

HONG KONG MARITIME AND PORT BOARD

Vision Statement

Purpose

This paper sets out the vision statement for the further development of Hong Kong's port and maritime industries.

Hong Kong's Port and Maritime Industries

2. Hong Kong is a small economy, ranking 34th in the world in terms of GDP. While local demand for shipping and maritime services is limited due to the size of our economy, Hong Kong is widely recognised as an international maritime centre given its long maritime heritage which can be traced back to 150 years ago. In respect of port development, Hong Kong Port ("HKP") has developed into one of the busiest container ports in the world, handling 20.1 million TEUs in 2015. On maritime services, Hong Kong has one of the world's largest shipowning communities and has always been a major provider of maritime services, exporting various maritime services to other economies.

3. Our maritime services are very competitive in the global market. In terms of export in services, sea transport accounted for 16% of our total exports of services in 2014. After offsetting imports in sea transport, net export of sea transport was equivalent to 28% of Hong Kong's total net export in services in 2014, only after tourism and financial services, but significantly higher than air transport (10%) as well as other services. Excluding merchandise trade, maritime sector was the third largest external driving force of our economic growth among service sectors, demonstrating its significance to Hong Kong as an export-oriented economy. Net export in services was equivalent to 26% of our GDP, and export in services contributed to 15% of our final demand in 2014.

Vision Statement

4. Making reference to the analysis of Hong Kong, the express support from the Central People's Government ("CPG") for Hong Kong's maritime development as espoused in the National 13th Five Year Plan and the emerging opportunities arising from the Belt and Road Initiative, Members endorsed a four-pronged strategy to drive the further development of the maritime and port industries, as follows —

- (a) spurring the growth and status of Hong Kong's maritime cluster;
- (b) creating a business-friendly environment;
- (c) strengthening promotion and external relations; and
- (d) fostering maritime manpower development.

5. Having regard to Hong Kong's established strengths and positioning as well as the latest developments in the global shipping market, the Hong Kong Maritime and Port Board (HKMPB) adopted the following vision statement —

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

Way Forward

6. HKMPB will further work on the following areas along the four strategic thrusts to achieve the vision.

(A) Spurring the Growth and Status of Hong Kong's Maritime Cluster

Maintaining the Vibrancy of HKP and the Shipping Market

7. HKP is an integral part of Hong Kong's economy, having close linkage with our trade and logistics industries, and providing the foundation for the development of maritime services that makes Hong Kong an international maritime centre. It is therefore important to keep it vibrant and competitive. To achieve this objective, we will work along the following strategic moves —

- (a) there is competition between Mainland ports and Hong Kong over transshipment and maritime services, etc., which is not conducive to mutual benefits. We need to articulate the benefits of differentiating the functionality of various ports in China. In this connection, we will raise with the Mainland authorities the importance of maintaining the cabotage rule;
- (b) at present, some 60% of HKP's throughput is from transshipment. To grow transshipment volume, we need to facilitate barging business to enhance the hub function of HKP. We will consider making available additional barge berths and relaxing regulatory regime to facilitate barge operations; and
- (c) we will consider measures to facilitate the liners to encourage liners to use Hong Kong Port.

Growing Professional Maritime Services

8. Based on exchange of views with the trade and our economic analysis, we will further work on the following areas of professional maritime services —

Ship Registration

9. Ship registration is one of key elements in building up a vibrant base for growing Hong Kong's maritime services cluster. Currently ranked 4th in the world in terms of gross tonnage, the Hong Kong Shipping Register ("HKSR") is an autonomous shipping register with an excellent reputation for high quality. Hong Kong registered ships are among the best performers in the world in terms of Port State Control detention rates. Going forward, we should maintain the quality of HKSR and attract more ship registration with a view to generating demand for our maritime services.

Marine Insurance

10. Marine insurance has emerged as a promising maritime services sector. Riding on the flourishing shipping activities in the Asia Pacific Region, the total maritime-related gross premium grew by 8.3% yearly on average in the past 10 years, higher than the annual average of 7.4% for general insurance business in Hong Kong as a whole. Insurance for ships has accelerated despite sluggish international trade in recent years, with the share of our total gross premium increasing from 4.9% in 2010 to 5.3% in 2015, showing that

shipowners and ship operators are inclined to use Hong Kong's marine insurance services.

11. Marine insurance, particularly hull and machinery insurance, is capital intensive, risky, highly technical and sophisticated. Hong Kong is capable of undertaking such high value-added business and there should be scope for further growth. The International Union of Marine Insurance established its Asian Hub in Hong Kong in October 2016. This move will further enhance Hong Kong's reputation as a preferred location for marine insurance activities. We will further explore possible initiatives to support and drive growth in this area.

Ship Finance

12. Hong Kong's financial sector is acknowledged by the Financial Sector Assessment Programme of International Monetary Fund to be one of the largest and most developed in the world. Shipping loans and advances in Hong Kong have been surging by 14.4% per annum in the past decade, amounting to more than HK\$100 billion in 2015. Their share of total loans and advances in Hong Kong has increased from 1.4% in 2005 to 2.1% in 2015, suggesting that shipping loans and advances have been growing faster than the Hong Kong average.

13. Ship finance is another area that we should further work on. In this regard, we will examine the merits and feasibility of attracting ship leasing business to Hong Kong.

Maritime Law and Arbitration

14. With an independent Judiciary practising common law, Hong Kong is a prime centre in Asia providing excellent shipping-related legal and arbitration services. With already three universities providing high quality legal education and training, Hong Kong is building up a pool of lawyers with maritime knowledge. As for arbitration, in the past decade, a number of arbitration institutions have set up operations in Hong Kong. These include the Hong Kong International Arbitration Centre, the Secretariat of 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.

15. With China's booming international trade and shipping activities, there will be increasing demand for maritime legal and arbitration services, which represents considerable potential for Hong Kong to make further inroads in these services and strengthen its overall competitiveness.

Ship Broking, Chartering and Management

16. Ship broking and chartering play key roles in the supply chain of shipping business. However, Hong Kong's ship broking and chartering business faced strong competition and has seen decline since 2010. Value added of ship broking cumulatively dropped by 41% from 2010 to 2014. It is also observed that there has been a decline in the export of chartering services. In 2007, the sector recorded a positive net export of HK\$1,759 million, which however has since been declining drastically, with negative net exports (i.e. imports exceeding export) of HK\$4,297 million in 2014. The trend suggests shrinkage of the business.

17. To revitalise our ship broking and chartering activities, as well as growing our ship management sector, we need to attract more such undertakings and commercial principals, including commodity traders, cargo owners, as well as trading and logistics companies to operate in Hong Kong. The potential for developing a freight derivatives market to facilitate ship broking and chartering services could be a direction worth exploring.

(B) Creating a Business-friendly Environment

18. To promote the use of Hong Kong's high value-added maritime services, it is essential to attract more commercial principals to base and operate in Hong Kong. At Committee and focus group meetings, Members broached about conceptual suggestions to make Hong Kong more business-friendly with a view to attracting commercial principals, e.g. the possibility of providing tax concession for specific maritime sectors and collaborating with Exchanges in the Mainland to facilitate commodity and derivative trading in Hong Kong.

(C) Promotion and External Relations

19. With a view to promoting Hong Kong's maritime community and enhancing our position as an international maritime centre, the Promotion and External Relations Committee ("PEC") has agreed on a promotion framework featuring the following elements —

- (a) overseas promotion ;
- (b) promotion in the Mainland ;
- (c) local promotion;
- (d) participation in international conference; and
- (e) media.

PEC will plan promotion activities according to this framework.

(D) Manpower Development

20. We need to build up an adequate pool of maritime professionals to meet the demand for Hong Kong's further development into a maritime services hub. Manpower Development Committee has worked out a five-pronged strategy —

- (a) identifying gaps in local manpower training and demand;
- (b) setting up an online “maritime career” section to enhance access to career opportunities in the maritime industry;
- (c) exploring with local educational institutions the possibility of including “maritime” elements in their law, finance and engineering courses;
- (d) working with professional and training organisations to organise sector-specific and in-depth courses or seminars; and
- (e) stepping up the promotion of maritime careers by taking part in university recruitment talks and career exhibitions, working with career counsellors to enhance students' awareness of maritime career options, supporting industry bodies to organise events to attract young talents and increase the appeal of maritime career by, for instance, pegging maritime attainments at the “Qualifications Framework”.

21. HKMPB and its Committees will drive the development of Hong Kong's port and maritime industries along the directions set out above.