



香港港口及航運局
Hong Kong Port and Maritime Board

Study to Strengthen Hong Kong's Role as an International Maritime Centre

Executive Summary

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1 THE SITUATION IN HONG KONG

- 1.1 Hong Kong already is an active and globally respected international maritime centre, one of the few throughout the world. It is regarded by many in the maritime industries both in and, more so, outside Hong Kong as the premier maritime centre in the Asia-Pacific area. Yet, Singapore and other centres would like to assume Hong Kong's mantle and are aggressively pursuing strategies to do so. There is much to be done both to preserve Hong Kong's present status and to develop it further.
- 1.2 The development of Hong Kong as an international maritime centre over the last century and a half has been driven principally by the private sector maritime industries taking their own initiatives both collectively and discretely. The Government has provided support through its commercial and economic policies and forged a more specific role latterly in acting as regulator of the maritime situation in Hong Kong. It does so particularly regarding international agreements and conventions (such as those promulgated by the International Maritime Organisation), setting and enforcing standards that have been agreed with the cluster and which also reflect international best practice. More recently, the Government, via the Marine Department, has been successfully operating the Hong Kong Shipping Register on the basis of high quality standards and efficient procedures.
- 1.3 The overall effect of the relationship that has emerged between the maritime industries and the Government has been to attract ship owners and managers either to come to or establish themselves in Hong Kong especially since the 1940s. Their activities in turn have given the impetus for the growth of the other industries in the cluster.
- 1.4 One of the important strengths of Hong Kong is the close co-operation that occurs between the Marine Department and the shipping elements of the cluster to express Hong Kong's views internationally and achieve higher standards within the marine aspects of Hong Kong's maritime industries. The Marine Department is held in respect by the private sector for its pragmatism (derived from its officers having gained experience in the maritime industries before joining the Department) and its ability to act as a competent regulator that is constructive in foreseeing and responding to issues of concern to the ship owning and operating industries.

- 1.5 One of Hong Kong's major problems is that its pre-eminence verges on being a well-kept secret to the point where few people (whether working in the cluster of maritime industries in Hong Kong or outside them) truly comprehend the extent of its international standing and reputation. The industries have gone through a period of around 15 years during which they have had little appeal to the general public.
- 1.6 The Government overall is regarded by members of the cluster as having limited awareness of either Hong Kong's international status as a maritime centre or of the significant benefit Hong Kong derives from this situation. This view is based for the most part on the perception that the Government lacks awareness of the importance of the cluster to Hong Kong and is, at best, lukewarm towards it. Consequently, the argument runs, the Government does not see the need to accord high profile policy status to the cluster leading to and caused by the lack of a comprehensive set of consistently applied policy initiatives.
- 1.7 This situation exists despite the high regard in which the Marine Department is held by the private sector element of the cluster. Policy setting is outside the ambit of the Marine Department.
- 1.8 In Norway, Holland and the UK within the past 10 years the Governments have realised and responded to the need for major initiatives resulting in specific, clearly articulated policies to support their national, maritime aspirations and assist the promotion of their maritime centres. Without these policies the decline of their countries as maritime nations would have continued, adversely affecting the international appeal and quality of their maritime centres.
- 1.9 The situation is compounded both by the significant attention given variously to the port and logistics and by the extensive, varied nature of the industries comprising the cluster. Members of the cluster feel that their industries are viewed by the Government, if at all, as a poor relation of less importance than the port, evidenced by there being only a Shipping Committee of the Hong Kong Port and Maritime Board and that not formed until 1998.
- 1.10 Hong Kong is fortunate to have a busy, deepwater port. It is also fortunate to have established itself as an international maritime centre. The activities of the maritime industries are both local and international. These activities support and contribute to improving the efficiency of the logistics industries operating into and from Mainland China via Hong Kong.

The port plays an important but single role in the logistics chain while the maritime industries, as a cluster, form one of the main bridges between the port and the logistics chain.

1.11 Yet Hong Kong's reputation as an international maritime centre has developed principally from the activities of the cluster rather than the port. The port is significantly dependent on activities within the cluster for its success yet much of the cluster could continue to function effectively if there were no port. Members of the industries feel it is time for the Government to give their activities recognition and attention at least equal to that enjoyed by the port and the logistics industries.

1.12 The cluster comprises the following industries:

- Ship owning and operating
- Ship management
- Ships' agents
- Classification societies and surveyors
- Marine equipment and supplies (inclusive of shipyards and ship repairs)
- Marine insurance
- Ship finance
- Ship brokers and charterers
- Maritime law and arbitration
- Technical and miscellaneous services (including research and development)
- The Hong Kong ship register.

In common with some other maritime centres, Hong Kong has no major shipyard facilities or recent tradition of oceangoing ship design.

1.13 Of the above services, the most important in terms of revenue generation and economic value in Hong Kong are ship ownership and ship management. They are the core which sustain and develop the other industries in the cluster.

1.14 Hong Kong's international standing is enhanced by its active involvement (via the private sector and the Government working closely together) in

regional and international fora and bodies, where it has been dubbed “the voice of Asia”. These activities make Hong Kong known more widely as a maritime centre and also as the one where the majority of the key ship owners and managers operating internationally have located the headquarters of their Asian operations. There are several companies operating internationally that have either their international or their operational headquarters in Hong Kong.

- 1.15 Hong Kong’s proximity to Mainland China, its legal, financial and communication systems and its understanding of how to operate shipping effectively to service China trade are also factors contributing to its pre-eminence.

2 KEY ISSUES

- 2.1 Within the cluster there is no one overall body (such as a Chamber of Shipping) representing all elements of the cluster. Instead, each element of the cluster has its own body and organisational arrangements. One body in the private sector, the Hong Kong Ship Owners Association (HKSOA), intentionally has members from almost all maritime industries in Hong Kong. It is the largest and perhaps the most influential of the industry representative bodies in Hong Kong. It would be relatively straightforward for the HKSOA to become the overall private sector representative body but its members do not wish to take on this role as they fear that in doing so they would lose their original purpose. Some other representative bodies would be concerned at the possible diminution of their authority were the HKSOA to be recognised as the representative body for the whole cluster.
- 2.2 Without an overall body helping to identify issues, research them and consolidate opinions for discussion, interaction with the Government tends to be piecemeal and less effective than it should be. The absence of this overall body makes it more difficult for the private sector to:
- develop and articulate a comprehensive strategy for the cluster to preserve and develop Hong Kong’s standing
 - make the Government aware of the support the industries need it to provide for them
 - raise public awareness of both Hong Kong’s reputation and the contribution to GDP made by the cluster

- attract the appropriate calibre of people into the industries to ensure their further development
 - ensure its members adopt and contribute to the development of international best practice in their structures, management and operations.
- 2.3 There is a need for the Government to design policies to provide such support as it reasonably can towards the achievement of the maritime strategy developed by the cluster. This process would be facilitated if the Government were able to meet senior representatives of the cluster separately from the environment of the Hong Kong Port and Maritime Board where the focus is principally on the port and logistics.
- 2.4 Policies can best be developed when the cluster and the Government know the size, nature and contribution of the cluster to Hong Kong. The lack of availability of discrete, comprehensive statistics for the maritime industries hinders the development of reliable profiles of each industry comprising the cluster and their individual as well as collective needs.
- 2.5 One of the principal problems facing the cluster is to attract people of appropriate calibre to develop careers in the maritime industries. The problem arises from lack of effective promotion of the cluster within Hong Kong to dispel the preconceived impression that the industries offer low status and inadequate rewards while a successful career requires many years at sea. The situation is compounded by the perceived lack of suitable alternative career paths within the cluster or any particular industry and the impression of almost no formal, modern management development being undertaken.
- 2.6 For some time, Hong Kong has been unable to develop a sufficient number of its own seagoing cadet officers to meet its overall needs. The reasons for this situation include: lack of appeal of a seagoing career to almost all Hong Kong people, levels of pay given to cadets (that, until very recently, have been considered too low compared to the levels of pay given in other jobs) and restrictions on the immigration of Mainland seafarers, cadets and others related to the industries. The crewing of ocean going ships operating internationally consists normally now of Filipinos, Mainland Chinese and Indians. The possibility of making up the shortfall of Hong Kong seafarers with Mainland Chinese seafarers (who are well trained in Mainland sea schools and colleges) is reducing due to the expanding

- needs of Mainland (and other) ship owners for crews to sail their vessels.
- 2.7 Centres such as Singapore and Shanghai actively undertake international promotion campaigns to attract ship owners, managers and the other industries in the cluster to locate in their centres. They emphasise the positive factors in their situations and the support given by national and local governments. Hong Kong generally has more attractive features than either centre but has failed to develop and implement a vigorous, co-ordinated, ongoing promotion exercise internationally. Its promotional efforts overall are haphazard but, when co-ordinated, can be very effective. The situation arises in part from the lack of an overall private sector representative body, the lack of a clear strategy developed by the private sector and inadequate liaison between the private sector and the Government.
- 2.8 There is uncertainty as to what an international maritime centre should comprise and as to how it develops. Some members of the cluster make reference to London and New York and their component industries. Such comparison is inevitable and useful but obscures the point that each centre is different because it has formed its own set of strengths (in place or with the potential to be developed) that, as a group, tend to be unique.
- 2.9 London is home to the majority of the international bodies dealing with maritime affairs, it has the premier maritime insurance market internationally and its tax structure attracts leading Greek ship owners to have their headquarters there. No Asian maritime centre can sensibly replicate the situation where international bodies will establish their headquarters in that centre. The insurance market is unlikely to be attracted away from London regardless of tax incentives offered and there is no need to do so as all the leading brokers and underwriters are already operating extensively in Asia with many principally based in Hong Kong.
- 2.10 Hong Kong's tax regime is beneficial but its structure and benefits are under-promoted internationally. Its attractive features are marred by the lack of a sufficient number of double taxation agreements and other maritime focused taxation arrangements with other Governments. This is an area where both Singapore and Mainland China have made far more progress than Hong Kong.
- 2.11 Hong Kong collectively has not decided on the profile it wishes to have in international maritime regulatory and other bodies. It is the most active participant from Asia at the moment but to retain and strengthen its

position as Asia's leading voice in selected maritime matters a conscious decision will have to be made to commit the funds to invest in extensive, relevant research and lobbying.

- 2.12 The maritime centres that are most attractive internationally provide effective means of dispute resolution and promote their ability to do so. Hong Kong has a strong tradition in arbitration, mediation and use of a common law court system to resolve disputes except in maritime matters where, although it has a judge who has focused on maritime matters, it lacks an admiralty court and its use as an arbitration or mediation centre seems to be in decline.
- 2.13 Several Mainland Chinese parties prefer to arbitrate in Hong Kong when Hong Kong law can be used to enforce the award. Hong Kong has long experience of trading with Mainland China, other parts of Asia and internationally. This experience enables its arbitrators and mediators to be effective in their work by quickly identifying the key issues and being very practical in their management of the dispute proceedings. Yet this strength is not identified and promoted nor has a sufficiently sustained attempt been made to attract maritime arbitrations and mediations to Hong Kong.
- 2.14 Thriving, maritime centres tend to have a seamless structure of educational bodies focused on producing people trained to meet the needs of their maritime industries. Their Governments take the lead in putting these structures in place in consultation with the industries and the syllabi of the various bodies are kept under constant review. Hong Kong has dedicated educational bodies for meeting some but not all of the needs of its maritime industries using diverse, unconnected structures that are inefficient. At the tertiary level only one university provides maritime courses but it is neither recognised nor promoted as Hong Kong's maritime university and its maritime courses are under threat to make way for logistics dominated courses.

3 COMPETITIVE STRATEGY AND MASTER PLAN

- 3.1 The keys to resolving the various issues are for:
- the cluster to develop a comprehensive, clearly articulated, long-term (10 years +) strategy for the cluster and its component parts

with its core being the attraction of more ship owners and managers to Hong Kong

- the private sector aspects of the cluster to develop their own authoritative, overall representative body
- the creation of a compact, high level body (the Maritime Industries Board [MIB]) dedicated solely to the maritime industries and composed of private sector and Government representatives
- the MIB to review the strategy, be advised of Government policies in support of the strategy and to monitor the implementation of the strategy and policies
- the Government to formulate a set of policies in support of the strategy endorsed by the maritime industries body and to accord the cluster the prominence it merits.

3.2 The strategy proposed in this report is based on the above and has taken account of:

- the strengths and weaknesses of Hong Kong as maritime centre
- the opportunities available as globalisation proceeds further and Asian, in particular Mainland Chinese trade increases
- the threats posed by Singapore and how co-operation as well as competition could benefit both centres
- Shanghai being a national maritime centre and not a threat to Hong Kong
- the needs of the maritime industries both locally and internationally.

3.3 The strategy comprises broadly four elements which are briefly summarised in the following paragraphs:

- Institutional aspects
- Promotion
- Personnel and Education
- Financing.

Institutional Aspects

- 3.4 The Maritime Industries Board (MIB) would have probably 7 members - 4 from the private sector and the others comprising the Secretary for Economic Development and Labour, the Director of Marine and possibly a senior representative of the Education Bureau. It would be serviced by the Secretariat of the Hong Kong Port and Maritime Board with one person assigned to be Secretary for at least 6 years in order to build up knowledge, experience, contacts and continuity. It would meet quarterly and have no subcommittees but would appoint task forces when needed. The annual budget required for servicing the MIB would be expected to aggregate to less than HK\$2 million p.a.
- 3.5 The overall representative body of the private sector is already in effect the HKSOA, which has the seniority, breadth and depth of membership, the resources, extensive knowledge, network of contacts and experience to fulfill this role. It would be sensible for the HKSOA to take on this role formally and for the private sector element of the cluster to support this move as it would be faster, more effective, more efficient and less costly for the private sector than any other option. There would be no need for the HKSOA to lose either its direction or purpose nor would it need to incur any expense additional to what it already needs to incur to service properly the needs of its various members. The creation of a new body, such as a Hong Kong Chamber of Shipping, to serve this purpose would cost money, take time, prove divisive and also create confusion. There is no certainty any such new body would have the authority to represent the cluster effectively when interfacing with the Government or external parties regionally and internationally.
- 3.6 The HKSOA needs to strengthen its finances, increase its resources and upgrade its offices purely to serve its existing members and mandate effectively. This strengthening is overdue and, if not carried out, is expected to result in a decline in membership and revenues.
- 3.7 In addition to establishing both the MIB and one overall representative body of the private sector elements of the maritime industries, it is both sensible and necessary to set up a 'Maritime Forum'. The Maritime Forum, administered by the HKSOA, would enable all interested parties (both private and public sector) to meet on a periodic basis to discuss less formally issues affecting Hong Kong's maritime industries and its status as an international maritime centre. The Maritime Forum can facilitate a wide spectrum of participation either generally or on specific issues.
- 3.8 The strengthening of Hong Kong for its own needs and internationally

would be served by developing in the short term an Admiralty Court to focus exclusively on maritime matters. The Court's procedures should be streamlined to reduce costs for parties using it. The establishment of such a Court indicates the importance to Hong Kong of maritime matters, provides more judicial depth than depending on one judge for all maritime matters, develops additional relevant experience among the judiciary, the bar and solicitors enabling the legal profession to strengthen its expertise in maritime matters. In addition, it offsets the advantages Singapore tries to claim by having established its own court with three judges by providing more choice regionally to potential litigants and drafters of contracts since Hong Kong's legal system is highly regarded.

3.9 In order for both the Government and the private sector elements of the cluster to understand well the size, nature, contribution and quantitative human resource needs of the maritime industries operating in Hong Kong, more comprehensive and discrete statistics need to be collected by maritime industry classification of:

- Revenue
- Costs
- Profits
- Capital employed
- Types and values of assets and where located
- Employment – numbers, types, profile requirements, turnover, vacancies
- Premises and equipment.

These statistics would be collected and collated by the Government to preserve confidentiality. They would cover the different types of industry and require present information as well as future projections. Aggregated data by industry including contribution to GDP would be presented by the Government. It would be sensible for the Government to work with the industries in the cluster in developing the format of information to be collected.

3.10 International aspects of institutional matters include:

- Reassessment by the Government in conjunction with the private sector of its level of involvement with international and regional

maritime organisations in support of the agreed strategy

- Strengthening Hong Kong's representation (both public and private sector) in the UK and Europe with specific attention given to its inter-relationship with relevant international institutions
- The Government and private sector agreeing on the suitable ways to lead and monitor the development of Asian maritime representative bodies that are important to the future growth of the maritime industries in Asia
- The HKSOA monitoring institutional developments in Shanghai as the principal port and trade gateway in Mainland China
- The HKSOA co-ordinating actions to provide assistance when needed by Mainland China's maritime industries in their development
- The HKSOA undertaking a sector-by-sector investigation of the opportunities for Hong Kong to be established as the Asian regional centre for relevant international organisations and how to achieve such opportunities
- The Government working closely with the private sector to seek wider co-operation with Singapore and, where relevant, Shanghai to provide a more compelling inducement for additional maritime businesses based and operating outside Asia to set up regional operations in Asia.

Promotion

- 3.11 Much of the promotional activity is focused internationally with the intention of also using it locally within Hong Kong.
- 3.12 Key messages to be included in ongoing, planned promotion of Hong Kong (both to inform and attract) are:
- Hong Kong has a sound, legally protected business infrastructure and a soundly based economy; together they provide a financial, legal, service and communications centre for Asia that is unparalleled
 - The 1 country 2 systems concept, which has been well tested and is working very effectively, provides longer term protection of Hong Kong's advantages

- The Hong Kong Shipping Register provides quality assurance by setting and enforcing high standards to the benefit of owners and the crews of their ships entered on the Register - the effectiveness of the messages regarding the Register will be enhanced by a sustained, successful campaign to persuade Hong Kong ship owners to register more of their ships in Hong Kong, especially new buildings
- Hong Kong is the main financial bridge between China and the rest of the world for trading and shipping and Hong Kong enterprises have a wealth of experience in providing financial solutions and effective management of trading opportunities for ship owners and managers
- The quality of services available within the Hong Kong maritime community is high by international standards and Hong Kong is the pre-eminent Asian service centre for maritime and other industries
- Hong Kong with its excellent communications and transportation links is the ideal location in the Asian region for the Classification Societies to establish their regional offices as a base for supervising regional activities. Classification Societies could continue to maintain local offices for the active supervision of building and repair operations.
- Hong Kong, with its long history of trading with Asia and Mainland China in particular and its Maritime Arbitration Group is the centre to nominate in contracts and to select for settlement of maritime disputes by arbitration, mediation or litigation.

3.13 There is a need also for the Government and the private sector to provide induction assistance to maritime newcomers to Hong Kong to enable them to settle quickly and effectively into the maritime cluster. The provision by Government of a well-maintained and easily accessible maritime sector internet portal will assist this process and those already operating within the cluster.

3.14 The Government and private sector acting conjointly can effectively enhance the promotion of Hong Kong as an international maritime centre by consistently articulating in appropriate, international venues and fora the concerns, opinions and recommendations of Asian maritime bodies. Hong Kong would gain the double benefit of effectively leading the Asian maritime community on an informal basis and the effects of being seen as

- the Asian maritime leader. Hong Kong's representatives would need to make clear the importance of its involvement and its research in its work in Asian bodies. Highlighting the role research plays in making Hong Kong an Asian leader would further strengthen this promotional activity.
- 3.15 The attraction of Hong Kong as the Asian maritime centre would be significantly improved by the conclusion of several more taxation agreements with countries that are key to the various elements of Hong Kong's maritime industries. The Government would need to give careful consideration to the advice of the private sector in setting the priority for concluding these agreements. This co-operation could best be co-ordinated by the MIB. It would be sensible also to review early allowing the costs of ship leases as a deduction for purposes of profits tax in order to avoid loss of this type of business to Singapore and other centres.
- 3.16 There is also a need to promote Hong Kong's insurance capability and the depth of its insurance market through:
- the presence of the regional offices of almost all the major P&I Clubs
 - the extensive marine and other specialist brokerage capability
 - its links to the key underwriting markets such as London.
- 3.17 The promotion and the insurance market in Hong Kong would be enriched by:
- raising the standing and status of the Hong Kong Institute of Insurance to be on a par with its UK counterpart
 - strengthening Hong Kong's existing influence on Hull, War Risk and other specialist areas of marine and associated maritime insurances
 - clarifying early on that the income of the P&I Clubs and marine underwriters is exempt for profits tax purposes.
- 3.18 The effectiveness of the promotion strategy would be considerably enhanced by implementation of a plan to make Hong Kong one of the major international centres for important maritime events. Hong Kong would need to establish the events it will host for international, regional and local purposes then invest in ensuring they are successfully promoted and delivered. This programme would raise the profile of the maritime

industries locally and attract overseas visitors (industry participants, media reporters and tourists) who would gain first hand knowledge of the vibrancy of Hong Kong as an international maritime centre.

- 3.19 The promotion outlined will need to be funded. A specific fund should be established and its expenditure monitored by the MIB. It is estimated that all promotion, both locally and internationally, will require an average annual budget not exceeding HK\$10 million.

Personnel and Education

- 3.20 The purpose driving this element of the strategy is to ensure the cluster can attract and retain the calibre of management it needs to operate to the highest international standards and also to be capable of setting some of such standards. There is little blue collar work within the cluster while the increasing application of IT based systems to routine operational and administrative functions is requiring fewer but more multi-skilled people. Where functions are either not systematised or the systemisation applied is relatively uncomplicated, jobs are being transferred to lower cost locations. The resulting, overall trend is an increase in the number of managerial and semi-managerial positions with a continuing tightening in the ratio of management to non-management staff.
- 3.21 The cluster employs directly in Hong Kong a small number of people aggregating less than 10,000. This figure can be misleading in that ultimately the cluster in Hong Kong employs or is responsible for managing many times that figure as crews and in offices located in Mainland China and other parts of the region. It is important in the promotion and development of Hong Kong as an international maritime centre to be able to demonstrate that the cluster is and can go on employing the quality of management at all levels and in all component industries that it needs.
- 3.22 The specific actions recommended to achieve this aspect of the overall strategy are to:
- Establish jointly and also fund jointly a Maritime Training Trust to provide partial funding for training to all industries in the maritime cluster according to their needs – the focus would be expected to be on ship owning and ship management companies training seagoing officer cadets and crew of Hong Kong origin
 - Develop and implement a plan for sharing, if needed, the training

costs of seagoing cadet officers between ship owners and ship managers and the Government

- Review (by the HKSOA and the Marine Department) the number of seagoing cadets needed annually to meet Hong Kong's demands (estimated at not less than 120) on the expectation that, although Chinese mariners are well trained, the Mainland's own demand is expected to outstrip its supply and increasingly their trainees are coming from inland provinces where there is no tradition or reservoir of knowledge of seafaring
- Consider jointly and, if justified, implement a small levy on all members of industries in the maritime cluster to fund the Maritime Training Trust
- Put in place measures to enable easier entry to Hong Kong of personnel from the Mainland who, having appropriate skills and experience to meet the needs of different elements of the cluster (expected to be mainly seafarers), are allowed by the Mainland authorities to enter Hong Kong to take up specific jobs in the maritime cluster
- Clarify immigration policies and procedures to provide for speedier processing of visa applications and for the admission of Mainland Chinese technicians and professionals with qualifications or experience relevant to the needs of the cluster
- Establish through the HKSOA a 3 to 5 year Management Development Scheme to attract suitable talent to enter employment in the cluster and to provide the entrants (probably 8 to 10 per year) with suitable employment opportunities across the cluster on the satisfactory completion of their development programme
- Encourage and organise via the HKSOA technical research fora that involve ship owners, ship managers, equipment manufacturers, classification societies and surveyors, ship repair yards, ship designers/architects and technical research companies
- Create a Maritime Education Body to oversee and direct all maritime educational bodies – the Hong Kong Sea School, the Seamen's Training Centre, the Single Maritime Training Institute and the Hong Kong Polytechnic University – to provide seamless progression and to utilise resources to optimal efficiency
- Request the Examinations Authority to examine and give accreditation in the Hong Kong Certificate of Education to the

course "maritime studies" taught at the Sea School to attract and provide more students especially as crew of cruise liners

- Designate the Hong Kong Polytechnic University as the Maritime University of Hong Kong and:
 - Ensure its syllabus provides all courses required by the cluster at the tertiary education level excepting for law and courses provided by the Seamen's Training Centre
 - Increase the number of shipping management courses available
 - Increase the number of shipping finance courses available and strengthen links with banks providing shipping finance
 - Enhance co-operation with tertiary level academic institutions world-wide for mutual reciprocity including transfer of knowledge and best practice
 - Strengthen links with industry in course identification, design and delivery
 - Maintain and, depending on demand, increase all seafaring and maritime course places
- Increase the number of maritime legal courses available in Hong Kong universities, strengthening links between them and legal firms practising maritime law
- Complete arrangements for certificates of competency 1 and 2 for deck officers whether solely in Hong Kong or in conjunction with academic institutions outside Hong Kong.

3.23 There has been debate about the practicality of Hong Kong training its own seagoing officer cadets (more so deck than engineering officer cadets) compared to depending on attracting suitably certificated and experienced Mainland Chinese officers. The requirements to Hong Kong to train its own cadets stem from its obligations under its signing various IMO Conventions. The arguments against doing so have been: lack of suitable recruits to go to sea for the wages available; lack of interest in going to sea for a career; lack of sufficient berths for cadets as supernumeraries; availability, experience and cost of Mainland Chinese officers.

3.24 The recent economic downturn has resulted in more suitable Hong Kong candidates becoming available to go to sea as cadet officers for the wages offered. It has also been made clear more recently that there are attractive

career openings for such people requiring far less seetime than an officer has to possess to become a Marine Superintendent. It is also being realised that the needs of the Mainland Chinese maritime industries (and those of various developed nations) will increasingly absorb all the Mainland marine officers available. This situation, over time, would have devastating consequences for Hong Kong's maritime industries, especially ship owners and managers, if Hong Kong were to become wholly reliant on this source of supply of officers. Therefore, in these circumstances, it is important for Hong Kong to take the necessary steps to train its own seagoing cadet officers to fill as many of its vacancies afloat and ashore as it can.

Funding

- 3.25 The annual outlays required to achieve the strategy are minimal and there is little if any requirement for capital expenditure.
- 3.26 The estimated expenditure, divided between minimum and optimal, and stated in millions of Hong Kong dollars is shown below. Promotion costs would reduce after some five years or so once the desired earlier impact has been achieved. The funding would be administered and disbursed by the MIB.

Item	Minimum	Optimal
MIB costs	2	2
Promotion	10	10
Education	5	10
Research	3	10
TOTALS	20	32

- 3.27 The Government cannot be expected to provide this funding in the current situation of budget deficits. Other sources have to be found.
- 3.28 One option is to take the surplus from the Hong Kong Ship Register as it grows and apply that to the development of the maritime industries. This option is justified on the basis that the Government does not operate the Register to make surpluses but to provide a necessary service of the highest international standards and the money would be used specifically

to assist those industries using the Register.

- 3.29 Apart from loss of revenue for the Government, the main issues with this option are uncertainty regarding the rate of growth of the Register and the problem of identifying then transferring the surplus under Government accounting methods.
- 3.30 An alternative is to impose a small levy on oceangoing ships and the large river trade craft calling at Hong Kong, similar in nature to the charges levied on customs' entries to provide funding to the Hong Kong Trade Development Council and on hotels to provide funding to the Hong Kong Tourism Board. A levy of HK\$200 per call could raise between HK\$30 and 40 million annually net of collection expenses. The variation would result from exemptions and, if thought desirable, the scaling of the levy according to net registered tonnage.
- 3.31 This option would be criticised for increasing the costs of calling at Hong Kong when every effort is being made to reduce costs and Hong Kong has the one of the highest costs of call of any port in the region when terminal charges are added. The current aggregate port charges per ocean going vessel visit average less than US\$5,500, one of the lower costs of regional ports. The levy would also need to be approved by the Legislative Council, which might lead to delays in its introduction.
- 3.32 A further alternative is to create a Maritime Development Fund to be established. This could be achieved by the private sector and the Government giving matching donations as seed money of up to HK\$15 million while a more permanent source of funding is decided upon. Alternatively, the Government might give a loan of the seed money at low interest rates to be repaid by the MIB as the source of permanent funding, having been decided, starts to flow.

Overall Benefits

- 3.33 The implementation of the proposed strategy would result in the further development of Hong Kong as an international maritime centre. This result would have the effect of raising the contribution of the cluster towards GDP far exceeding the modest annual costs involved. In addition, higher level management and relevant support jobs would be created thus assisting Hong Kong to achieve its policy of moving overall up the value chain to becoming a high value-added service centre.