and operation, as well as the synergy between the AsiaWorld-Expo and the SKYCITY development.

- (vi) ***Engaging independent professionals to advise on the feasibility of the relaxation of air draft restriction at Tsing Ma Bridge, so as to strike a balance between bridge and navigation safety, and facilitate the access of large container vessels to Hong Kong Port. The target is to complete the relevant study by mid-2019.***

37. Tsing Ma Bridge (TMB) is the only land route linking up the HKIA with the urban area, and its safety is of paramount importance to Hong Kong. The TMB spans over the Ma Wan Channel, with the principal fairways underneath it connecting Hong Kong to ports in the western and central parts of the PRD (including Shekou, Dachan Bay and Nansha). In view of the increasing use of mega container vessels by the shipping sector, the Government has engaged independent expert advisers to further study the feasibility of relaxing the height clearance limit at TMB, with a view to striking a balance between bridge structural and vessel navigation safety, and facilitate access of large container vessels to Hong Kong Port so as to maintain the competitiveness of the Port.

- (vii) ***Progressively implementing port enhancement measures to maintain the competitiveness of Hong Kong Port, including provision of additional terminal yard space and barge berths in phases to increase the container handling capacity of the Kwai Tsing Container Terminals and the better use of back-up land of the terminals.***

38. The Government has been taking forward in phases the various recommendations made in the review of the use of port back-up land near the Kwai Tsing Container Terminals, in order to optimise the utilisation of the land for meeting the future development needs of the port and logistics industries. We are working to make available six port back-up sites of about 18 hectares for container terminal use in phases, so as to expand the terminal yard space and provide additional barge berths for enhancing the cargo handling efficiency. Among all, we have completed the preparatory works for three sites of 7.8 hectares and are liaising with the terminal operators concerned on the leases, with a view to releasing the sites as soon as practicable. Moreover, we will continue to conduct two studies to explore the feasibility of developing a multi-storey facility for container storage and cargo handling at a site in Tsing Yi and a multi-storey carpark-cum-logistics complex at another site in Kwai Chung respectively, so that more port back-up land can be

provided to support port operations. The studies are expected to complete in 2019.

(viii) Facilitating the provision of high value-added third-party logistics services in Hong Kong by continuing to work with the departments concerned to identify suitable sites for the development of modern logistics facilities.

39. The trading and logistics industry tops the four key economic pillars of Hong Kong, contributing about 22% to our GDP. The logistics sector alone contributed 3.2% (\$77 billion) to our GDP and around 4.6% (about 175 000 jobs) to our total employment. With our premier geographical location, free port status, well-developed infrastructure, convenient multi-modal sea, land and air transport network as well as experienced professionals, Hong Kong has all along been a regional logistics hub in Asia.

40. The Government will continue to identify suitable sites for the development of high value-added third-party logistics services. To this end, we sold a site of 3.17 hectares in Tuen Mun Area 49 for modern logistics uses in May this year, providing some 79,000 square metres of floor area for the logistics industry. We will continue to work with relevant departments to identify suitable land for the development of modern logistics facilities.

Enhancing External Transport Link

(ix) Working with the AAHK to implement initiatives to enhance airport capacity and airport services. Subsequent to the commissioning of the Midfield Concourse, the remaining parts of the midfield expansion project will be completed in phases by 2020.

41. The Midfield Concourse came into full operation in March 2016, increasing the airport's handling capacity by 10 million passengers per annum, which will help in coping with the medium term air traffic demand. The remaining parts of the midfield expansion project will be completed in phases by 2020.

(x) ***Supporting the AAHK in expanding inter-modal connections to strengthen the links between the HKIA and the PRD region.***

42. Supported by an integrated multi-modal transport network, the HKIA is a major gateway to the Mainland. Cross-boundary coaches, limousines and ferry services connect passengers between the PRD and international destinations via the HKIA. Last year, an average of about 550 trips by coaches was made every day to link the HKIA with more than 110 PRD cities and towns. The SkyPier at the HKIA provides speedy ferry services for air-to-sea/sea-to-air transit passengers travelling to and from the HKIA and nine PRD cities⁵. During the period from January to August 2018, the number of SkyPier transit passengers reached 1.85 million.

43. With the planned completion of various major transport infrastructures in Hong Kong and the PRD region, including the HZMB and Tuen Mun-Chek Lap Kok Link in the coming future, the travelling distance for passengers and cargo from the Mainland to the HKIA will be further shortened. Upon the commissioning of the HZMB, land transport between Hong Kong and the Western PRD will be further enhanced. To generate greater synergy between the HKIA and the HZMB, and to facilitate citizens and visitors of Hong Kong, Zhuhai and Macao travelling to and from the HKIA, we support the AAHK in expanding its intermodal facilities. Modelling on the concept and existing mode of operation at the SkyPier, the AAHK plans to develop the Inter-modal Transfer Terminal (ITT) which will be linked to the Hong Kong Boundary Crossing Facilities of the HZMB by a bonded vehicular bridge, with a view to introducing a shuttle bus service for bridge-to-air / air-to-bridge transit passengers from the respective Border Crossing Facilities of Zhuhai and Macao to reach the Restricted Area of the HKIA direct for outbound flights via the Automated People Mover system without the need to go through Hong Kong's immigration clearance. Overseas passengers travelling to Zhuhai and Macao via the HKIA may also benefit from the service. The project is expected to come into operation by 2022 the earliest.

⁵ Currently, the SkyPier offers nine cross-boundary ferry routes travelling to and from Hong Kong and Shekou and Fuyong in Shenzhen, Maritime Ferry Terminal and Taipa in Macao, Nansha and Lianhuashan in Guangzhou, Humen in Dongguan, Zhongshan and Zhuhai

(xi) Forming new aviation partnership and reviewing the air services arrangements with our existing partners, with a view to further liberalising our air services regime, thereby supporting the continued growth and development of the local civil aviation industry.

44. As of September 2018, we have signed Air Services Agreements with 67 aviation partners. Among the some 110 countries along the Belt-and-Road, Hong Kong has signed Air Services Agreement or Air Services Transit Agreement with 45 of them. In the past year, we have initialed updated Air Services Agreements with Brazil, Greece, Hungary and Ireland, and reviewed or expanded the bilateral air services arrangement with 6 aviation partners (the Mainland, Singapore, Turkey, United Arab Emirates, Czech Republic and Qatar) to provide the necessary framework for the growth and development of the aviation industry.

45. We will continue to review the demand for air services from time to time and initiate air services negotiations with our aviation partners with a view to increasing the air traffic capacity to meet market demand.

Marine Safety

(xii) Implementing the improvement measures regarding the regulatory regime on local passenger-carrying vessels to enhance marine safety, and continuing to follow up on the recommendations in the Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012.

46. The MD is following up on the implementation of various recommendations made by the Steering Committee on Systemic Reform of the MD, as well as those in the Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012. On the enhancement of marine safety, the Government has implemented a number of improvement measures, including enhancing look-out by crew, increasing third party risks insurance coverage and making laws to require passenger vessels to be installed with equipment that can ensure navigational safety. The MD will continue to take forward various measures to enhance marine safety, such as regulating drink and drug boating, and reviewing the regulatory regime for local pleasure vessels. We will consult the Panel on the proposals in due course.

Views Sought

47. We welcome Members' views on the initiatives outlined above.

**Transport Branch
Transport and Housing Bureau
October 2018**

Details and Progress of the Key Initiatives under the Maritime and Aviation Training Fund

To support the long-term development of the maritime and aviation industries and nurture more talent for the two sectors, the Government established the Maritime and Aviation Training Fund (the Fund) in April 2014 with a commitment of \$100 million. The Fund serves to support and encourage more young students and in-service practitioners to receive relevant technical training and undertake professional degree programmes for joining the two sectors, thereby enhancing the overall competitiveness and professional competency of the industries.

2. There are a number of training and incentive schemes covering various aspects of the aviation and maritime sectors launched under the Fund. As at August 2018, the Fund has benefited over 6 200 students and in-service practitioners in the maritime and aviation sectors. Details and progress of six key schemes under the Fund are set out in the ensuing paragraphs.

Professional Training and Examination Refund Scheme (ProTERS)

- The Scheme aims to encourage maritime and aviation in-service practitioners to enrol in courses offered by various academic institutions, professional or trade bodies, and to take part in professional examinations, so as to raise their professional competency and help them acquire relevant professional qualifications. To date, the Scheme covers some 235 professional courses and examinations and has disbursed about \$8.05 million to over 3 350 applicants. The Government will continue to increase the number of approved courses and professional examinations under ProTERS.

Maritime and Aviation Internship Scheme

- Through the tripartite collaboration among the Government, industries and academic institutions, the Scheme provides internship opportunities for tertiary students to encourage them to join the

maritime and aviation industries. In 2018, about 500 students participated in the Scheme and worked as interns in about 60 maritime and aviation companies. This year, the Government will continue to promote the Scheme to the industries and academic institutions to encourage more companies, tertiary students and secondary six school-leavers (only applicable to the aviation industries) to join.

Overseas Exchange Sponsorship Scheme

- The Government implemented the Scheme in 2015 in collaboration with four universities, namely the Hong Kong Polytechnic University, City University of Hong Kong, the Chinese University of Hong Kong and the Hong Kong University of Science and Technology. To provide opportunities for students to study abroad and broaden their horizons, sponsorships are given to those students enrolling in maritime-related programmes to attend overseas exchange courses relating to maritime. As at mid-2018, over 50 students received sponsorships under the Scheme.

Local Vessel Trade Training Incentive Scheme

- The Scheme provides an allowance of up to \$30,000 per person for those who are newly employed by the local vessel trade, with a view to encouraging them to acquire their first professional qualification as coxswains or engine operators on local vessels. To date, 125 applications were approved under the Scheme.

Hong Kong Aviation Scholarship Scheme

- Since 2015, scholarships have been offered to selected students for completing aviation-related degree or higher degree programmes to encourage the continuing professional enhancement of the aviation sector. As of school year 2017/18, a total of six master and bachelor programmes were eligible under the scheme. To date, 24 students were awarded the scholarship. In school year 2018/19, four programmes are made eligible under the scheme. The Government will continue to identify suitable programmes for the scheme.

Partial Tuition Refund Scheme for the Specialised Aircraft Maintenance Programme

- To encourage young people to choose specialised aircraft maintenance programmes and join the aircraft maintenance industry after graduation, the Scheme offers extra financial incentive for those who have completed specialised aircraft maintenance programmes and meet the eligibility criteria. As at August of 2018, over 190 applicants successfully applied partial tuition refund totalling about \$2.64 million under the Scheme.

3. In addition, some enhancements of the existing Schemes were or will be introduced under the Fund in 2018. Details of the maritime-related enhancements are set out as follows.

- To increase the monthly subsidy from \$1,500 to \$3,000 for each apprentice joining the apprenticeship in ship repairing industry for a maximum period of 36 months under the Ship Repair Training Incentive Scheme with a view to attracting more apprentices enrolling in the Scheme.
- To strengthen the support to the ocean going vessels (OGVs) deck cadets and engineering cadets who have joined the Sea-going Training Incentive Scheme (SGTIS) by providing a special monthly financial subsidy to cadets for up to six months (with the maximum additional subsidy of \$54,000 per applicant) during the period when they prepare for the examination on shore after having served on board for 18 months (for deck cadets) and 12 months (for engineering cadets), as well as the period when they return to OGVs after having acquired the qualification but are yet to be promoted. The new arrangement would be launched within this year to encourage more young people to join the seafaring sector.