

## LCQ7: Promoting development of maritime and port industries

Following is a question by the Hon Frankie Yick and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (April 28):

Question:

Hong Kong's overall ranking in the 2020 Xinhua-Baltic International Shipping Centre Development Index Report has fallen from the second place of the preceding year to the fourth place. Some members of the maritime industry have pointed out that although the Chief Executive's 2017 Policy Address proposed to promote and facilitate the development of Hong Kong's maritime services and the Government successively introduced tax concessions for the ship leasing and marine insurance industries in the 2020-2021 financial year, the Government's efforts to promote Hong Kong's maritime industry are still inadequate when compared with competitors. On the contrary, Singapore, which continues to top the list in the aforesaid report, announced last month that it would increase the subsidies provided to the local small and medium enterprises (SMEs) engaging in maritime technology business, and is committed to developing the maritime industry. In this connection, will the Government inform this Council:

(1) of the achievements of the Government's work in the past three years on attracting maritime enterprises to establish their bases in Hong Kong (including the increase in the number and the scope of business of such enterprises, as well as the number of new jobs and the economic benefits brought to Hong Kong); whether it has set any target for its work in the future (e.g. attracting a certain number of maritime enterprises to establish their bases in Hong Kong in the coming decade);

(2) given that the Government is studying the provision of tax concessions to commercial principals of the maritime industry (e.g. ship management companies, ship brokers and ship agents) to attract them to establish their bases in Hong Kong, thereby promoting the development of high value-added maritime services, of the progress of the relevant study and the timetable for implementing the relevant proposals; whether, apart from tax concessions, the Government will consider, by making reference to the practice of the Singapore Government, providing subsidies to SMEs of the maritime industry; if so, of the details; if not, the reasons for that; and

(3) as some members of the maritime industry have pointed out that the maritime and port industries are one of the important pillars of the Hong Kong economy, but the existing relevant policies are rather fragmented, lacking a set of complete and target-oriented policies, whether the Government will establish a statutory authority with decision-making and enforcement powers to formulate a long-term development blueprint for Hong Kong's maritime and port industries; if so, of the details; if not, the

reasons for that?

Reply:

President,

The Hong Kong Special Administrative Region Government has been committed to upholding Hong Kong's position as an international maritime centre and further consolidating our strengths in high value-added maritime services.

Indeed, the Central Government has all along been supporting the development of the maritime and logistics industry, including the consolidation of Hong Kong's position as an international maritime centre. The "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035" as endorsed by the 13th National People's Congress on March 11, 2021 and the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" as promulgated in February 2019 also support the development of high value-added maritime services in Hong Kong for better integration into the country's development course.

To enhance Hong Kong's status as an international maritime centre and attract more maritime service companies to establish business presence in Hong Kong, the Government enacted the Inland Revenue (Amendment) (Ship Leasing Tax Concessions) Ordinance 2020 in June 2020 to offer tax concessions to qualifying ship lessors and ship leasing managers at 0 per cent and generally 8.25 per cent tax rate respectively, with retrospective effect from April 1, 2020. Another bill, the Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Ordinance 2020, was also enacted in July 2020 to reduce profits tax rate by 50 per cent (i.e. 8.25 per cent) for specified insurance businesses, including eligible marine insurance businesses, in Hong Kong.

On enhancing Hong Kong's position in the international maritime arena, with the concerted efforts of the industry and the Government, the International Chamber of Shipping established its first-ever overseas office in Hong Kong in 2019. The Baltic and International Maritime Council (BIMCO) published the BIMCO Law & Arbitration Clause 2020 in September 2020, which includes Hong Kong as the fourth named arbitration venue, alongside London, New York and Singapore. Meanwhile, we have gradually established the Hong Kong Shipping Registry (HKSR) Regional Desks in selected overseas and mainland Economic and Trade Offices (ETOs) so as to widen the HKSR's service network, provide more direct and prompt support for shipowners and strengthen the promotion of HKSR's services. The first batch of HKSR Regional Desks in London, Shanghai and Singapore have been up and running since late 2019. The Marine Department will continue to set up four more Regional Desks in other overseas ETOs, including Sydney, San Francisco and Tokyo in 2021, and Toronto in 2022. By then, services of the HKSR will have been extended to cover almost all major parts in the world regularly visited by Hong Kong registered ships.

Despite the COVID-19 pandemic, the Government spared no effort in promoting Hong Kong's role as an international maritime centre and its quality high value-added maritime services. In 2020-21, the Hong Kong Maritime and Port Board (HKMPB) proactively supported and participated in various local and international promotional activities such as the Lloyd's List Hong Kong Ship Finance & Law Forum, the Young Professionals in Shipping Network's global start-up competition "The Captain's Table", the 2nd Annual Capital Link Hong Kong Maritime Forum, and The Economist's Asia Trade Week 2021. Amid keen competition, the Government will continue to bolster the growth of high value-added maritime services, facilitate port operations and step up promotion and publicity of Hong Kong's maritime and port industry for consolidating and enhancing Hong Kong's status as an international maritime centre.

Our reply to various parts of Hon Frankie Yick's question is as follows:

(1) The trading and logistics sector is one of Hong Kong's four key economic pillars, accounting for approximately one-fifth of Hong Kong's GDP in 2019 and providing over 670 000 jobs. The maritime industry, though contributing only 1.1 per cent (HK\$30.8 billion) to Hong Kong's GDP and over 80 000 jobs, serves as the cornerstone underpinning the development of the trading and logistics sector. There are nearly 900 shipping-related companies operating in Hong Kong, providing a great variety of quality maritime services, including ship owning and operating, ship agency and management, ship broking, ship registration, ship finance, marine insurance, maritime legal and arbitration services, classification societies, making Hong Kong the ideal city for international maritime enterprises to receive various kinds of maritime services. In the past three years, there has been an increase of around 70 maritime enterprises in Hong Kong, with business ranging from ship owning and operating, ship agency and management, ship broking, ship finance, marine insurance, maritime legal and arbitration services, classification societies, etc. We will continue to promote the strengths of Hong Kong as a maritime centre and attract more maritime enterprises to establish business presence in Hong Kong.

(2) To further promote the development of the high value-added maritime services sector, with reference to the ship leasing tax concession exercise, a dedicated Task Force on Commercial Principals has been formed under HKMPB to study tax concession measures and advise on the economic impacts and details of the tax concession proposals, with a view to drawing up the legislative framework for introducing tax concessions for shipping commercial principals (such as ship managers, agents and brokers). It is anticipated that the study will be completed in the second half of 2021. Subject to the outcome of the study, the Government will conduct consultation with industry stakeholders and introduce relevant legislative amendments to the Legislative Council accordingly. As for the suggested provision of subsidies to small and medium enterprises of the maritime industry, the Government will continue to maintain communication with industry members to understand their actual situation and needs, and will explore ways to provide appropriate support to the industry.

(3) Regarding the establishment of a new statutory authority, the HKMPB,

together with its three Subcommittees, have been operating smoothly since their inception. Thanks to the valuable suggestions and support offered by the Board members, we have implemented many new policies and initiatives in recent years, such as the new tax regime for ship leasing and the arrangements for enhancing the services of the HKSR. Whilst for the proposal of setting up a statutory maritime body, key issues such as financial sustainability and whether statutory power is required to perform the proposed functions, would have to be sorted out first. Without a stable source of income, it would be difficult for the proposed maritime body to operate on a self-financing basis. The Government is open to the suggestion for establishing a statutory maritime body as a long-term arrangement, and will study further arrangements as appropriate.