

## LCQ8: Enhancing Hong Kong's status as an international maritime centre

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 (February 23):

Question:

In recent years, Hong Kong's maritime-related international rankings have dropped. For instance, in the Leading Maritime Cities of the World 2022 report published in January this year, Hong Kong's overall ranking has dropped from the fourth place in 2019 to the sixth place this year. On the other hand, the National 14th Five-Year Plan expressly supports enhancing Hong Kong's status as an international maritime centre. In this connection, will the Government inform this Council:

(1) whether it has assessed, since the Government's introduction in mid-2020 of the measure of providing tax concessions for ship leasing and marine insurance businesses, the economic benefits brought about and the number of overseas shipping-related companies attracted to establish their offices in Hong Kong (as well as the types of businesses that such companies are engaging in and the number of jobs created by them);

(2) whether it has plans to provide tax concessions for traders who carry out merchandise trading of significant value and hence benefitting Hong Kong's maritime industry, so as to attract such traders to establish their bases in Hong Kong, boost the demand for Hong Kong's maritime services, and expand Hong Kong's maritime cluster; if so, of the details; if not, the reasons for that;

(3) whether it has plans to make improvements in respect of the five key pillars (i.e. Shipping, Maritime Finance and Law, Maritime Technology, Ports and Logistics, as well as Attractiveness and Competitiveness) on which the rankings in the aforesaid report have been based, so as to enhance Hong Kong's status as an international maritime centre;

(4) of the new measures in place to achieve the target in the 14th Five-Year Plan in respect of enhancing Hong Kong's status as an international maritime centre; and

(5) whether it will, by drawing reference from the practice of establishing the Airport Authority Hong Kong, set up a maritime and port authority to formulate long-term strategies and plans for Hong Kong's maritime and logistics development; if so, of the details; if not, the reasons for that?

Reply:

President,

The Central Government has been supporting 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" ("14th Five-Year Plan") as endorsed by the 13th National People's Congress in March 2021 and the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" ("GBA Outline Development Plan") as promulgated in February 2019 support the development of high value-added maritime services in Hong Kong for better integration into the country's development course.

Hong Kong has a steadfast maritime tradition, with port, shipping and maritime services underpinning the development of the trading and logistics sector all along. 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 nearly 18 million twenty-foot equivalent units in 2021, of which over 60 per cent were transshipment cargo. Hong Kong Port provides frequent and comprehensive liner shipping services connecting to nearly 600 destinations worldwide, with about 270 international container vessel sailings per week. Hong Kong is also home to a strong base of shipowners. Hong Kong shipowners and ship management companies together own or manage a sizeable fleet which accounts for 10 per cent of the deadweight tonnage of the world's merchant fleet.

The Government is committed to upholding Hong Kong's position as an international maritime centre and further consolidating our strengths in high value-added maritime services. 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. In addition, the Baltic and International Maritime Council (BIMCO) announced in September 2020 its adoption of the BIMCO Law and Arbitration Clause 2020 which has included Hong Kong as one of the four designated arbitration venues, alongside with London, New York and Singapore. The decision has reflected Hong Kong's position as a leader in the area of international maritime arbitration. Meanwhile, the Government has been establishing the Hong Kong Shipping Registry (HKSR) Regional Desks in different locations so as to provide more direct and prompt support for shipowners and strengthen the promotion of HKSR's service. Since 2019, the HKSR's service network has been expanded to cover most of the regions which are frequently visited by Hong Kong flagged ships, including London, Shanghai, Singapore, Sydney, San Francisco, Tokyo and Toronto.

Having consulted the Financial Services and the Treasury Bureau, our reply to various parts of Hon Frankie Yick's question is as follows:

(1) There are nearly 900 maritime-related companies operating in Hong Kong, covering marine insurance, maritime legal and arbitration, ship agency and ship management, ship broking and leasing, etc., generating close to 77 000 jobs and providing a variety of quality high value-added maritime services to local, Mainland and overseas shipping companies. To foster the development of high value-added maritime services, the Government completed legislative exercises in the past two years to provide tax concessions to ship leasing and marine insurance businesses. On ship leasing, the Inland Revenue (Amendment) (Ship Leasing Tax Concessions) Bill 2020 was passed by the

Legislative Council (LegCo) in June 2020 and has taken retrospective effect from April 1, 2020. It provides for tax exemption and half rate tax concession on qualifying income by qualifying ship lessors and ship leasing managers respectively, with a view to developing Hong Kong into a ship leasing centre in the Asia-Pacific region. On marine insurance, the Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Bill 2019 was passed by the LegCo in July 2020 to reduce the profits tax rate of eligible insurance business, including marine insurance, by 50 per cent (i.e. the tax rate is 8.25 per cent). Following the enactment of relevant subsidiary legislations in January 2021, the tax concessions became effective on March 19, 2021. Having regard to the continued severe COVID-19 pandemic situation worldwide in the past two years which generally affected global business activities, we need more time to measure the long-term objective effectiveness of the new tax regimes in attracting foreign businesses to Hong Kong. That said, the trade is generally of the view that the measures are conducive to enhancing Hong Kong's competitiveness in attracting overseas business.

(2) To attract more maritime enterprises to establish business presence in Hong Kong, a task force was formed under Hong Kong Maritime and Port Board (HKMPB) in 2020 to study the economic impacts and details of the tax concession proposals for specific shipping commercial principals, namely ship managers, ship agents and ship brokers. With reference to the introduction of the ship leasing tax concession regime, the task force has made recommendations to the HKMPB for providing tax concessions. The recommendations include providing half-tax concession (i.e. tax rate being 8.25 per cent, half of the profit tax rate for corporations at 16.5 per cent) for shipping commercial principals, with a view to facilitating the development of the maritime industry in Hong Kong and consolidating the maritime capabilities of Hong Kong as a leading international maritime centre. Following the HKMPB's endorsement of the relevant recommendations, the Government is now working on the details of the legislative amendment exercise, such as devising the scope of the tax concessions and anti-abuse features. The Government will consult the LegCo Panel with regards to details of the amendment proposals, targeting to introduce the relevant amendment bill to the LegCo in the first half of 2022. The Government will continue to maintain communications with industry members to understand their situation and needs, and will explore ways to provide appropriate support to the industry.

(3) and (4) The Government will continue to proactively develop and entrench Hong Kong's position as a high value-added maritime services centre and an important transshipment hub in the Asia-Pacific region, so as to fully seize the immense opportunities arising from the "14th Five-Year Plan" and the "GBA Outline Development Plan". To strengthen the collaboration with Greater Bay Area ports, the Government will explore establishing communication mechanisms with ports in Guangdong to better leverage the respective complementary strengths, with a view to promoting a healthy and coordinated development among ports in the Greater Bay Area.

Furthermore, the Government has proposed new initiatives in "The Chief

Executive's 2021 Policy Address" on, amongst others, the development of smart and green port. On smart port development, while the industry traditionally relies heavily on manual operations and paper-based processes, the industry has in recent years started to embrace digitisation of port operations and leverage innovative technologies to enhance their efficiency, so as to stay competitive and provide more convenient services to the customers. Through the Task Force on Smart Port Development formed under the HKMPB, the Government is working with the trade on the concrete proposal to drive the development of the "smart port". The proposal is conducted with a view to further enhancing port efficiency and reducing cargo handling time and cost through streamlining and optimising the multi-party coordinated processes electronically.

On green port development, the international maritime industry is increasingly concerned about the issues on marine pollution and environmental protection. As an international maritime centre, Hong Kong has been promoting the development of green port through different measures and encouraging the industry to adopt more sustainable shipping initiatives. To this end, the Government is committed to ensuring that the local legislation is in compliance with the latest requirements of the International Maritime Organization on environmental protection. We also strive to strengthen cooperation with the Mainland to improve the regional air quality. Besides, the Government has been actively promoting the use of clean energy by ocean-going vessels (OGVs), such as examining measures to take forward the adoption of liquefied natural gas in OGVs, with a view to attracting more OGVs to call Hong Kong Port for replenishment.

(5) We have formulated strategies and plans for the long-term development of Hong Kong's maritime and logistics industry through the HKMPB and the Hong Kong Logistics Development Council (LOGSCOUNCIL). The HKMPB and the LOGSCOUNCIL, together with their respective Subcommittees, have been operating smoothly and effectively. Thanks to the valuable suggestions and support offered by the members of the two bodies, 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, the implementation of a pilot subsidy scheme to encourage the adoption of technology by the logistics sector, etc. The Government is open to the suggestion for establishing a statutory maritime body as a long-term arrangement. Nevertheless, a comprehensive and thorough study would be required regarding issues such as financial sustainability and statutory functions if a statutory maritime body has to be set up. We will consider the future direction taking into account the actual circumstances.