

# Speech by STH at Capital Link Hong Kong Maritime Forum of Hong Kong Maritime Week 2019 (English only) (with photo)

Following is the speech by the Chairman of the Hong Kong Maritime and Port Board and Secretary for Transport and Housing, Mr Frank Chan Fan, at the Capital Link Hong Kong Maritime Forum of Hong Kong Maritime Week 2019 today (November 18):

President Nicolas (President of Capital Link, Inc, Mr Nicolas Bornozis), distinguished guests, ladies and gentlemen,

Good morning. It's my great pleasure to be here at the Capital Link Hong Kong Maritime Forum. We are honoured to have Capital Link hosting its inaugural maritime forum in the Hong Kong Maritime Week 2019. The forum brings together leaders and experts across the globe to share thoughts and insights on the latest development of the maritime industry, and also on strategies for the future.

The global economy is beset with uncertainty amid trade tension and protectionism. The International Monetary Fund has repeatedly downgraded the global economic growth forecast for 2019 to 3 per cent in October, the lowest since the global financial crisis back in a decade ago. Likewise, the World Trade Organization has slashed its projected growth of global trade volume for 2019 to just 1.2 per cent in October. International maritime trade saw decelerated growth of 2.7 per cent in 2018 and is set to face more headwinds ahead.

Apart from challenges arising from global economic slowdown, international regulations in respect of safety, sustainability and technology advancement also demand concerted efforts of the maritime community.

Regulatory requirements entail compliance implications, they also open up new opportunities. As an example, the need for new vessels to comply with International Maritime Organization standards on green shipping and eco-friendly vessels is expected to generate demand for ship finance. According to the United Nations Conference on Trade and Development, the capital expenditure required for building new vessels amounts to up to US\$100 billion every year.

On the technology front, technological advancement in the shipping industry is both exciting and challenging. It is exciting because no one would expect an ocean-going vessel capable of navigating all on its own hundreds of years ago. It is also challenging because such mode of operation brings about uncertainties that call for new regulatory regime and business

models for port operation, marine insurance and dispute resolution.

Despite the rather challenging global environment, Asia remains the powerhouse of growth. With a 5.9 per cent projected growth in 2019, Asia contributes roughly two-thirds of the world's economic growth, accounting for some 40 per cent of global merchandise trade value. Asia is also a prime base for maritime activity. Let me tell you a few things: It houses three of the world's top 10 shipping registers, five of the world's top 10 shipowning economies, five of the world's top 10 most connected economies in terms of liner shipping; six of the world's top 10 shipbuilding economies; and nine of the world's top 10 busiest container ports. All these speak very loud and clear that Asia, indeed, has much to offer for the global shipping and maritime community.

One of Asia's emerging growth engines is the Guangdong-Hong Kong-Macao Greater Bay Area (GBA). Its Development Plan calls for expediting regional and global infrastructural connectivity. The GBA has a high concentration of ports, including three of the world's busiest container ports, namely Shenzhen, Guangzhou and Hong Kong. These three ports had a combined throughput of over 67 million TEUs in 2018. The Development Plan aims to raise the overall competitiveness of the GBA port cluster, among other things that we want to provide. Through co-ordinated and complementary development, Hong Kong is tasked to provide comprehensive high value-added maritime services to serve Mainland and Macao enterprises. All these help consolidate Hong Kong's position as an international maritime centre. With the continual development and synergised maritime capabilities of the GBA, shipping activities and the demand for maritime services will blossom in the years to come.

Looking further, exciting opportunities also abound. In our neighbouring province Guangxi, which is on the west side of Hong Kong, the New Western Land-Sea Corridor is in the making. It strategically connects the Mainland's western regions. To the north, it links to the Silk Road Economic Belt, and to the south, the 21st Century Maritime Silk Road.

By 2025, Guangxi's Ports will mushroom. The boost in cargo volume and inter-modal connectivity will generate huge demand for liner services and maritime businesses through Hong Kong.

Hong Kong is situated in the heart of Asia. Thanks to our strategic location and deep sea port, we have a maritime heritage of over 150 years. Our institutional strengths including the rule of law, free port status, level playing field for all and ease of doing business are instrumental in making Hong Kong an ideal international maritime centre. We are home to a vibrant maritime cluster of over 800 shipping-related companies that offer a full range of high value-added maritime services. As we all face the undercurrents of global, macro and sector-specific challenges, opportunities of unprecedented scale arise in this part of the world. We are determined to collaborate with the international maritime community to capture these opportunities.

The Hong Kong Government attaches great importance to the maritime industry. On the port and shipping front, we will leverage on our superb connectivity and team up with the industry. Specifically, we have introduced a series of measures to foster the development of high value-added maritime services, with a view to attracting more shipping-related companies to Hong Kong.

We will provide tax concessions for ship leasing businesses in Hong Kong. Qualifying ship lessors engaging in operating lease and finance lease including sub-leasing and sale and leaseback activities will enjoy a 0 per cent profits tax rate. We will also halve the profit tax rate for qualifying ship leasing managers from 16.5 per cent to 8.25 per cent. We heard the industry's call for further tax incentives to attract more presence of maritime commercial principals, and we are working on it.

Hong Kong will continue to enhance its strength in marine insurance. Hong Kong has been the first Asian Hub of the International Union of Marine Insurance since 2016. We are home to 12 out of 13 members of the International Group of Protection and Indemnity Clubs, being the largest cluster outside London. To further promote the development of marine insurance services, we will provide a concessionary profit tax rate of 8.25 per cent. This measure is expected to come into effect next year.

Last but not least, as the world's fourth largest shipping register with a low Port State Control detention rate of 0.82 per cent as against the world's average 2.68 per cent, the Hong Kong Shipping Register will enhance its services by establishing regional support teams. These will expedite and broaden its services coverage to the Mainland, Asia, Europe and North America. The first batch of offices will come into operation in Shanghai, Singapore and London by early 2020.

I hope that my brief introduction above will convince you of our determination to connect, innovate and serve the global maritime community. We invite you all to tap the opportunities in Asia, particularly the Greater Bay Area, together. In closing, I would like to extend my heartfelt appreciation to every one of you for your participation. Amid social unrest, your presence speaks for itself and means a lot to us and to Hong Kong. May I wish you all an enjoyable and rewarding forum. Thank you.

