

# **Consultancy Study on Enhancing Hong Kong's Position as an International Maritime Centre**

## **Final Report**

*April 2014*



# Consultancy Study on Enhancing Hong Kong's Position as an International Maritime Centre

## Final Report

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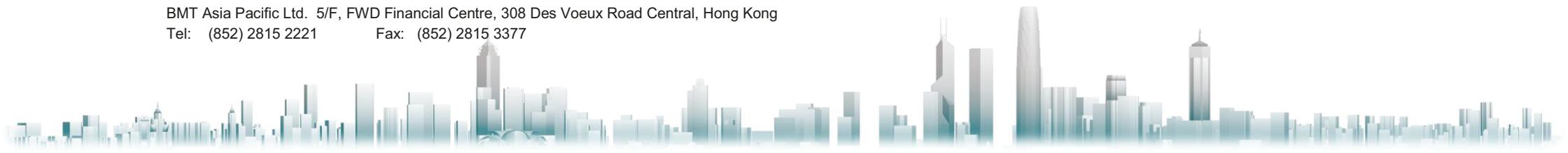
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## Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>		
1.1	General Approach to the Consultancy	1		
1.2	Maritime Clusters	2		
1.3	Hong Kong's Maritime Cluster and Status as an International Maritime Centre (IMC)	2		
<b>2</b>	<b>Background and Objectives</b>	<b>4</b>		
2.1	Study Rationale	4		
2.2	Overall Approach	4		
	2.2.1 <i>Previous Investigations</i>	5		
	2.2.2 <i>The Clustering Effect</i>	5		
2.4	Timing	6		
<b>3</b>	<b>Hong Kong's Maritime Cluster in a Regional and Global Context</b>	<b>7</b>		
3.1	The Global Shipping Industry	7		
3.2	Contribution of the IMC to Hong Kong	9		
<b>4</b>	<b>IMCs and Hong Kong's Current Positioning</b>	<b>11</b>		
4.1	Definition and Types of IMC	11		
4.2	Selection of Benchmarks	11		
4.3	Factors of Competitiveness	12		
4.4	Hong Kong's Relative Strength by Factors of Competitiveness	12		
4.5	Hong Kong's Relative Strength by Maritime Service Areas	13		
4.6	Hong Kong's Current Position	14		
<b>5</b>	<b>Maritime Cluster Analysis</b>	<b>15</b>		
5.1	Human Resources	15		
5.2	Environment	16		
5.3	Regional Development	17		
5.4	Focus Group Discussions	18		
5.5	Perceived Market Opportunities and Barriers	19		
5.6	Hong Kong's Strengths, Weaknesses, Opportunities and Threats (SWOT)	21		
5.7	Investment in IMC Development: Singapore	22		
<b>6</b>	<b>A Strategy for Hong Kong</b>	<b>24</b>		
6.1	Strategy Framework	24		
6.2	Recommendation: The Vision Statement	24		
6.3	Hong Kong's Future Positioning as an IMC	25		
	6.3.1 <i>Approach</i>	25		
	6.3.2 <i>The Do Nothing Scenario</i>	26		
	6.3.3 <i>Recommendation: The Target Scenario</i>	27		
6.4	Underlying Themes	28		

<b>7</b>	<b>Issues and Initiatives</b>	<b>29</b>		
7.1	Issues	29		
	7.1.1 <i>Government Policy Issues</i>	29		
	7.1.2 <i>People Issues</i>	30		
	7.1.3 <i>Marketing, Promotion &amp; Communication Issues</i>	31		
	7.1.4 <i>Infrastructure, Innovation &amp; Technology Issues</i>	32		
	7.1.5 <i>External Issues</i>	32		
7.2	Recommended Initiatives	33		
	7.2.1 <i>Government Policy (GP)</i>	33		
	7.2.2 <i>People (PE)</i>	33		
	7.2.3 <i>Marketing, Promotion &amp; Communication (MPC)</i>	34		
	7.2.4 <i>Infrastructure, Innovation &amp; Technology (IIT)</i>	35		
	7.2.5 <i>Implementation</i>	35		
<b>8</b>	<b>The New Maritime Body</b>	<b>36</b>		
8.1	Need for New Arrangements	36		
8.2	Functions of the New Body	37		
	8.2.1 <i>Policy, research and development</i>	37		
	8.2.2 <i>Marketing and Promotion</i>	38		
	8.2.3 <i>Manpower and Training</i>	38		
	8.2.4 <i>Communications</i>	38		
8.3	Status and Nature of the New Body, and Interaction with Government	38		
	8.3.1 <i>Staffing</i>	41		
	8.3.2 <i>Resources</i>	41		
	8.3.3 <i>Interaction with Government policy</i>	41		
8.4	Structure of the new body	41		
8.5	Financial sustainability of the new body	42		
8.6	Interim Arrangement	42		
<b>9</b>	<b>Business Case</b>	<b>43</b>		

## List of Figures

Figure 1.1	Overview of Study
Figure 1.2	Hong Kong's Maritime Cluster
Figure 2.1	Outline of Approach to the Study
Figure 3.1	Maritime Clusters at a Glance - On the Ship
Figure 3.2	Maritime Clusters at a Glance - Port & Terminal
Figure 3.3	Maritime Clusters at a Glance - Shore Based
Figure 4.1	Hong Kong and Singapore's Relative Strengths by Factors of Competitiveness
Figure 4.2	Position Map
Figure 5.1	Critical demand / supply mismatch despite commendable small scale sea-going cadet schemes and the efforts of individuals
Figure 5.2	Regional Infrastructure Development Plan
Figure 5.3	Cross-Border Policies
Figure 5.4	Market Factors and Barriers Growth
Figure 5.5	MPA Structure
Figure 6.1	Strategy Framework
Figure 6.2	Vision Methodology
Figure 6.3	Approach to Assessing Future Positioning
Figure 6.4	Future Positioning
Figure 6.5	Identifying Underlying Themes
Figure 7.1	Initiatives Targeting Commercial Principles
Figure 8.1	THB Structure
Figure 8.2	Where to put the new body?
Figure 8.3	New Statutory Body

## List of Tables

Table 4.1	Hong Kong's Relative Strength by Maritime Service Areas
Table 5.1	Service Areas Rated Against Market Factors
Table 5.2	Barriers to Growth
Table 6.1	Future Positioning under Do Nothing Scenario
Table 8.1	How do options differ?

## List of Appendices

Appendix A	Initiatives Undertaken by other IMCs
Appendix B	Recommended Initiatives in Detail

# 1 Introduction

## 1.1 General Approach to the Consultancy

This Study has focussed on “*Enhancing Hong Kong’s Position as an International Maritime Centre*”, and sought to plot a development roadmap and strategy that will enable Hong Kong to:

- Continue to retain a sizable maritime service cluster, and
- Remain the place from which a wide range of maritime services are sought by the local and international shipping industry.

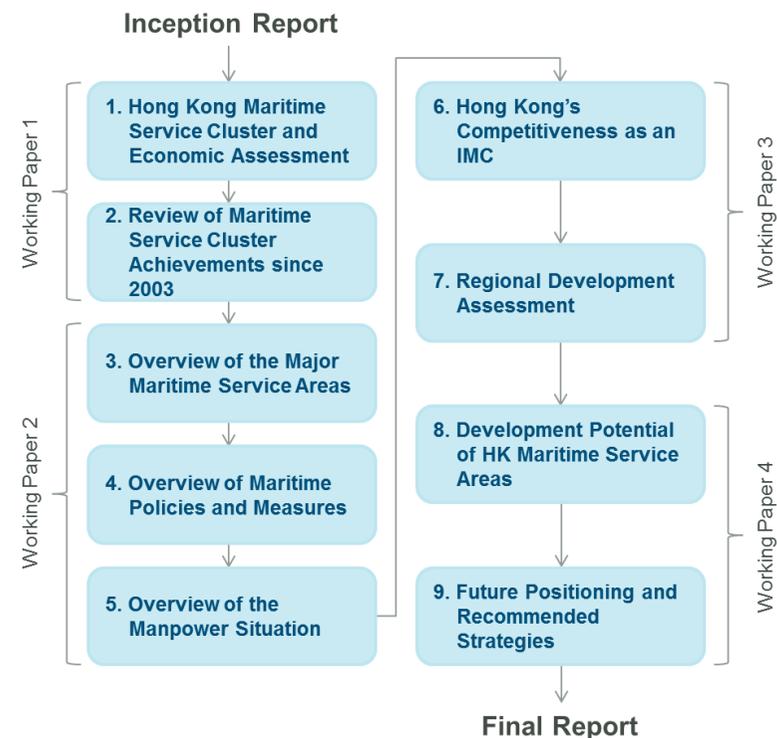
At the Study’s core was the review of “contestable” service providers (those activities that can be located wherever the business environment best suits them) which were perceived to have weakened in Hong Kong over recent years.

The Study was progressed through a series of Working Papers (WP) which examined:

- The context and economic significance of the maritime cluster,
- Key challenges facing Hong Kong as an IMC, and
- Proposed strategies to maximise the development potential of key maritime activities and service areas.

The findings of these WPs, and the extensive consultation with industry undertaken during their preparation, are summarised and applied in this Final Report.

Figure 1.1 Overview of Study



## 1.2

### Maritime Clusters

Industries tend to “cluster”, where a cluster may be defined as “a geographical concentration of interconnected companies, institutions, specialised suppliers and firms in related industries” (Michael Porter, proponent of cluster theory).

The maritime industry is particularly diverse, and a maritime cluster may comprise firms directly engaged in cargo handling and vessel operations, as well as those providing services to the shipping industry. The maritime industry is also closely linked with high value-added services such as the financial and legal industries.

There have been several prominent studies on maritime clusters including “*European Maritime Clusters*”<sup>1</sup> and “*The Future of London’s Maritime Services Cluster: A Call for Action*”<sup>2</sup>. Central to the study of clusters is a clearly defined geography. In this Study the geographical location is Hong Kong, and all maritime related<sup>3</sup> businesses and institutions located in Hong Kong are reviewed. Maritime clusters in other IMCs have also been reviewed for comparison.

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<sup>1</sup> “*European Maritime Clusters – Global Trends, Theoretical Framework, The Cases of Norway and the Netherlands, Policy Recommendation*”, Jenssen, Sodal, Wijnols, November 2003

<sup>2</sup> “*The Future of London’s Maritime Services Cluster: A Call for Action*”, Fisher Associates, August 2004

<sup>3</sup> *The maritime leisure sector, i.e. yachting, marinas etc and fishing are not commonly included such studies, and are not included in this Study.*

Service areas within the maritime industry are usually interlinked and these linkages have also been taken into account when formulating recommendations. For example: Service Area ‘A’ could perform exponentially better with the support of Service Area ‘B’, whereas if the development of ‘B’ is constrained, ‘A’ will perform poorly.

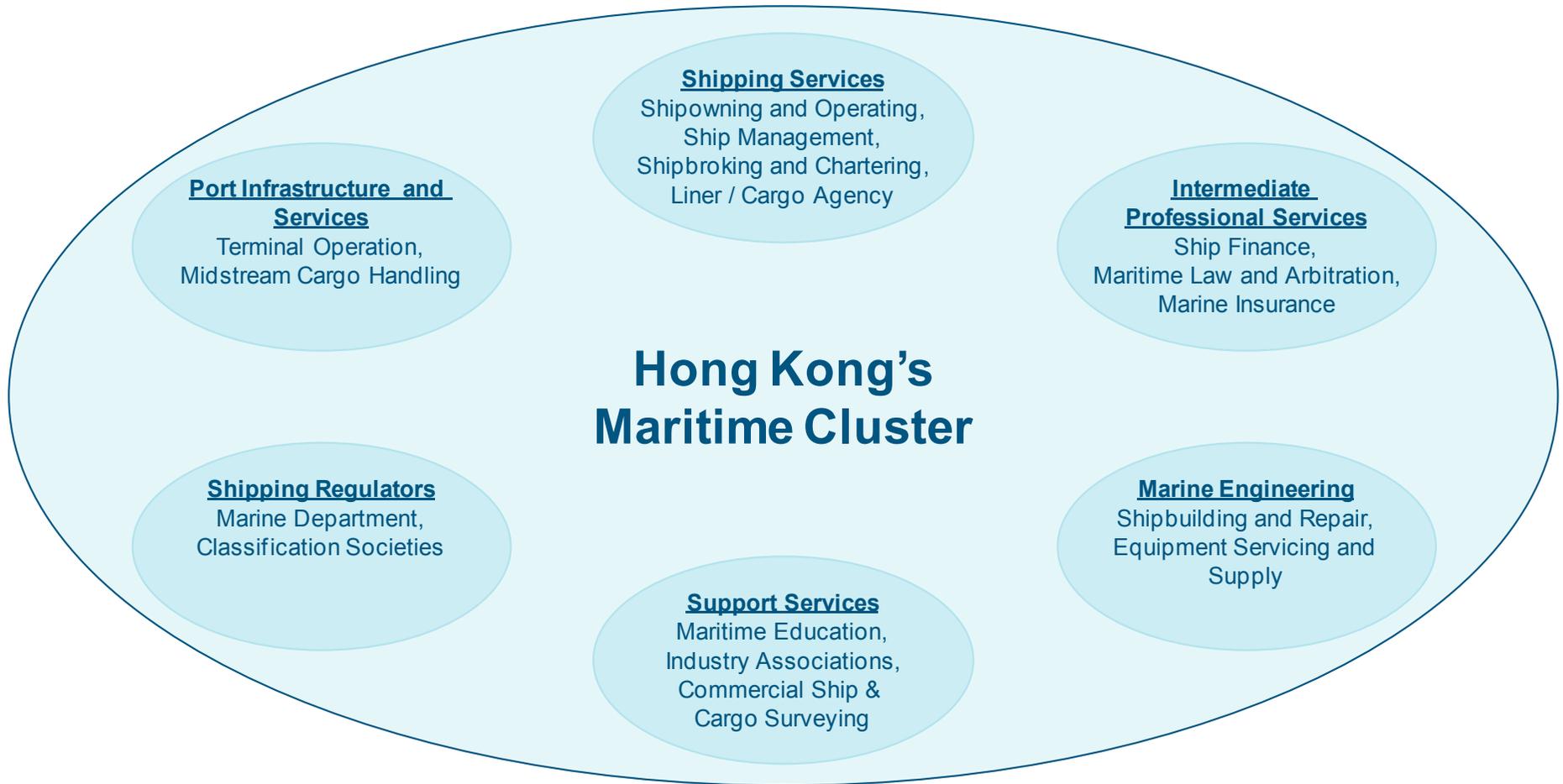
## 1.3

### Hong Kong’s Maritime Cluster and Status as an International Maritime Centre (IMC)

There is no universally accepted definition of an IMC. Typically an IMC has a cluster of maritime businesses that service the global shipping industry; the following definition has been adopted for this study: **a location with leading global competitiveness in two or more components of the core maritime cluster and an established critical mass of supporting functions**. IMCs are also defined by their reputation - as locations that drive maritime business and contribute to maritime global affairs.

Maritime clusters vary in type and function according to historical, geographical, social and economic circumstances. In this Study Hong Kong’s maritime cluster has been divided into six broad segments, containing one or more of 16 maritime service areas.

Figure 1.2 Hong Kong's Maritime Cluster



## 2 Background and Objectives

### 2.1 Study Rationale

Port activity in Hong Kong is vibrant. In 2012 Hong Kong Port (HKP) handled 23.1 million TEUs of containers and ranked third busiest container port in the world. However the maritime industry extends significantly beyond the purely physical movement of cargo at ports. Hong Kong is home to a vibrant community of shipowners, shipmanagers and other service providers engaged in a diverse range of activities spanning the industry. They generate economic output directly as well as supporting other sectors of the economy – particularly import/export, wholesale and retail trades.

Other IMCs, notably Singapore and Shanghai which both aim to boost the development of their maritime industries, have been very aggressive in contesting for and attracting maritime related companies. The relocation of China Navigation to Singapore - a pioneer of China trade, first established in Hong Kong in 1872 - is an example of their recent success. Stakeholder consultation reveals that many maritime companies now consider Singapore and Shanghai to be equal if not better locations for establishing their operations than Hong Kong.

The above trends must be recognised when devising a development strategy for Hong Kong's maritime cluster; although adopting equally aggressive measures (e.g. company-specific taxation incentives) may not be suitable in the context of Hong Kong.

A well researched strategy and 'roadmap' is needed given the keen competition from other IMCs. Accordingly this Study attempts to address a series of questions:

- Where and What is this industry that Hong Kong is seeking to promote?
- Why is it important to retain and expand?
- How is this industry being developed in competing IMCs?
- What are the challenges and opportunities out there?
- What are Hong Kong's advantages that other IMCs cannot replicate?
- What do industry stakeholders want?
- What needs to be done?
- When should it be done?
- Who should do it?

### 2.2 Overall Approach

The Study combined rigorous analysis with continuous stakeholder participation to deliver appropriate and achievable recommendations. Careful attention has been paid to understanding the underlying constraints and opportunities facing Hong Kong as an IMC, both from industry and government perspectives. The pros and cons of alternative delivery mechanisms have been considered, although detailed implementation arrangements lie outside the scope of this Study.

**Figure 2.1 Outline of Approach to the Study**



2.2.1

**Previous Investigations**

A prior study entitled “*Study to Strengthen Hong Kong’s Role as an International Maritime Centre*” was commissioned by the Hong Kong Port and Maritime Board and published in January 2003.

A wide range of initiatives were recommended in the 2003 study to address identified issues. Ten years later, few initiatives have been implemented effectively, and industry consultations suggest some key issues and constraints remain unchanged. In some areas Hong Kong has stood relatively still while competing IMCs, particularly Singapore, have pushed ahead.

2.2.2

**The Clustering Effect**

A characteristic feature of the maritime industry is its strong clustering effect, with different interrelated components located in proximity to each other. To expand, a maritime cluster effort must be focussed on both demand and supply. Sufficient ‘critical mass’ of commercial principals (e.g. shipowners, ship management companies etc.) must be attracted to Hong Kong to generate demand for maritime services. Comprehensive, quality maritime services must also be available to supply commercial principals’ needs. A dual strategy addressing both demand and supply is therefore needed.

## 2.4

### Timing

In 2014, Hong Kong will continue to face keen competition from other IMCs. Singapore has adopted a focussed and comprehensive development strategy for a number of years, and it has targeted many sectors in the maritime industry. Shanghai is also developing in a more strategic manner than ever.

Following the global downturn many commercial organisations are reviewing where their opportunities for growth are located, and connected to this is the question of potential relocation to maximise competitive advantage.

This is a window of opportunity to develop a strong IMC in Hong Kong, noting that:

- Hong Kong's role as an IMC is expressly supported in the 12th National Five Year Plan
- The maritime cluster has the support from the Chief Executive as an industry with strong comparative advantage and potential for economic growth to support economic development and job creation in Hong Kong.

#### Opportunity: Time is Now!

*"We will build on the strengths of our existing terminal business to develop our international maritime services. The business environment in Hong Kong is highly globalised with a sophisticated financial system, robust legal system and deep pool of well qualified professionals. The development of affiliated maritime services in Hong Kong has been gaining momentum in recent years. These include ship management, shipping agency, ship finance, marine insurance, ship registration and legal services. We will take account of recommendations in a consultancy study to be completed later this year as we seek to reinforce the maritime service cluster and develop high value-added maritime services. This is an example of how we may "expand" our industries."*

*CY Leung, Policy Address 2013.*

## 3 Hong Kong's Maritime Cluster in a Regional and Global Context

### 3.1 The Global Shipping Industry

Shipping and associated maritime activity is a global and competitive business; without international sea transport the global economy could not function. The transportation of containerised goods, bulk and liquid cargoes by ship facilitates world trade – 90% of the world's cargo is transported by ship.

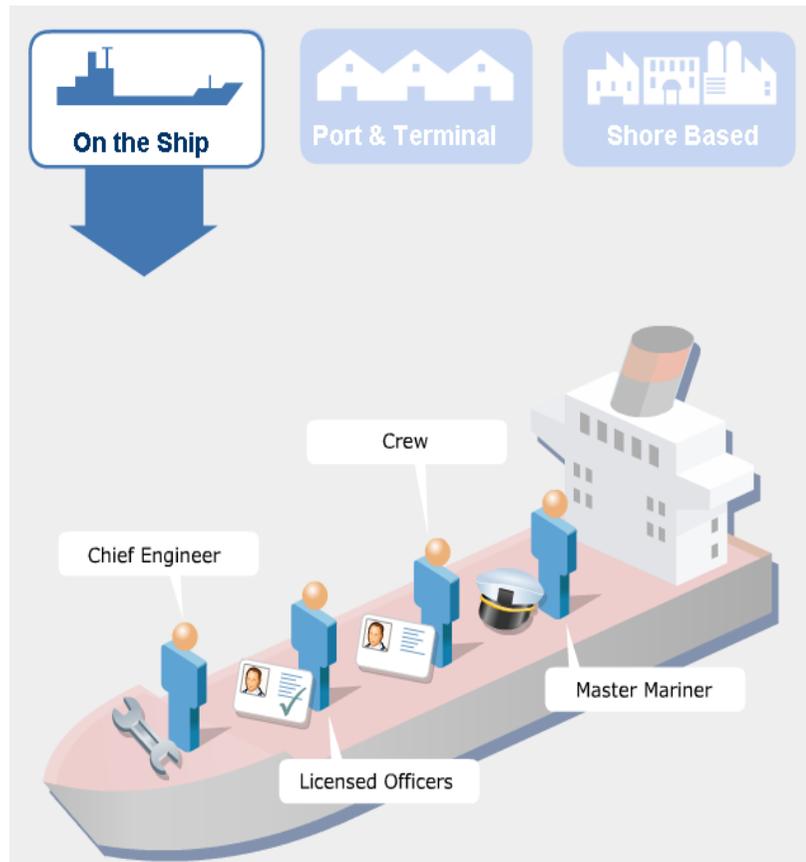
The core assets - the ships - operate internationally (and out to sea), and the visibility of the industry to the local public is low. However, the maritime industry employs millions globally ranging from seafarers and port operators, to shore based roles such as lawyers and financiers.

According to Mark Brownrigg, Director General of UK Chamber of Shipping, "The modern nature of the shipping industry requires a global perspective." The development strategy for maritime industry in Hong Kong must be formulated and implemented from a global perspective, and by dedicated personnel who have the knowledge and expertise in international maritime.

*"The modern nature of the shipping industry requires a global perspective. Vessels can be owned by a company with shares listed in one country with the shareholders domiciled in another. The country of beneficial ownership can also be different from the country of registration and the vessels themselves can be managed from yet another country. The question of ownership or control of tonnage within a maritime cluster is therefore too simple a view to take when assessing the strength of that cluster and there is a need for new terminology to reflect the current complexity of the shipping industry. However, it is access to decision takers that is important."*

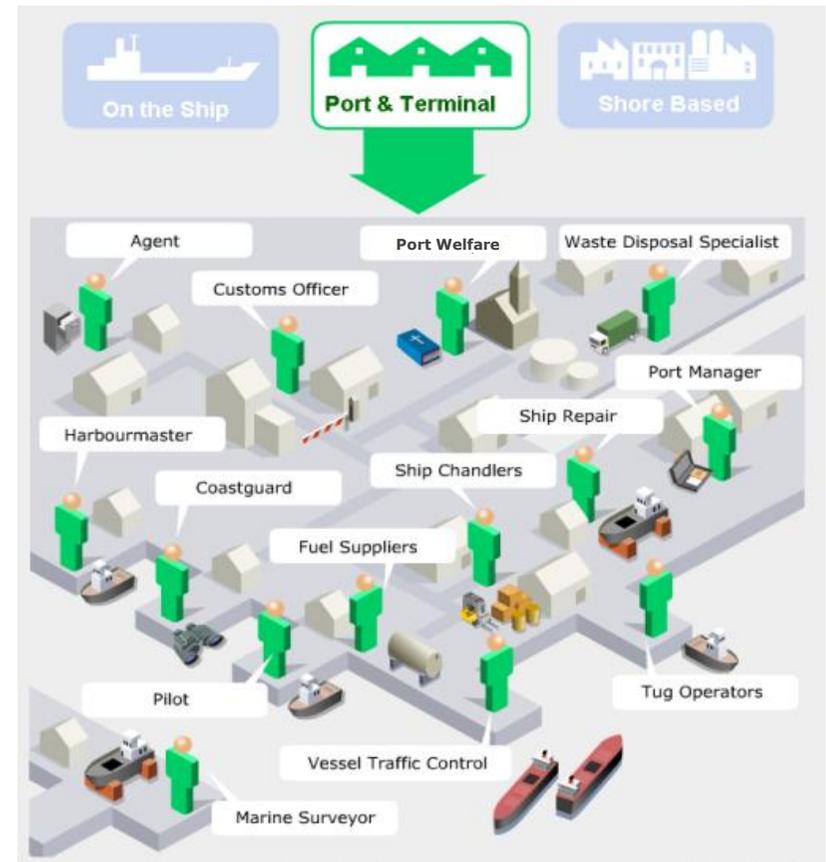
- Mark Brownrigg, Director General, UK  
Chamber of Shipping

Figure 3.1 Maritime Clusters at a Glance - On the Ship<sup>4</sup>



<sup>4</sup> Source: <http://www.maritimeindustryfoundation.com/>

Figure 3.2 Maritime Clusters at a Glance - Port & Terminal<sup>5</sup>



<sup>5</sup> Source: <http://www.maritimeindustryfoundation.com/>

Figure 3.3 Maritime Clusters at a Glance - Shore Based



<sup>6</sup> Source: <http://www.maritimeindustryfoundation.com/>

### 3.2 Contribution of the IMC to Hong Kong

In Hong Kong 90% of traded cargo is seaborne and the maritime cluster has a significant catalytic effect on trading activity. 'Trade and Logistics' is one of Hong Kong's four "Pillar Industries" and accounts for more than 25% of Hong Kong's GDP.

In terms of direct economic contribution, the maritime sector contributed approximately 2.1% of Hong Kong's GDP in 2010, with approximately 57,000<sup>7</sup> people engaged, or 1.6% of total employees.

Various statistics have been used in the past to convey the importance and scale of Hong Kong's maritime industry. A frequently quoted measure is the ship registry which has grown significantly and is now the world's fourth largest flag. However, the number of ships registered cannot, on its own, reflect the scale of maritime activity in a flag state and the standing of an IMC also derives from its reputation within the international maritime community, not only quantitative measures.

<sup>7</sup> Note: As this Study focuses on the development of Hong Kong as an **international** maritime centre, local craft, such as fishing boats, are not included in the economic assessment. Stakeholders estimate that an additional 65,000 people are engaged in the operations of local craft and related activities.

### Punching below our weight?

Sector (Direct Impact)	% share in GDP	% share in total employment (numbers engaged)
<b>Maritime cluster</b>	<b>2.1%</b>	<b>1.6% (57,000)</b>
HKIA	1.8%	1.7% (62,000)
Legal, accounting and auditing services	1.3%	1.4% (47,500)
Insurance	1.5%	1.3% (43,800)
Logistics	4.8%	5.6% (194,800)
Inbound Tourism	3.5%	5.4% (190,500)

The maritime industry makes a significant economic contribution to Hong Kong, especially when taking into account its vital support to trading and logistics activities. Compared to tourism, or even the airport, the maritime industry does not receive anywhere near as much exposure and the public is not aware of the value of Hong Kong's maritime cluster.

However, is the maritime industry in Hong Kong reaching its potential? The sector has on many occasions been referred to as "important" in both Hong Kong and Singapore. There seems to be much room for Hong Kongs' maritime industry to grow.

Note :

The maritime industry in Singapore contributes approximately US\$18 billion (7%) to Singapore's GDP and supports 100,000 employees. The equivalent estimate for Hong Kong is approximately US\$9 billion. Although there may be differences in methodology in the compilation of the two values, Hong Kong's contribution is only half that of Singapore.

## 4 IMCs and Hong Kong's Current Positioning

### 4.1 Definition and Types of IMC

The following definition of an IMC has been adopted in this Study - ***“a location with leading global competitiveness in two or more components of the core maritime cluster, and an established critical mass of supporting functions”***.

The specific strengths of each IMC vary, and an IMC does not have to offer world class services in every area. London for example, does not have a port with regional influence, but is recognised as an IMC offering world class services in many other areas – notably legal and insurance services. An IMC tends to provide a range of ancillary services and facilities for shipping-related and port-related activities, which are attractive to an international market.

### 4.2 Selection of Benchmarks

London, Singapore and Shanghai have been adopted as the primary benchmark IMCs for the Study. Each has a development strategy to strengthen their position as a global IMC and they therefore have the greatest value as references for a development strategy for Hong Kong. Oslo and Rotterdam have also been reviewed but to a lesser extent, as they have fewer characteristics in common with Hong Kong.

	<p><b>Singapore</b></p> <p><i>World-class physical and professional maritime services:</i></p> <ul style="list-style-type: none"> <li>▪ Shipbroking and chartering;</li> <li>▪ Liner / cargo agency;</li> <li>▪ Ship finance;</li> <li>▪ Maritime education;</li> <li>▪ Port authority;</li> <li>▪ Terminal operation, and</li> <li>▪ Equipment services and supply.</li> </ul>
	<p><b>Shanghai</b></p> <p><i>World-class services concentrating on the physical side:</i></p> <ul style="list-style-type: none"> <li>▪ Terminal operation;</li> <li>▪ Shipbuilding and repair;</li> <li>▪ Equipment services and supply, and</li> <li>▪ Maritime education (particularly in training seafarers/ratings).</li> </ul>
	<p><b>London</b></p> <p><i>World-leading professional services with little/no physical activities:</i></p> <ul style="list-style-type: none"> <li>▪ Shipbroking and chartering;</li> <li>▪ Ship finance;</li> <li>▪ Maritime law / arbitration;</li> <li>▪ Marine insurance;</li> <li>▪ Maritime education and Industry associations;</li> <li>▪ Commercial ship/ cargo surveying,</li> <li>▪ Classification societies.</li> </ul>

### 4.3 Factors of Competitiveness

To assess the overall competitiveness of an IMC, a number of 'factors of competitiveness' have been defined, covering both physical and non-physical<sup>8</sup> maritime services. Following brainstorming sessions between the consultants, expert advisors, and over 50 industry stakeholders, 11 factors of competitiveness (ranked by importance) were agreed:

- A pool of skilled labour
- The presence and depth of shipping commercial principals and intermediary / professional services
- Ease of doing business
- Tonnage owned or controlled within the cluster
- The presence of regulatory bodies
- A proactive government (policies and institutions)
- Quality of life
- Location of market places
- Modern and well managed port infrastructure serving regional and international markets
- Physical proximity of shippers and charterers
- Comprehensive availability of support services

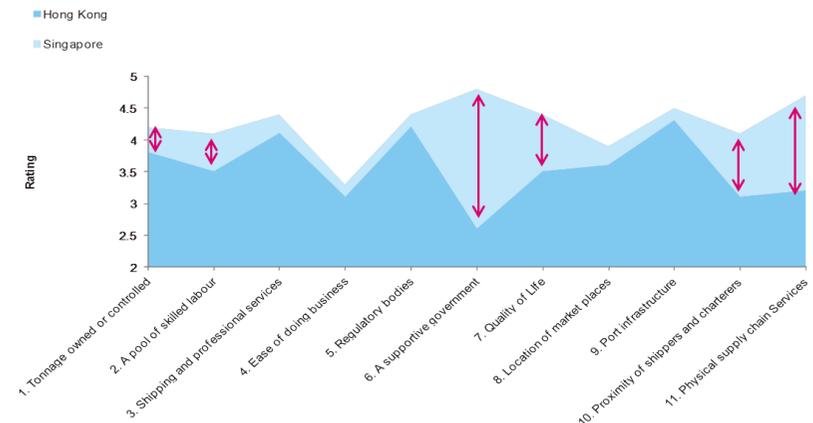
<sup>8</sup> Physical refers to cargo handling, ship repair and so on. Non-physical refers to services, which may or may not relate to the physical: such as insurance, or claims for damage etc.

### 4.4 Hong Kong's Relative Strength by Factors of Competitiveness

Perception also plays an important part in the rating of IMCs against each factor. Overall the results indicate Hong Kong lags behind its closest competitor Singapore, however analysis shows that higher ratings for Singapore are mostly given by overseas consultees. Consultees with experience of both Hong Kong and Singapore gave more similar ratings for both, indicating a narrower the gap between them. The ratings given by overseas consultees without experience of Hong Kong underline the impact of Singapore's heavy investment in marketing and promotion in the contest for growing its IMC.

Figure 4.1 summarises the rankings from (1) very weak to (5) very strong.

**Figure 4.1 Hong Kong and Singapore's Relative Strengths by Factors of Competitiveness**



## 4.5 Hong Kong's Relative Strength by Maritime Service Areas

The Consultants' analysis found Hong Kong to possess comparative strengths in:

- Shipowning and operating
- Ship management,
- Liner / cargo agencies,
- Regulation (Marine Department), and
- Terminal operations.

However there are signs that competitiveness in these areas, and others, is weakening:

**Table 4.1 Hong Kong's Relative Strength by Maritime Service Areas**

		Hong Kong	Singapore	Shanghai	London
<b>Shipping</b>	Ship owning and Operating	5	4	4	3
	Ship Management	5	4	2	4
	Shipbroking and Chartering	3	5	2	5
	Liner / Cargo Agency	4	4	3	3
<b>Intermediate Services</b>	Ship Finance	2	3	2	3
	Maritime Law / Arbitration	3	4	2	5
	Marine Insurance	3	3	2	5
<b>Support Services</b>	Maritime Education	2	4	4	4
	Industry Associations	4	4	3	5
	Commercial Ship and Cargo Surveying	3	3	2	4
<b>Shipping Regulators</b>	Marine Authority	4	3	3	3
	Port Authority	2	5	3	1
	Classification Societies	3	3	3	5
<b>Port Infrastructure</b>	Terminal Operation	4	5	5	2
	Midstream Cargo Handling	4	-	-	-
<b>Marine Engineering</b>	Shipbuilding and Ship Repair	1	3	5	2
	Equipment Servicing and Supply	3	5	5	2

*Rating System 1 – 5:*

*Very strong (5),  
Strong (4),  
Neither (3),  
Weak (2),  
Very weak (1)*

## 4.6

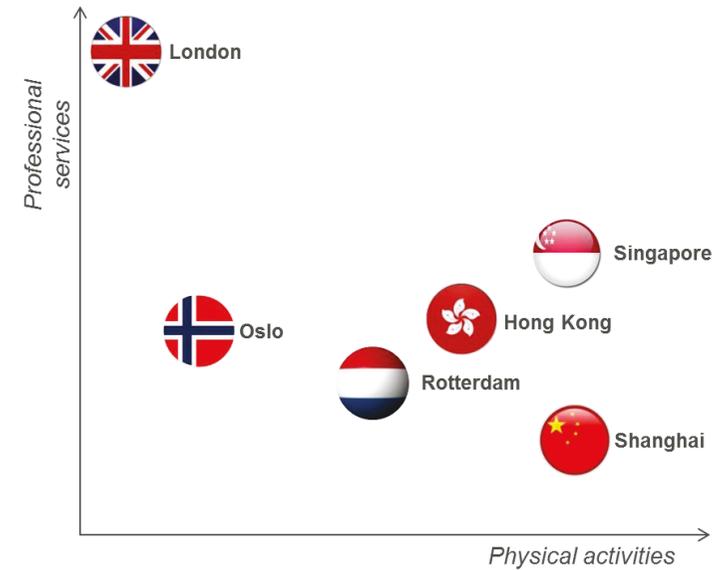
### Hong Kong's Current Position

As all IMCs are unique (and do not necessarily provide world class service in every area) comparison is complex. However all IMCs sit on a spectrum between being strongly focused on physical activities, e.g. still operating as significant ports, or predominantly non-physical, such as London. Plotting IMCs along this spectrum can aid comparison.

Judged by the 11 factors of competitiveness, Figure 4.2 shows approximately where each IMC is currently positioned relative to others along this spectrum. In terms of physical activities – predominantly port operations - Hong Kong currently lags behind Singapore and Shanghai. Hong Kong is also now positioned behind Singapore in provision of professional, intermediary and other supporting services.

London is positioned well ahead of all other maritime centres as the number one location for professional, intermediary and supporting services. Its unique history as a centre of world trade (in particular sea trade) has contributed to its pre-eminence as a maritime centre in these areas.

Figure 4.2 Position Map



## 5 Maritime Cluster Analysis

### 5.1 Human Resources

A pool of skilled labour for the maritime cluster is a critical factor of competitiveness. A number of issues related to the supply and demand for human resources in Hong Kong have been identified.

Human resource issues are complex and extend beyond the total availability of trained personnel to encompass other factors, such as potential earnings in alternative industries and the attractiveness of a city as a place to work and live. As an international city Hong Kong has access to global markets for qualified maritime personnel and can provide qualified personnel to the rest of the world, however a range of issues affect the demand and supply of labour for Hong Kong's maritime cluster, such as:

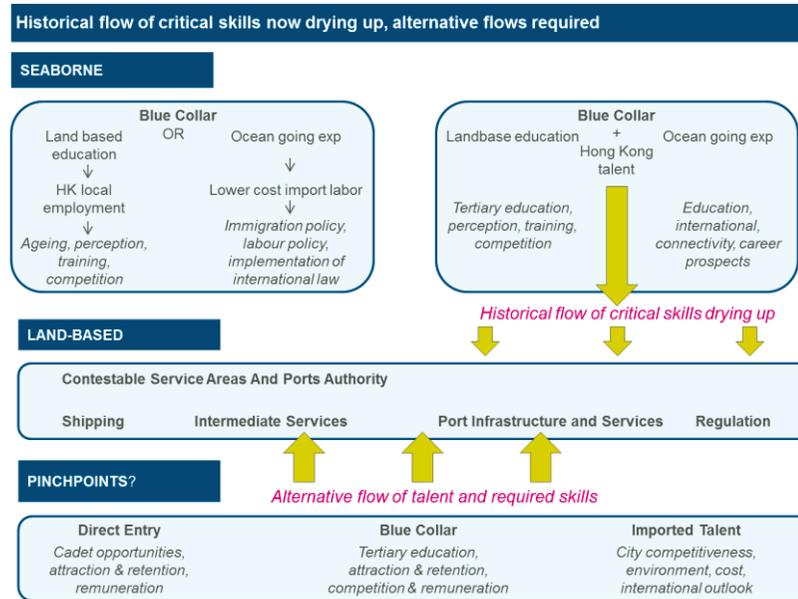
- Language,
- Labour restrictions,
- Immigration,
- Education,
- Training,
- Union and other regulations,
- Competition with other industry sectors,
- Pay,
- Industry perceptions,
- Working conditions,

- Costs of living, and
- The attractiveness of Hong Kong as a place to live.

In the past Hong Kong provided sea-going officer-level talent which later returned to shore based professions. More recently Hong Kong ships were increasingly being crewed by overseas personnel, both at officer and ratings levels. To address this an industry initiative to recruit and train cadets led by HKSOA in conjunction with the Maritime Professional Promotion Federation (MPPF), was started in the summer of 2002. In 2004 the government then launched the Sea-going Training Incentive Scheme to support the industry's efforts. The scheme has increased the number of cadets from virtually none ten years ago to currently more than 30 per year. The maritime cluster directly employs about 57,000 people (excluding supply chain and induced employment). Of these, it is suggested that about one-third (circa 16,000) have seafaring qualifications. Assuming a replacement ratio of 5%, this suggests up to 800 new seafarers are required each year, highlighting the scale of the challenge the industry faces.

In general though, the young generation of Hong Kong remain reluctant to follow a sea-going career, or lack awareness and understanding of the longer-term career opportunities it can offer, i.e. shore based professional roles as well as sea-going positions.

**Figure 5.1 Critical demand / supply mismatch despite commendable small scale sea-going cadet schemes and the efforts of individuals**



5.2

**Environment**

National and international authorities are making greater efforts to manage the environmental impacts of transport. Emissions control regulations are in effect in many jurisdictions to minimise the impact of ballast water, spillages, and exhaust. Exhaust emissions are the most technically challenging to reduce, and in conjunction with the cost of fuel, drive the industry to continuously enhance efficiency.

The most common efficiency enhancement is to pursue economies of scale through larger vessels. This drives the trend towards transshipment of cargo from feeder to long-haul vessels, in turn driving the upgrading of port infrastructure. Lowering emissions by other means such as burning different fuels is also a developing field and carrying more than one fuel type to meet the emissions regulations in place at certain ports is now common on many ships.

Hong Kong: The Fair Winds Charter

The Fair Winds Charter (FWC) is an industry-led, voluntary, unsubsidized fuel switch programme for ocean-going vessels calling at Hong Kong. This is the first initiative of its kind in Asia, and the first unsubsidized voluntary fuel switch in the world.

FWC was created by the industry to encourage the government to introduce mandatory environmental regulations or subsidise the costs of switching fuel or introducing new technology. Around 80% of all ocean-going ships calling in Hong Kong are participating, and in September 2012 Government introduced a reduction in port dues for participating ships (estimated to offset 35-50% of the costs of participation) in encouragement and is moving strongly towards legislation to make switching fuel mandatory when alongside or at anchor in Hong Kong by 2015.

The government has also stated its intention of gaining the cooperation of Mainland counterparts to create a PRD-wide Emission Control Area (ECA). ECAs already exist in parts of Europe and America and if created will be the first of its kind in Asia, reinforcing Hong Kong's position as a leader in environmental and sustainability issues.

### 5.3 Regional Development

A number of cross-border policy and infrastructure plans have been reviewed as part of this study, including:

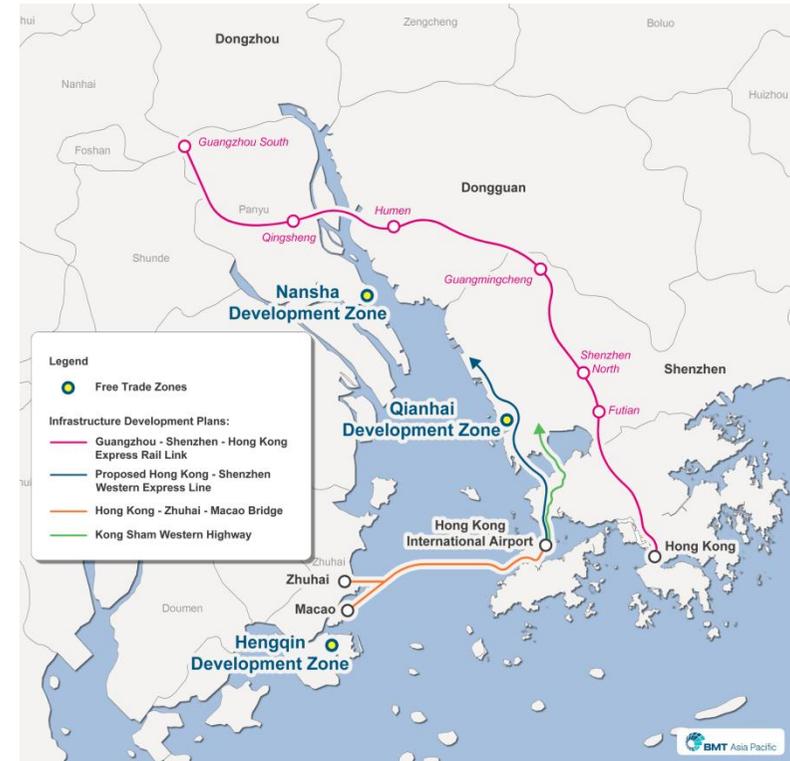
- 12th Five Year National Plan (12th FYNP)
- Major Infrastructure Development Planned by the 12th FYNP
- Economic Cooperation Framework Agreement (ECFA)
- “Three Direct Links”, including the Cross-Strait Transport Agreement
- China-ASEAN Free Trade Area (CAFTA)
- PRD Development Zones
- Hong Kong – Mainland Closer Economic Partnership Arrangements (CEPA)

In general, the infrastructure being built will improve connectivity between Hong Kong and the PRD, but will not result in any major increase in cargo volumes through Hong Kong Port.

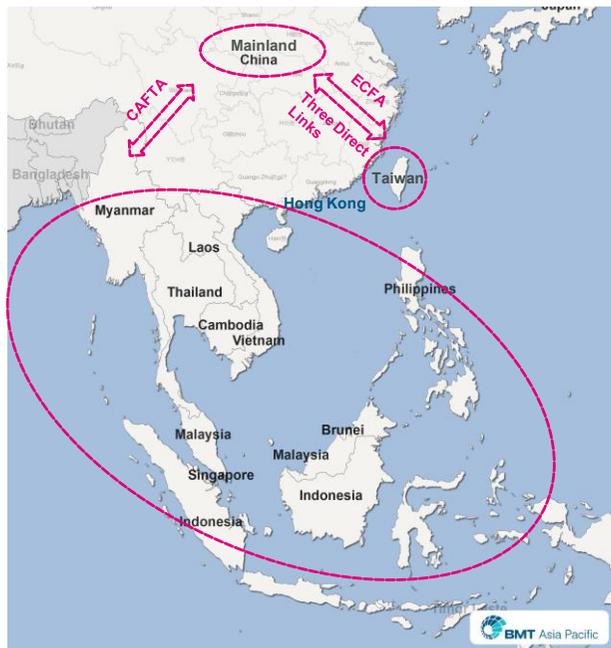
CAFTA and ECFA are currently of little consequence to Hong Kong as an IMC, as they are trade agreements between Mainland China and other regions – Hong Kong is not included.

CEPA is the most beneficial policy measure, covering trade in services and investment facilitation. The Mainland and Hong Kong regularly broaden the content of the Agreement through the signing of Supplements. Some measures impacting maritime have already been incorporated into CEPA, but there remain other opportunities to be pursued.

Figure 5.2 Regional Infrastructure Development Plan



**Figure 5.3 Cross-Border Policies**



The 12th FYP and roles of Shanghai and Hong Kong

Various sources, including the 12th FYP and the Mainland Ministry of Transport, have emphasized plans for Shanghai to become an international shipping centre equipped with the best global shipping resources by the end of 2020, whilst supporting Hong Kong's role as an International Maritime Centre.

Much has been said on how to take advantage of the support and how to cooperate with the Mainland. However, research and statements from shipping executives in both cities conclude that Shanghai is very much a competitor to Hong Kong. Indeed, there have been instances where Mainland authorities have attempted to attract maritime businesses from Hong Kong to Shanghai with various fiscal incentives. If both maritime centres continue to develop along the same path, focusing on the provision of the same services, the extent of competition between them will grow.

**5.4 Focus Group Discussions**

A series of focus groups were convened during the Study to gain insights on various maritime service areas, their opportunities, and barriers to growth, as follows:

- Ship owners, operators and managers (five companies)
- Shipbrokers and charterers (five companies plus trade association)
- Liner and cargo agencies (four companies)
- Ship financiers (five companies)
- Maritime law (five companies plus one academic)
- Terminal operators (six companies plus trade associations)
- Maritime technology and R&D experts (four companies plus associations)

Attendees included the largest and most prominent companies in their fields. A group facilitator chaired discussions around the underlying themes of:

- Government Policy,
- People;
- Marketing, Promotion and Communication;
- Infrastructure, Innovation & Technology, and
- External issues.

Many of the issues discussed affect more than one service area. Certain points were raised by multiple focus groups and the following key messages emerged:

- The Government has not supported the industry through funding or policy initiatives to maintain the competitiveness or attractiveness of Hong Kong's maritime cluster over the past 10-15 years.
- Commercial principals are critical to maritime clusters and allow the cluster to grow. Specific initiatives aimed at service areas such as maritime lawyers, ship financiers, brokers etc. are of less importance than attracting commercial principals. Business goes where the clients go!
- Hong Kong has strong capabilities in services such as maritime arbitration, but this is not widely appreciated.
- The local pool of experienced maritime talent is shrinking due to aging or relocation. Hong Kong's maritime cluster cannot attract sufficient new professionals to sustain future development, and the quality of those joining is dropping.

- Commercial principals and "contestable" services are very sensitive to the cost of living and costs of running a business in Hong Kong.

## 5.5 Perceived Market Opportunities and Barriers

To understand where Hong Kong has greatest potential as an IMC, and what obstacles must be addressed to maximise that potential, a review of market opportunities and barriers has been undertaken.

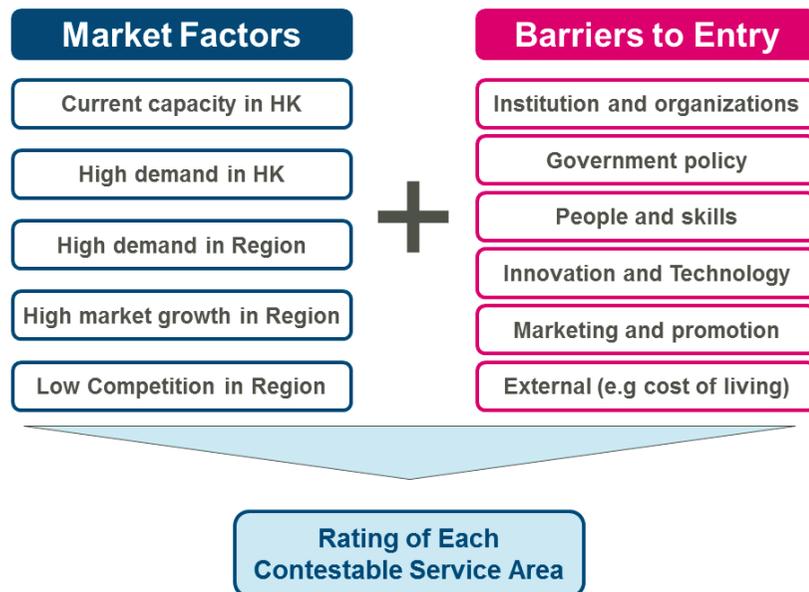
The opportunities presented by Hong Kong's "contestable" maritime service areas have been reviewed with respect to the following *market factors*:

- Capacity in Hong Kong,
- Demand (in Hong Kong and across the region),
- Potential growth in the region,
- Competition in the region.

Barriers to growth were also reviewed as follows:

- Institutions and Organisations;
- Government policy;
- People and skills;
- Innovation & technology;
- Marketing & promotion, and
- External barriers e.g. cost of living.

**Figure 5.4 Market Factors and Barriers Growth**



At a Strategy Workshop held in March 2012 and attended by over

50 executive stakeholders, the three intermediate services: finance, law and arbitration, and ship insurance were identified as showing the greatest promise of the service areas which cluster around commercial principals of owning/operations and management.

**Table 5.1 Service Areas Rated Against Market Factors**

	Current Capability	Demand in Hong Kong	Demand in Region	Market growth in Region	Competition in Region	Total
Ship owning & operating	9	8	12	11	6	45
Ship management	10	8	11	9	4	42
Broking & chartering	11	9	12	11	4	46
Liner & cargo agencies	11	9	12	9	4	45
Ship finance	10	12	12	12	4	50
Law & arbitration	11	10	12	11	4	48
Ship Insurance	11	12	12	11	4	49

People issues and government policy were identified as the two greatest barriers to growth, affecting nearly all of the service areas. The lack of marketing and promotion was also considered a weak point.

**Table 5.2 Barriers to Growth**

Perceived barriers greatest in Human Resources & Government Policy						
	Institutions & Organizations	Government Policy	People	Innovation and Technology	Marketing & Promotion	Hong Kong's business Environment
Ship owning & operating	5	1	2	6	2	4
Ship management	5	2	1	6	3	4
Broking & Chartering	6	2	1	4	4	3
Liner & cargo agencies	6	4	1	2	2	5
Ship finance	6	2	1	3	3	5
Law & arbitration	5	3	1	5	2	4
Ship Insurance	6	2	1	3	3	5
Rank	6	2	1	5	3	4

Workshop participants rated highly the current capability of Hong Kong in respect of finance, law and arbitration and insurance, giving scores comparable with those awarded for shipping services (ship management, broking and chartering, liner and cargo agencies). However the benchmarking exercise described in Section 4 (a combination of available quantitative indicators as well as the Consultant's professional judgement) found Hong Kong to be only average in terms of finance, law & arbitration and insurance. The difference in findings may be attributable to:

- Hong Kong's strengths in finance, law & arbitration and insurance being more difficult to measure than shipping services whose businesses are more visible in terms of the ships, infrastructure, cargo and staff involved; and
- When compared to shipping services, there may be more

room for Hong Kong to further develop its strengths in finance, law & arbitration and insurance. These services are less subject to land constraints and are more productive in terms of value-added to the GDP of Hong Kong.

## 5.6 Hong Kong's Strengths, Weaknesses, Opportunities and Threats (SWOT)

Based on the preceding analysis, an evaluation of Hong Kong's Strengths, Weaknesses, Opportunities and Threats (SWOT) as an IMC has been prepared. It indicates there are strong capabilities in Hong Kong's maritime cluster, however small but significant changes and strong marketing could deliver great benefits.

Strengths	Weakness
<ul style="list-style-type: none"> <li>- Strategic location</li> <li>- Ties with the Mainland</li> <li>- Highly educated population</li> <li>- Traditional banking capital of Asia</li> <li>- Low and simple tax system</li> <li>- Free flow of capital and information</li> <li>- Stable currency peg to US\$</li> <li>- Reliable judicial system</li> </ul>	<ul style="list-style-type: none"> <li>- High land and office cost</li> <li>- Strong policy initiatives for manpower development / retention for maritime industry yet to be in place</li> <li>- Industry-specific perspective (institutional arrangement and policy initiatives) in supporting the complex maritime industry yet to be introduced<sup>9</sup></li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Support of 12<sup>th</sup> Five Year Plan for Hong Kong as an IMC</li> <li>- Growing shipping demand and activities in Mainland presents immense business opportunities to Hong Kong</li> <li>- Available channels for Hong Kong maritime companies to tap into the Mainland Market (e.g. CEPA)</li> <li>- Global economy shifting eastward; international companies seeking a new base</li> </ul>	<ul style="list-style-type: none"> <li>- Intense competition from other IMCs (particularly those in Asia)</li> <li>- Comparatively less land resources to devote to shipping and port business</li> <li>- More emerging gateways to China in respect of cargo movement</li> <li>- Not enough positive drive/perception of the maritime industry and career prospects to attract new blood</li> </ul>

## 5.7

### Investment in IMC Development: Singapore

Interviewees in Hong Kong and abroad cited many reasons why Hong Kong is lagging behind Singapore as an IMC, such as: visits by high-level officials in Singapore to find out what maritime businesses need; high-level officials and MPA staff visiting overseas businesses to entice them to locate in Singapore; foreign maritime talent enjoying door-to-door relocation services - including subsidised housing and international schooling; and the growth of the local talent pool supported by a coordinated and expansive educational curriculum.

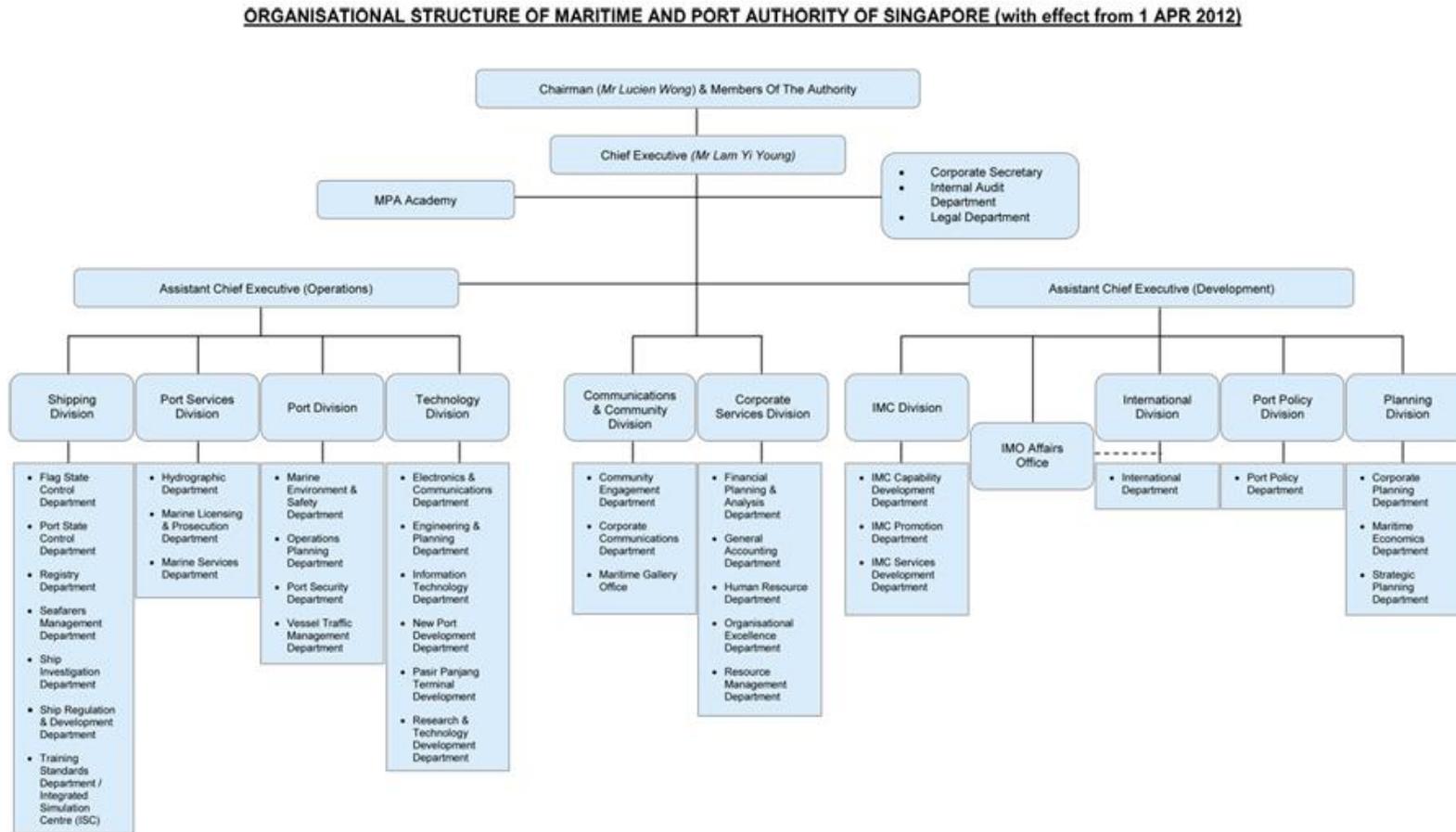
Singapore has identified the maritime industry as an important part of the economy, and devoted money, time and resources to grow the cluster. Singapore's Maritime and Port Authority (MPA) has over 500 staff. Excluding technical/operational/support staff there are over 200 professional staff, including a specialist IMC division of 29 full-time staff.

In 2002 MPA established the Maritime Cluster Fund of S\$80 million (approx. HK\$500 million) to promote and strengthen the maritime sector in Singapore through various promotional events and scholarships over a five-year period.

By comparison expenditure in Hong Kong since 2003 on various port and maritime initiatives (primarily promotion) totals HK\$36 million, whilst around HK\$58 million has been spent on various MIC scholarship/incentive schemes.

<sup>9</sup> The maritime industry is currently under the purview of the Transport and Housing Bureau which oversees land, air and sea transport as well as housing matters.

Figure 5.5 MPA Structure



*“Moving to Singapore from home country has been easy. The work visa took just two weeks... staff from MPA even picked my family and I from the airport when we arrived.”*

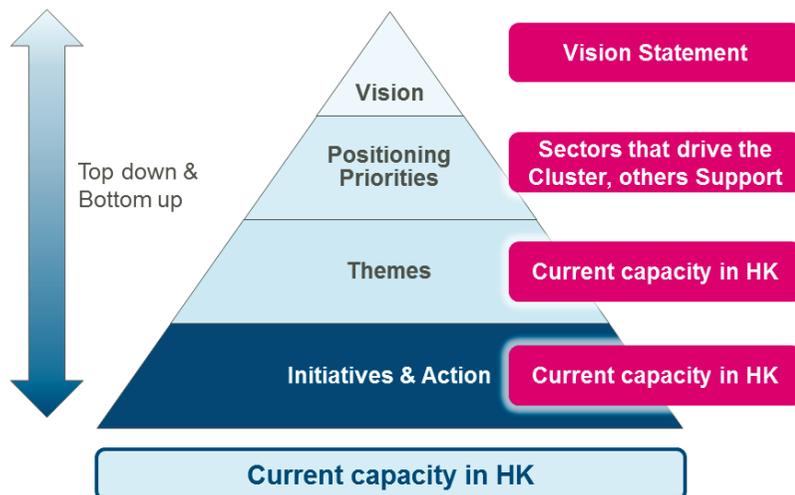
Singapore-based executive from a leading shipping line

## 6 A Strategy for Hong Kong

### 6.1 Strategy Framework

A strategy for further developing Hong Kong as an IMC has been built around a framework that links the aspiration to practical measures. The framework can be viewed from either a top-down or bottom-up perspective. At the top is the vision statement, defining what type of IMC Hong Kong should become, and setting a direction for development. Then follows positioning. All of the initiatives are organised under themes, focusing on priorities to deliver the vision.

Figure 6.1 Strategy Framework

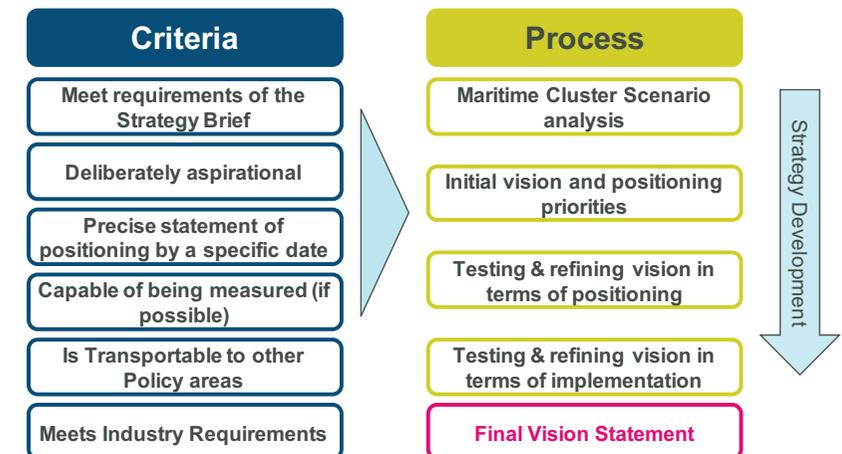


### 6.2 Recommendation: The Vision Statement

The vision statement defines what type of IMC Hong Kong should become and sets a direction for development. It must be relevant to future trends in the maritime industry and the strengths of Hong Kong.

The vision was formulated from the following inputs:

Figure 6.2 Vision Methodology



It was developed over the course of the study and reviewed by participants at the second Workshop.

**The Vision Statement:**

*Building on its strengths, and taking advantage of changing opportunities, Hong Kong will reinforce its position as a favoured city for maritime business.*

*Hong Kong will increasingly be respected for its significant contributions to global maritime affairs, and as an IMC that facilitates competitiveness through effective governance, policies and activities for the maritime cluster.*

The first statement recognises the importance of an IMC as a 'place for doing maritime business', reflecting the range of activities undertaken in an IMC as opposed to there being x number of Hong Kong companies.

The second very important statement reflects the how. The vision is not to follow the Singapore model of incentives and short term measures to encourage relocation of businesses. It is important to note that each IMC has its own characteristics and environment, and the vision must reflect what is best for Hong Kong as an IMC.

The vision sets out the recommended Hong Kong model, which is to create an environment conducive to doing business, and remove barriers to growth - not providing direct subsidies to individual companies

## 6.3 Hong Kong's Future Positioning as an IMC

### 6.3.1 Approach

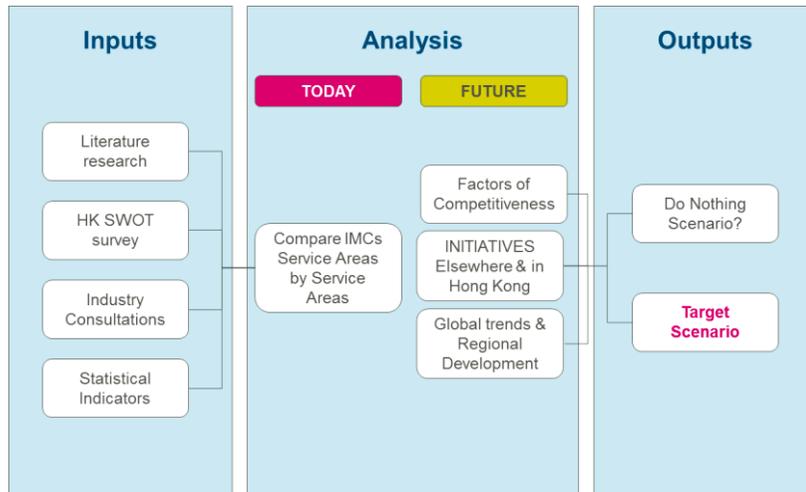
Positioning draws on the benchmarking of Hong Kong's competitiveness vis-à-vis other IMCs, comparing each of the identified service areas in the cluster. Hong Kong's competitiveness as a whole, based on the 11 factors of competitiveness was also considered.

Assessing the competitiveness of Hong Kong from these two perspectives aids understanding of:

- Which service areas are comparatively strong or weak, and
- Which factors of competitiveness are comparatively strong or weak.

This facilitates consideration of the future positioning of Hong Kong under a "do nothing" or status quo scenario, prior to devising a desired or 'target' scenario.

**Figure 6.3 Approach to Assessing Future Positioning**



stronger competition than ever from other IMCs, old and new, which are all backed strongly by their governments;

- Apart from its direct economic contribution, Hong Kong's maritime cluster also contributes to the economy indirectly, and holds strategic importance in the overall development and economic success of Hong Kong, and
- Hong Kong must act now to bring about fundamental changes – to the approach and support from Government, and to recognize the importance of attracting commercial principals to base their operations in Hong Kong.

The following table illustrates the possible negative impact on Hong Kong's strengths and competitiveness if no action is taken to address the situation:

### 6.3.2

#### The Do Nothing Scenario

The status quo does not mean that Hong Kong will remain relatively strong. There are numerous signs which demonstrate Hong Kong's “contestable” maritime service areas are weakening. Meanwhile, other IMCs across the world are implementing long-term strategies and initiatives to enhance their own competitiveness. If Hong Kong continues on its current path, the gap between Hong Kong and others will only widen.

Through extensive consultation the Consultants received very strong and very clear signals from maritime industry in Hong Kong, summarized as follows:

- Things have changed - Hong Kong is now facing much

**Table 6.1 Future Positioning under “Do Nothing” Scenario**

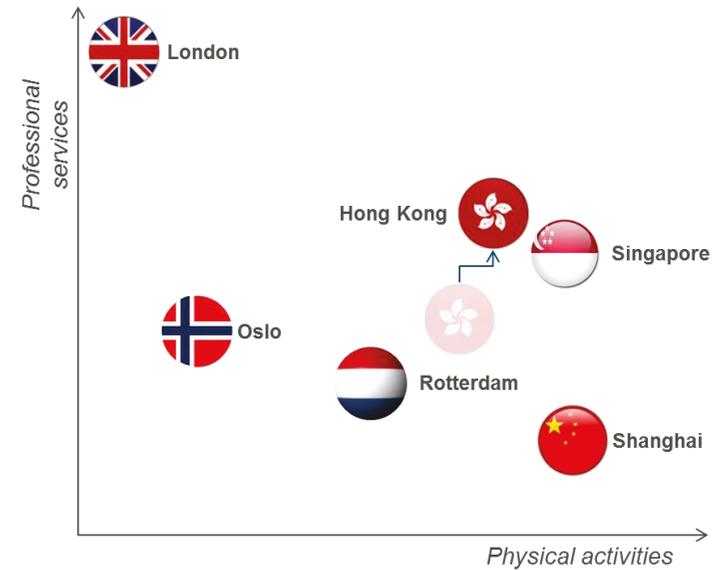
		Hong Kong	Singapore	Shanghai	London
<b>Shipping</b>	Ship owning and Operating	↘	↗	→	→
	Ship Management	↘	↗	↗	→
	Shipbroking and Chartering	→	→	↗	→
	Liner / Cargo Agency	→	→	→	→
<b>Intermediate Services</b>	Ship Finance	→	↗	↗	↗
	Maritime Law / Arbitration	↘	↗	↗	→
	Marine Insurance	→	↗	↗	→
<b>Support Services</b>	Maritime Education	↘	→	→	→
	Industry Associations	→	↗	↗	→
	Commercial Ship and Cargo Surveying	→	→	→	→
<b>Shipping Regulators</b>	Marine Authority	↘	↗	↗	↗
	Port Authority	→	→	→	→
	Classification Societies	→	↗	→	→
<b>Port Infrastructure</b>	Terminal Operation	↘	→	→	→
	Midstream Cargo Handling	↘	→	→	→
<b>Marine Engineering</b>	Shipbuilding and Ship Repair	→	→	→	→
	Equipment Servicing and Supply	↘	→	→	→

6.3.3

**Recommendation: The Target Scenario**

Different components of the maritime cluster frequently complement each other. The recommended future positioning aims to identify a focus for future action, but without foregoing other service areas or strengths.

**Figure 6.4 Future Positioning**



The target positioning has specific aims at local, regional and international levels:

- Local level:** To expand the presence of commercial principals such as ship managers, owners, operators and traders in Hong Kong; and also enhance capabilities in high value-added maritime services (e.g. ship finance, maritime insurance, maritime law and arbitration).
- Regional / National level:** To become the preferred location of global (and in particular Mainland China) commercial principals sourcing intermediary services.

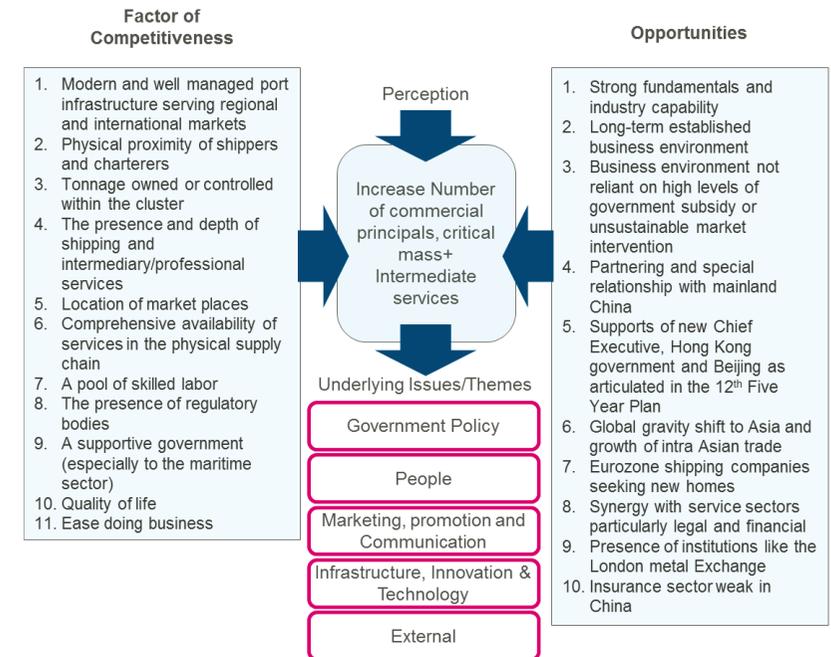
- Global level:** To differentiate Hong Kong from other IMCs by positioning as a maritime service centre and springboard that facilitates Mainland shipping companies to operate internationally, and for foreign shipping companies to expand into the Mainland market.

The proposed positioning is recommended for immediate implementation. It is evident from the analysis of the “do nothing” scenario that Hong Kong’s status will decline if no action is taken. It is therefore imperative for Hong Kong to act now and strive toward fulfilling the vision statement.

## 6.4 Underlying Themes

Based on the preceding analysis the Consultant identified five broad themes to which the issues affecting Hong Kong as an IMC belong. The strategy’s initiatives will be addressed under the first four themes, namely, Government Policy; People; Marketing, Promotion and Communication; and Infrastructure, Innovation & Technology. As the remaining theme (i.e. External) relates to factors outside the maritime industry (e.g. housing, air quality etc) no initiatives are proposed under this study:

**Figure 6.5 Identifying Underlying Themes**



## 7 Issues and Initiatives

### 7.1 Issues

The issues identified from the workshops, focus groups, interviews and benchmarking studies are summarised as follows:

#### 7.1.1 Government Policy Issues

- The industry perceives very little Government support or recognition of the importance of the maritime cluster to Hong Kong. Furthermore, the complex and global nature of the industry requires dedicated personnel with expertise in maritime affairs for the formulation of policy, which the existing Government organisation lacks. Effective Government support requires focused and dedicated people who know about or are part of the industry.
- THB oversees a wide range of policy areas from land to air transport, to housing matters. The existing structure of THB cannot provide the level of support, dedication, and representation required. Advisory bodies such as the Maritime Industry Council have limited executive functions.
- Locally the maritime industry is expecting more support from Government. One imminent need is an effective communication mechanism for the industry to better understand what support the Government currently offers.
- Government's approach needs to recognise that the maritime cluster is competing in a global marketplace.
- Government progress on certain policies is not conducive to

the development of Hong Kong as an IMC. For example, the industry is frustrated with the progress on double taxation agreements (DTAs). While there has been progress and the negotiation of DTAs is regularly reported, the industry at large considers the mechanism of communication and feedback could be improved.

- The overwhelming level of commitment, expertise and resources that Singapore has invested to become a leading IMC cannot be overstated. Included are a range of incentives such as subsidies on property, paying for relocation, and guaranteed staff.
- Proximity to and a unique relationship with the Mainland is one of Hong Kong's comparative advantages. Initiatives to further CEPA and other agreements to promote maritime issues should be pursued.
- Environmental issues such as vessel emissions may open up new business opportunities such as pricing services for carbon emissions and marine engineering.
- There are concerns regarding the incoming competition policy; and the future quality of the Shipping Registry given the recruitment difficulties faced by Marine Department.

Objectives for recommended initiatives:

- At policy level Government should recognise the importance of the maritime cluster, and demonstrate commitment to further developing Hong Kong as an IMC.
- To be focused and incorporate industry expertise, international talent and dedication in the policy making process for the maritime industry.
- To provide sufficient and dedicated staff and resources to implement strategy initiatives and ongoing measures to facilitate the development of the maritime industry amid the keen competition from other IMCs.
- To remove ambiguity and uncertainty in specific government policies - particularly on taxation and immigration - which impede the growth of the maritime cluster.
- To explore and bring about policy changes, especially in the context of Hong Kong's relationship with Mainland China, which confer comparative advantage to Hong Kong over other IMCs.

7.1.2

**People Issues**

- There is a shortage of officer grades and other skilled maritime personnel in Hong Kong. Hong Kong's Maritime Services Training Institute (MSTI) produced 38 cadets in 2011, while estimated annual demand is several hundred allowing for 'leakage' and an aging workforce.

- Hong Kong's educational institutions struggle to support manpower training for the industry under current funding arrangements. At present only one University Grant Committee-funded undergraduate programme and a few self-financed masters programmes are related to maritime. In mainstream disciplines such as law, finance, insurance and business administration, maritime elements or maritime-related electives are scarce.
- The nature and prospects of a career in the maritime industry are not well understood by the general public and are regarded as unattractive to young people. Many positions in the maritime industry can be extremely well remunerated, exciting, challenging, and provide international exposure. There is a need for more positive projection of the industry's image.
- Marine Department has encountered difficulty in recruiting sufficient local talent in recent years.
- The growing expertise in maritime law at CityU is one of Hong Kong's strengths.
- Where there is a potential gap in the market opportunities exist, for example ongoing distance learning for cadets; which would also be attractive to those outside Hong Kong.
- There is a need to engage dedicated personnel in the Government to oversee the manpower situation of the industry.

Objectives of recommended initiatives:

- To improve the transparency of career opportunities available in the maritime industry.
- To develop effective strategies to promote public awareness of the importance of and economic contribution made by Hong Kong's maritime cluster, and improve public perception of maritime careers.
- To attract and retain more seafaring personnel who at a later stage of their career may work in shore-based maritime services by supporting their career path through placements and job opportunities.
- To strengthen training for personnel at professional level to support the further development of intermediary services such as maritime law and arbitration, ship finance and maritime insurance.
- To address the inadequacy of resources to support manpower training for the industry.

7.1.3

**Marketing, Promotion & Communication Issues**

- Hong Kong has the technical expertise and commercial excellence from many of the world's leading ship managers, owners, lawyers and financiers. Many of these capabilities exceed those available in Shanghai, and in some cases Singapore. However, maritime executives in London, Oslo and Rotterdam do not see Hong Kong as a leading IMC. Internationally, many only see Hong Kong as being a port hub – not a maritime (activity & service) centre.

- Perception, both locally and internationally, is one of the biggest hurdles for the further development of Hong Kong's Maritime Cluster. Hong Kong has the software and hardware in place to deliver the highest quality services, but who knows about it?
- The Singaporean government devotes a lot of resources and is very determined to attract commercial principals and maritime service providers to Singapore.
- Existing promotion by the Hong Kong Government is relatively passive and generic, carried out by a limited staff who also attend to other duties. As an international activity the maritime industry is very sensitive to the external business environment. When many Greek shipowners considered relocating their businesses to Asia, Singapore responded to the opportunity. Hong Kong should strengthen manpower with expertise in global business climate and the maritime industry to focus on marketing and promotion strategies for the industry.

Objectives of recommended initiatives:

- To devise effective marketing and promotion strategies to promote Hong Kong's strengths as an IMC to the worldwide maritime community, particularly in the Mainland.
- Marketing and promotion that is not restrained by Government's internal procedures.

- The use of dedicated personnel with expertise in marketing and public relations, and good understanding of the maritime industry and global business climate, to undertake marketing and promotion.
- Marketing and promotion work supported by both Government and industry in terms of funding and participation.
- To establish an effective and convenient one-stop communication window between the Government and the industry.

#### 7.1.4

##### Infrastructure, Innovation & Technology Issues

- Maritime R&D covers a very wide range of activities and initiatives from vessel design and energy efficient plant to vessel operations and safety systems. It is driven primarily by regulatory requirements, both in respect of safety and the environment, but also by cost considerations in order to achieve greater efficiencies in materials, manpower and operating costs.
- Hong Kong, like other developed economies, is becoming a knowledge-based economy. R&D and innovation are part of this global trend but these activities are lacking in Hong Kong's maritime cluster.
- To promote industrial diversification the Government is striving to expand six sectors where Hong Kong enjoys clear advantages – one of these six is innovation and technology.

##### Objectives of recommended initiatives:

- To provide funding or incentives to encourage R&D or innovation activities within the maritime cluster.
- To foster R&D and innovation relevant to the strengths of Hong Kong, e.g. service related developments, such as marine insurance products denominated in RMB, achieving greater synergy among IMCs in China etc., rather than engineering focussed research.

#### 7.1.5

##### External Issues

The general business environment in Hong Kong is also crucial for growing the maritime cluster, issues including:

- Many issues that affect Hong Kong's business environment are important for the maritime industry, particularly for "contestable" services that can locate wherever the business environment best suits them.
- As with many other industries, talent is sometimes sourced from outside Hong Kong, particularly for more senior roles. The high cost of residential space is a major drawback for expatriates.
- The high cost of office space is severely diminishing margins, and is one reason shipping firms leave.
- For those with families, international schooling places and a safe and healthy environment are high on the list of requirements when considering relocation. Unfortunately, Hong Kong is well known for relatively high levels of air pollution, high costs of housing, and difficulty in getting

international school places.

- Some stakeholders consider the new Competition Ordinance brings major uncertainty to seafreight businesses, and that a comprehensive assessment to measure the impacts to the shipping sector is needed, preferably with the assistance of the Government.

## 7.2 Recommended Initiatives

According to the four themes of relevant issues, the Consultants identified four sets of initiatives that align with the Vision statement, the target positioning, and the objectives defined under each theme:

### 7.2.1 Government Policy (GP)

Desired outcome: *Efficient organisations and effective policies and systems that facilitate competitiveness, innovation and best practice in maritime services.*

- GP 1 Continued support for Hong Kong as an IMC at the local Government policy level.
- GP 2 Continued support for Hong Kong as an IMC at the national level.
- GP 3 Cooperate with Shanghai in terms of maritime development by exploring pilot schemes employing the strengths of the two IMCs.
- GP 4 Establish a new institutional body set up by the Government (“the new maritime body”) to conduct policy research, propose policy measures that drive**

**maritime development, and champion the trade’s interests in Government’s policy-making.**

- GP 5 Actively pursue trade and investment facilitation supplements under CEPA on behalf of the maritime cluster.
- GP 6 Enhance the feedback mechanism between the Government and the industry on the progress and priority of negotiation of double taxation agreements and Free Trade Agreements, as well as closer cooperation in lobbying work.
- GP 7 Develop policies to promote Hong Kong’s maritime industry as environmentally-conscious and sustainable.

### 7.2.2 People (PE)

Desired outcome: *An adequate pool of maritime skills and experience available locally and a destination of choice for international maritime talent.*

- PE 1 Develop Hong Kong as a centre of excellence for maritime education and enhance the quality of maritime-related courses / programmes at local institutions.
- PE 2 Maintain a central registry of the maritime-related programmes and courses on offer in Hong Kong.

- PE 3 Keep in view the need for continued operation for the Maritime and Aviation Training Fund beyond the current 5-year timeframe.
- PE 4 Set up an electronic platform to enhance the transparency of career opportunities in the maritime industry.
- PE 5 Empower the new maritime body to oversee the manpower situation of the industry, and implement initiatives to support training for the industry in Hong Kong.**
- PE 6 Review and enhance the supply of courses offered by MSTI and their related arrangements.
- PE 7 Explore distance learning for maritime industry practitioners to increase flexibility.
- PE 8 Enhance exposure of local youngsters to the maritime industry.
- PE 9 Employ non-traditional promotion strategies to update the concept and image of careers in the “maritime industry”.
- PE 10 Explore measures whereby the immigration regime can facilitate the recruitment of overseas talent for Hong Kong's maritime industry.
- PE 11 If and when there is consensus among the industry to create an all-encompassing body of maritime professionals, the Government to facilitate and assist the industry in the establishment of such body.

### 7.2.3

#### Marketing, Promotion & Communication (MPC)

Desired outcome: *International recognition of Hong Kong as a premier IMC and a positive shift in attitude/perception by the local community.*

- MPC 1 Empower the new maritime body to devise effective strategies and to market and promote initiatives to enhance Hong Kong's status as an IMC, to attract commercial principals and raise awareness of Hong Kong's strengths in providing quality maritime services.**
- MPC 2 Devote resources for marketing and promotion for the purpose of attracting commercial principals from all around the world and in particular those from the Mainland to establish operations in Hong Kong.
- MPC 3 Attract, support, and assist the organisation of international and regional maritime-related conferences / events.
- MPC 4 Creation of a One-Stop-Window for information and communication to be managed by the new maritime body.



## 8 The New Maritime Body

### 8.1 Need for New Arrangements

The Consultants have concluded, based on consultations with the industry and examination of the development of Hong Kong and other IMCs, that the industry needs a maritime champion (be it a person or a body) who can represent the diverse professions and interests of the industry, and be dedicated to strengthening the competitiveness of the maritime cluster.

Initiatives GP 4, PE 5, MPC 1 and IIT 1 all have the same goal: calling for a new institutional set-up. The Consultants recommend the establishment of a new body outside existing Government departments that combines all related roles and functions.

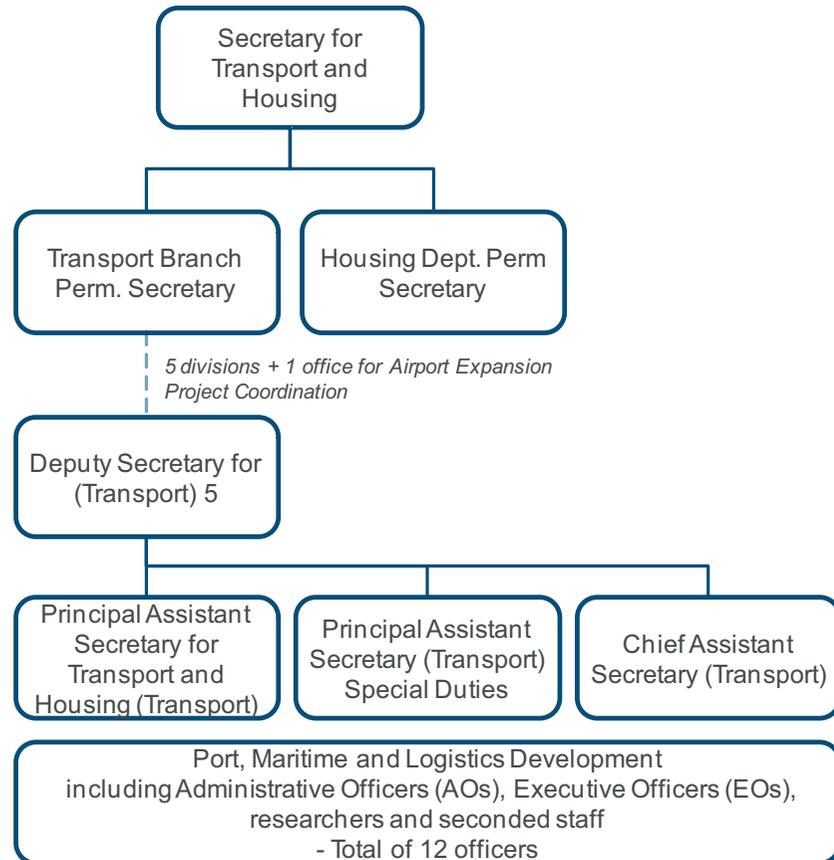
The international maritime community can readily identify prominent entities dedicated to driving maritime development in London and Singapore such as Maritime London and the Maritime and Port Authority of Singapore. The constitution (governmental, quasi-governmental, or non-governmental) and functions of these entities differs to suit the needs and institutional contexts of their respective IMCs.

In Hong Kong there are three primary entities each with their own functions as well as constraints:

- **MIC** (Hong Kong Maritime Industry Council) advises Government on formulating maritime policy. It collaborates with THB in carrying out promotional visits and initiatives. While MIC has a role to play in the Government's policy making process, it is largely an advisory body with no executive arm, and its members are not dedicated personnel;
- **THB** (Transport and Housing Bureau - organizational structure shown in Figure 8.1) oversees a wide range of policy areas including maritime. Although from time to time THB collaborates with the MIC to take forward initiatives that would benefit the industry, THB remains primarily a "policy bureau" but not an executive agency with dedicated staff and resources to deliver full support to the industry; and
- **HKSOA**, (Hong Kong Shipowners Association) a widely representative industry association. Although it welcomes associate membership of service providers, its focus is the shipowning sector. HKSOA is a major industry association; completely independent of Government.

The Consultants recommend restructuring the existing institutional support for the maritime industry. While policy-making functions should continue to sit within Government, establishment of a new body with dedicated staff and resources to deliver its functions is greatly needed.

**Figure 8.1 THB Structure**



## 8.2

### Functions of the New Body

The new body should be able to deliver the following functions:

#### 8.2.1

##### Policy, research and development

- Advise the Government on the formulation of maritime policy, and to provide necessary input and support in the process;
- Undertake research on topical issues that are related to the further development of Hong Kong's maritime cluster, and to publish the findings (e.g. figures / indexes illustrating the latest development of the maritime cluster, journals of current issues in the industry) that would be of useful reference to the Government as well as the local and international maritime community when looking at the maritime development in Hong Kong;
- Launch and administer initiatives that drive the research and development activities in the industry that would strengthen the maritime cluster of Hong Kong;

## 8.2.2

### Marketing and Promotion

- Represent and champion Hong Kong's interests in the international maritime landscape, e.g. speaking at international conferences, receiving overseas delegations on behalf of the maritime industry and the Government, and lobbying in international maritime affairs for the benefit of Hong Kong as an IMC;
- Organise / collaborate in and attend international events in Hong Kong or elsewhere that promote Hong Kong's status as an IMC;
- Undertake promotional and marketing initiatives (overseas visits, participation in trade shows / exhibitions) to promote Hong Kong's status as an IMC;

## 8.2.3

### Manpower and Training

- Monitor manpower supply and demand for different sectors in the maritime industry;
- Maintain a central registry of maritime-related programmes / courses on offer in Hong Kong
- Coordinate and administer initiatives that support the manpower training of the industry;
- Launch programmes for promoting awareness of career prospects in the maritime industry and attracting new blood to the industry;

## 8.2.4

### Communications

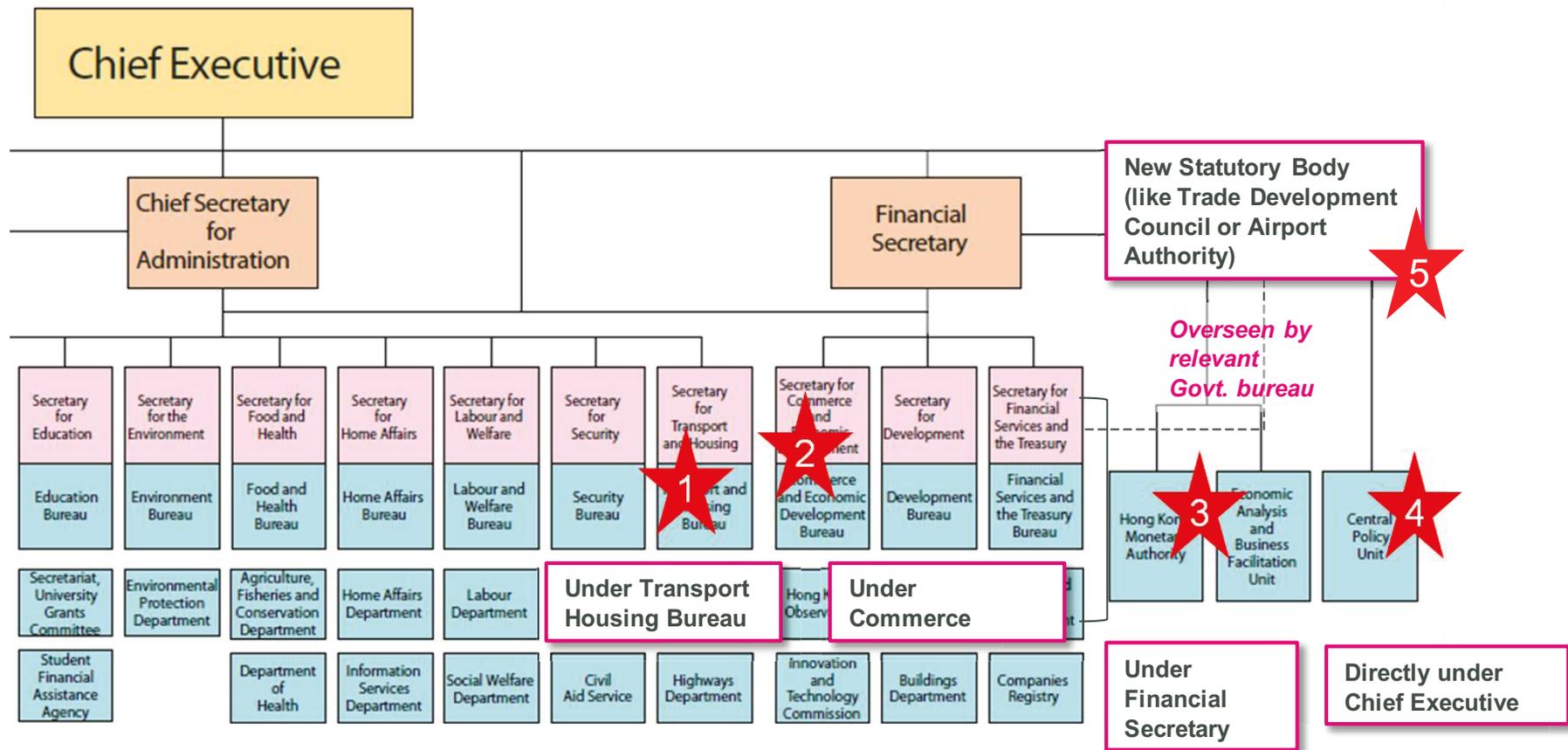
- Locally, to facilitate communication between the Government and the industry; and
- Internationally, to create and maintain a one-stop communication window between the local and international maritime communities.

## 8.3

### Status and Nature of the New Body, and Interaction with Government

In considering where to put this new body, the Consultants have examined different options as illustrated in the following diagram.

Figure 8.2 Where to put the new body?



**Table 8.1 How do options differ?**

<b>Options</b>	<b>1. Under Transport Housing Bureau</b>	<b>2. Under Commerce &amp; Economic Development Bureau</b>	<b>3. Under the Financial Secretary</b>	<b>4. Under the Chief Executive</b>	<b>5. Independent Authority</b>
<b>Location and status of team</b>	Within THB	Within CEDB	Independent of Bureaux framework –	Independent of Bureaux framework –	Independent agency
<b>Reporting Level within Government Hierarchy</b>	Secretary for Transport and Housing	Secretary for Commerce and Economic Development	Direct to FS	Direct to CE	Overseen by a policy bureau
<b>Industry participation in decision making and strategy</b>	Revamped MIC Advisory Board	Revamped MIC Advisory Board	Small Advisory Board to FS	Small Advisory Board to CE	Direct industry participation in the Board and influence on its actions
<b>Maritime Champion</b>	Civil Servant	Civil Servant	Civil Servant / Secondment from private sector	Civil Servant / Secondment from private sector	Private sector / professionals
<b>Staff</b>	Civil Servants	Civil Servants	Civil Servants	Civil Servants	Private sector / professionals

Under Options 1 to 4 the new body would remain within the structure of the Government. In light of the proposed functions set out in Section 8.2, the Consultants recommend option 5, i.e. to set up a new statutory body outside the Government that operates on its own.

**8.3.1 Staffing**

Option 5 will allow the new body to have more flexibility in staffing. This is important because the maritime champion (possibly the Chief Executive Officer of the new body) must be from the industry so that he/she can have the network and exposure for championing the diverse professions and interests of Hong Kong's maritime cluster. Furthermore, the new body also needs support of staff who have worked in and understand the industry, as well as specialists in marketing and human resources. This may be difficult if the new body remains a part of the Government, normally staffed by civil servants regularly rotated through different posts.

**8.3.2 Resources**

Although the new body should be outside the Government, it would require financial support from the Government. It is noted that normally only statutory bodies could receive direct funding from the Government. The Consultants therefore recommend the new body be in the form of a statutory body, such as the Airport Authority, instead of a private company.

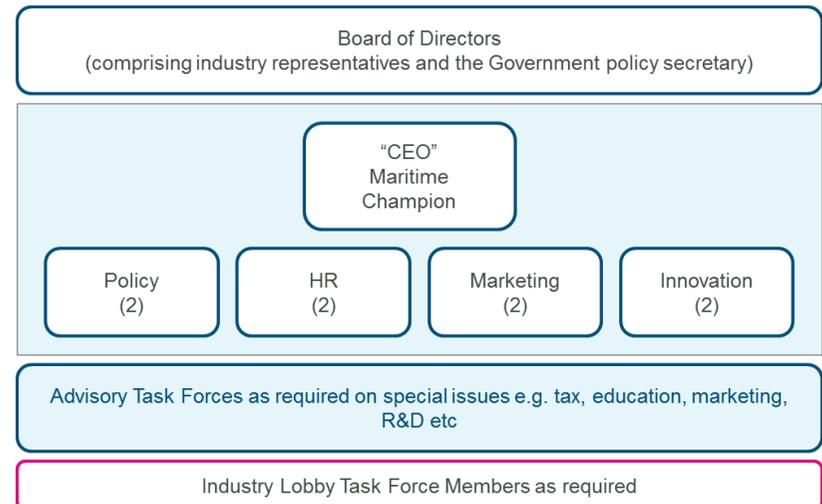
**8.3.3 Interaction with Government policy**

Although the new body should sit outside the Government structure for operational reasons, the Consultant recommends that it be enabled to participate actively in the policy making process of the Government. Making reference to the Airport Authority model, the new statutory body should report to a board of directors in which the relevant policy secretary must be an ex-officio member, together with other industry representatives.

**8.4 Structure of the new body**

Taking the above considerations into account the new statutory body may be structured as shown:

**Figure 8.3 New Statutory Body**



## 8.5 Financial sustainability of the new body

Considering the functions proposed in Section 8.2, and that the new body will be outside Government, it is unlikely to be able to sustain its own operations. The Government should devise a sustainable financial proposal for the new statutory body.

One option the Government may consider is to transfer the revenue generated by the Hong Kong Shipping Register (HKSR) to the new statutory body, and possibly the management function if appropriate. This will incentivise the new body to assist in the promotion of the Register, expansion of which will generate more income for the statutory body.

## 8.6 Interim Arrangement

Setting up a new statutory body in Hong Kong, including the time required for legislation, will normally take around three to five years. During this time Hong Kong must not stand still, but continue to drive the further development of the maritime industry.

As an interim arrangement the Consultant recommends the Government devote more resources to supporting the development of the industry. The Government should also start taking forward at least some of the initiatives.

The Government may consider extending the remit of the MIC and strengthen its resources as means of doing so. MIC can then engage staff and/or external consultants to initiate focussed programmes to address the recommendations made in this Study.

## 9

### Business Case

Key findings of this study are:

- The maritime industry is global and competitive;
- Although the shipping industry is going through tough times, the market potential in Asia is promising;
- There is a strong clustering effect for shipping and associated activities, since service providers want to be physically located where the decision makers are;
- Commercial principals of shipping and trading companies drive the decisions on where business is conducted;
- The maritime sector in Hong Kong makes a significant economic contribution, especially when considering the positive indirect / catalytic impact to the economy;
- Hong Kong has a long standing maritime cluster and some unique competitive advantages, particularly its connection with the Mainland;
- Hong Kong has world class strength in shipowning and operation, and ship management, and is rated strongly in liner / cargo agency services, industry associations and port infrastructure.
- Perception plays an important role in enhancing a city's status as an IMC.

In a competitive global industry Hong Kong has been facing keen competition from other IMCs in the region, which have aggressively attracted maritime and related companies, devoting dedicated staff and resources to marketing and promotion, enhancing their status to the international maritime community.

The recommended Strategy to enhance Hong Kong's position as an IMC is not to replicate or adapt the Singaporean model of mass incentives, but to maximise Hong Kong's existing comparative advantage. This approach is sustainable, and does not attempt to resist market forces but to minimise barriers to growth. This should be achieved through effective governance, policies, marketing, and creation of an attractive business environment for the maritime industry.

Just as a struggling business must examine its fundamentals, review assets and look forward; this Study has examined the underlying causes, considered the strengths of Hong Kong as an IMC, then defined a vision and prioritised initiatives. A business develops a corporate plan to make the most of comparative advantages.

The Study results propose a series of initiatives and new governance arrangements to maximise Hong Kong's comparative advantage. The outcome is value for money, improved competitiveness, jobs, prosperity and support for Hong Kong's heritage.

Making the most of the asset that is Hong Kong's maritime heritage, its unique advantages and the growth prospects in Asia, makes good business sense.

## **Appendix A**

### **Initiatives Undertaken by other IMCs**

## Initiatives Undertaken Elsewhere

Initiative	Purpose	Actual Impact	Perceived Pros and Cons	Lessons for Hong Kong
<b>SINGAPORE</b>				
<b>Maritime Cluster Fund</b>	In 2002, the MPA established the Maritime Cluster Fund (MCF) with S\$80 million set aside over five years to promote and strengthen the maritime sector in Singapore through various promotional events.	The money has been used to promote Singapore aggressively. MPA officers are pro-active and make visits to the offices of maritime businesses abroad to encourage them to set up their business in Singapore; significant resources are poured into Singapore Maritime Week; the column inches in maritime publications for Singapore is impressive. Marketing and promotion has reinforced the global maritime community's perception of Singapore being a powerful IMC with no peers in Asia.	Whilst the Fund has been successfully utilised to promote Singapore, many consultees believe Singapore may have "over-marketed" themselves, and the phrase "smoke and mirrors" has been mentioned. However, that is not to say that Singapore is not a good IMC. Rather, the gap with Hong Kong is not as large as Singapore has led people to believe.	The amount of funding is enormous. Since 2003, Hong Kong's MIC has spent HK\$90 million on promotional visits and scholarships, just a fifth of Singapore's spending but over twice the time period. Singapore's marketing has worked - the global maritime community widely consider Singapore to be the premier IMC of Asia.
<b>MaritimeONE</b>	In 2008, MPA created a one-stop job portal <a href="http://Maritimecareers.com.sg">Maritimecareers.com.sg</a> as an initiative under MaritimeONE to cater to the growing interest among youth in the maritime sector, and the industry's need for quality manpower to fuel the rapid growth of Singapore as an IMC.	Since the establishment of MaritimeONE (2006), the MPA, Singapore Maritime Foundation and other industry players award students with scholarships and sponsorships that total to millions of Singaporean dollars. 40+ students are awarded annually to pursue studies that will prepare them for a career in Singapore's maritime sector.	The site promotes maritime careers and education, brings prospective employers and employees together, and features jobs spanning the major maritime groups of shore-based maritime services, offshore and marine engineering, and seafaring.	No similar programme exists in Hong Kong, but there should be such a programme. Educational institutions cannot be relied upon to coordinate amongst themselves. The Government must assist in the process.

Initiative	Purpose	Actual Impact	Perceived Pros and Cons	Lessons for Hong Kong
<b>SINGAPORE</b>				
<b>Singapore Maritime Week</b>	The MPA organises an annual Singapore Maritime Week (SMW) with a wide spectrum of conferences, forums and business networking events revolving around timely strategies for the current economic situation.	Large, though difficult to measure.	Not only raises the profile of Singapore abroad, but many activities during the week were targeted at local citizens. The Consultants attended SMW and noticed many attendees were from local firms – difficult to determine its impact on attracting foreign firms.	The coordination and cooperation at SMW by Singapore's associations and Government was impressive, and is a must for a similar type event in HK. Equal efforts should be made between promoting HK to the overseas and local communities.
<b>Maritime Singapore Green Initiative</b>	Launched by MPA during SMW 2011 to reduce the environmental impact of shipping and related activities and to promote clean and green shipping in Singapore.	MPA pledges up to \$100 million over 5 years. To date: 28 Singapore-flagged ships pay reduced registration fees and tonnage tax if they go beyond the requirements of the IMO EEDI; 369 vessels receive 15% concessions on ports dues by adhering to certain environmental terms; and 10 projects from nine maritime companies have received a total of \$7.7 million from the Maritime Innovation and Technology (MINT) Fund for developing green technologies.	Comprehensive coverage with three programmes – Green Ship Programme, Green Port Programme and Green Technology Programme.	The leading green shipping initiative the “Fair Winds Charter” was initiated and funded by industry following frustration with Government’s inaction. After seeing the efforts of industry, the Government launched in 2012 a Port Facilities and Light Dues Incentive Scheme for Ocean-Going Vessels Using Cleaner Fuel. The Government also plans to mandate all ocean-going vessels in Hong Kong waters to switch to cleaner fuel while at berth since 2015. Furthermore, the Government has stated its intention of gaining the cooperation of Mainland counterparts to create a PRD-wide Emission Control Area

Initiative	Purpose	Actual Impact	Perceived Pros and Cons	Lessons for Hong Kong
<b>SINGAPORE</b>				
<p><b>Singapore Ship Sale Form</b></p>	<p>An alternative form that would cater to their needs, in view of increasing maritime activities and maritime arbitration cases in Asia. A key aspect of the SSF is the inclusion of SCMA arbitration in the default arbitration clause of the form.</p>	<p>Evidence suggests that the SSF has not been very successful thus far. Singapore will increasingly work with BIMCO in the near future, including the updating of the commonly used NYPE time charter form to be published in 2014 (also in collaboration with the Association of Ship Brokers and Agents of the US (ASBA)), which will have the default arbitration venues as New York, London and Singapore, in that order.</p>	<p>Specially tailored to cater to the Asian market, up-to-date with changes in maritime and banking regulations, easy to use. In practice however, too early to tell.</p>	<p>Singapore is establishing itself as an arbitration hub for the region as most recently evidenced by the setting up of Maxwell Chambers in the heart of Singapore's business district to provide one-stop, best of class facilities and services for the conduct of alternative dispute resolution activities in Singapore. Close collaboration from reputable international maritime organisations and associations, such as BIMCO, would also bring benefits.</p>

Initiative	Purpose	Actual Impact	Perceived Pros and Cons	Lessons for Hong Kong
<b>EU</b>				
Strategic goals and recommendations for the EU's maritime transport policy until 2018	To provide a framework for action and funding decisions by the European Commission and a set of priorities for action by Member States, their Universities, research institutions and companies, in order to achieve the strategic goals with regard to European maritime transport.	Positive: Implementation of the strategy has produced a high standard of performance by Member State Maritime Safety Administrations and a European-wide vessel traffic monitoring system using a single window for all maritime related purposes (ports, customs, port state control, waste reception etc.). The strategy has also focused on R&D and allowed European funding to flow to maritime research. The strategy has also confirmed the policy position on tax systems used as state aid.	The Strategy has been positively received by the shipping industry and maritime technology companies. Maritime Safety Administrations have sometimes struggled under its requirements.	A strategic plan along these lines can be considered by the Hong Kong government. It has been produced after economic research by the EC and extensive consultation with maritime stakeholders. It provides the basis for action and resource allocation.
EU Programme to support the further development of an Integrated Maritime Policy	To build on previous EU projects in the areas of policy, governance, sustainability and surveillance	None seen so far. The regulations were only introduced in November 2011.	This is a further step to the creation of a common maritime policy in the EU encompassing all maritime activities, not just maritime transport	An integrated policy has the benefit of identifying objectives and the resources needed to achieve them and also setting up procedures for dealing with conflicting demands on maritime resources.
EU Strategy for Marine and Maritime Research	To provide a framework for marine and maritime research projects that can be funded by EU instruments for research funding – principally the Framework Programme	Positive. It has provided a context for research and knowledge development by universities and other institutions.	None so far	Only in as much as strategic plans have value in identifying goals and the resources required to achieve them

Initiative	Purpose	Actual Impact	Perceived Pros and Cons	Lessons for Hong Kong
<b>EU</b>				
EU 7th Framework Programme for Research	To fund, on a matching basis, primary and applied research in the European Union in line with specified “thematic areas”. The 7th Framework Programme has 10 “thematic areas”, 6 of which have a maritime context. A specific objective of the European Commission is to fund research into a ‘greener’ and ‘smarter’ pan-European transport system, supported by a research budget within the Framework Programme of €4.16 billion over seven years. (Not all of this going to maritime transport)	Major benefits accrue to universities and the research community. Tangible outcomes are difficult to measure.	The maritime industry, particularly the maritime technology sector, is very supportive of the programme. Its operation does vary between Member States. In the UK 80% of the funding goes to universities with their bias toward “pure” research. In Germany much more goes to companies and into applied research.	The Framework Programme is a major contributor to the knowledge economy and can serve as an example of a means for government to support the knowledge and technology sectors as a means of economic development.

## **Appendix B**

### **Recommended Initiatives in Detail**

**Table B.1 Government Policy “GP” Initiatives**

Initiative	Priority	Elaboration
<p><b>GP 1 – Continued support for Hong Kong as an IMC at the local Government policy level</b></p> <p>To feature maritime development in future Policy Addresses and accord importance to the maritime industry in the Government’s policy-making process.</p>	1	<ul style="list-style-type: none"> <li>Support at policy level is critical.</li> <li>Maritime is not a standalone “pillar industry”. Featuring maritime development in the Policy Address will enhance the status and weight of the maritime industry in the Government’s policy-making process.</li> <li>Help raise public awareness of the industry and its economic contribution.</li> </ul>
<p><b>GP 2 – Continued support for Hong Kong as an IMC at the national level</b></p> <p>To lobby for Central Authorities to continue to indicate their support for Hong Kong as an IMC in the 13<sup>th</sup> Five Year Plan and / or other policy documents.</p>	1	<ul style="list-style-type: none"> <li>The recommended future positioning for Hong Kong is to take advantage of its ties with the Mainland, and to become the destination of choice for commercial principals from the Mainland sourcing intermediary services. Express support in the 13<sup>th</sup> Five Year Plan will provide a basis for Hong Kong to pursue these objectives.</li> <li>There are other growing maritime centres in the Mainland (e.g. Qianhai, Nansha). Support in the 13<sup>th</sup> Five Year Plan will help re-affirm Hong Kong’s position as an IMC at the national level.</li> </ul>
<p><b>GP 3 – Cooperate with Shanghai in terms of maritime development by exploring pilot schemes employing the strengths of the two IMCs</b></p> <p>To explore areas for cooperation with Shanghai for the mutual benefit of both IMCs. Potential areas for cooperation may include: policy alignment, complementary development, and manpower training.</p>	3	<ul style="list-style-type: none"> <li>Shanghai and Hong Kong are currently the two most significant IMCs of China, and as detailed in this study they are quite different from each other. Shanghai is stronger in respect of terminal operation, ship building / repair and equipment supplies, while Hong Kong is stronger in ship management, ship broking / chartering, liner / cargo agency and some intermediary services.</li> <li>It should be explored whether there is potential synergy with Shanghai, and complementary features among the two IMCs according to their respective strengths. This may help avoid direct competition between the two, both nationally and internationally.</li> <li>Shanghai Maritime University (SMU) is the cradle of China’s shipping talent. It is worth exploring collaboration with SMU to enhance maritime training for Hong Kong.</li> <li>Cooperation between the two IMCs may assist both to compete with foreign IMCs such as Singapore and London.</li> </ul>
<p><b>GP 4 – Establish a new institutional body set up by the Government (“the new maritime body”) to conduct policy research, propose policy measures that drive maritime development, and champion the trade’s interests in Government’s policy-making</b></p>	1	<ul style="list-style-type: none"> <li>Refer to Section 8 for details.</li> </ul>
<p><b>GP 5 – Actively pursue trade and investment facilitation supplements under CEPA on behalf of the maritime cluster</b></p> <p>To pursue new initiatives under CEPA to facilitate Hong Kong’s maritime service sectors to serve the commercial principals in the Mainland, e.g. allowing Hong Kong ship management companies to manage Mainland-registered ships.</p>	2	<ul style="list-style-type: none"> <li>The recommended future positioning of Hong Kong is to focus on the Mainland market, and CEPA is an existing platform through which Hong Kong’s service sectors may acquire a competitive edge.</li> <li>Enabling Hong Kong’s maritime service sector to serve the commercial principals in the Mainland will generate demand and propel the development of Hong Kong’s maritime cluster.</li> </ul>

Initiative	Priority	Elaboration
<b>GP 6 – Enhance the feedback mechanism between the Government and the industry on the progress and priority of negotiation of double taxation agreements and Free Trade Agreements, as well as closer cooperation in lobbying work</b>	3	<ul style="list-style-type: none"> <li>• Presently the Government reports regularly to the Hong Kong Maritime Industry Council on the progress of Double Taxation Agreements (DTAs), and consults the industry on the priority economies for DTA negotiation. However there is room to improve the feedback mechanism, which at present takes place only once or twice a year. The Government should do the same for reporting the progress of negotiation of Free Trade Agreements (FTAs).</li> </ul>
<b>GP 7 – Develop policies to promote Hong Kong's maritime industry as environmentally-conscious and sustainable</b>	3	<ul style="list-style-type: none"> <li>• In addition to the environmental benefit, this initiative aims to make Hong Kong a recognised regional leader in minimizing maritime air pollution. Any pioneering environmental measures will also catch the attention of the international maritime community, which is increasingly concerned about pollution. It will also help raise international perception of Hong Kong as an IMC.</li> <li>• Hong Kong already has experience in pioneering marine emission control measures, such as: the Fair Winds Charter, incentivizing and mandating fuel switching at berth; and tightening the local standards on marine diesel (a 0.05% sulphur cap being the tightest in Asia). Hong Kong will also seek to designate the Pearl River Delta waters an Emission Control Area in the longer-term; install onshore power supply facilities in Kai Tak Cruise Terminal, and explore the feasibility of introducing other control measures where appropriate.</li> <li>• The public in Hong Kong perceive the shipping industry as “dirty” and polluting. Environmental measures may help over turn this perception and improve the public image of the industry.</li> <li>• Effective environmental measures would contribute to improving the quality of living in Hong Kong, making it a more attractive location for international maritime talent and commercial principals.</li> </ul>

**Table B.2 People “PE” Initiatives**

Initiative	Priority	Elaboration
<p><b>PE 1 – Develop Hong Kong as a centre of excellence for maritime education and enhance the quality of maritime-related courses / programmes at local institutions</b></p> <p>While designating a university as the “maritime university” could be a long-term initiative, a more pragmatic option is to encourage the universities to adopt a multidisciplinary approach (e.g. drawing professors from different disciplines and overseas to teach a maritime course / programme), and to encourage the offering of more maritime electives in the general disciplines such as business administration, law, finance, etc.</p>	3	<ul style="list-style-type: none"> <li>The local education system needs more emphasis on “maritime”. While there are very few maritime-related programmes in Hong Kong, the general disciplines such as business administration, law and finance feature none, or very limited, maritime elements. This is needed to support the long-term manpower development for the industry.</li> <li>Maritime business executives say graduates of maritime-related programmes from local institutions should be well-equipped for employment – the quality of the maritime programmes should be enhanced to be on par with those from abroad.</li> </ul>
<p><b>PE 2 – Maintain a central registry of the maritime-related programmes and courses on offer in Hong Kong</b></p>	2	<ul style="list-style-type: none"> <li>The registry will help give an overview of the manpower training opportunities in Hong Kong, and facilitate the deliberation of possible measures to support manpower training for the industry.</li> </ul>
<p><b>PE 3 – Keep in view the need for continued operation for the Maritime and Aviation Training Fund beyond the current 5-year timeframe</b></p>	3	<ul style="list-style-type: none"> <li>The \$100-million Maritime and Aviation Training Fund will operate for about 5 years. The Government should review the situation and usage from time to time and consider how best to support manpower development of these industries in the light of feedback from relevant stakeholders and institutions, including the need for additional funding to support the continued operation of the fund.</li> </ul>
<p><b>PE 4 – Set up an electronic platform to enhance the transparency of career opportunities in the maritime industry</b></p>	2	<ul style="list-style-type: none"> <li>Although the maritime industry offers many quality career opportunities the public is generally unaware of them. This adversely affects the public image of the industry and its ability to attract new recruits. An industry-wide employment portal that pulls together all vacancies in the industry would help improve the manpower situation in a sustainable manner.</li> <li>It may be merged with the portal recommended in initiative MPC 4, or set up by industry association(s).</li> </ul>
<p><b>PE 5 – Empower the new maritime body to oversee the manpower situation of the industry, and implement initiatives to support training for the industry in Hong Kong</b></p>	1	<ul style="list-style-type: none"> <li>Refer to Section 8 for details.</li> </ul>

Initiative	Priority	Elaboration
<p><b>PE 6 – Review and enhance the supply of courses offered by MSTI and their related arrangements</b></p>	5	<ul style="list-style-type: none"> <li>• MSTI is the only dedicated maritime education institution in Hong Kong (though not at tertiary education level). The courses it offers are pre-requisites for becoming seafaring personnel on international and local ships. The industry has expressed concern that the intake of these courses cannot satisfy demand for seafaring personnel and considers this a major hurdle, and urges the Government to review the supply of these courses.</li> <li>• The MSTI is located in Tai Lam Chung which is very far from urban districts. It takes hours for students to travel to and from the campus. This discourages young people who are interested in taking the courses of MSTI. Taking into account the utilization of the existing campus as well as its cost-effectiveness, the Government should explore whether an in-town location could be provided for the courses of MSTI.</li> </ul>
<p><b>PE 7 – Explore distance learning for maritime industry practitioners to increase flexibility</b></p>	4	<ul style="list-style-type: none"> <li>• This initiative supports manpower training for in-service cadets or other seafaring personnel. Seafaring personnel need to acquire a certain amount of time at sea as well as the necessary qualifications before they can progress to the next level. For instance, a sea-going cadet would need about 18 months of sea time as well as taking a number of courses before they could attend the examination for the Sea-going Class III (Deck Officer) Certificate of Competency.</li> <li>• A distance learning option would help seafarers speed up their career progression by enabling them to undertake courses while at sea. By reducing the time required for cadets to become deck officers, the supply of deck officers for the maritime industry can be improved.</li> </ul>
<p><b>PE 8 – Enhance exposure of local youngsters to the maritime industry</b> Possible measures include targeted promotion of the maritime industry to students in their early school years (in addition to school leavers), internship and placement programmes for students to get a taste of working in the industry, and support to the Maritime Museum to launch outreach programmes and activities. The Government should also consider launching events similar to the Hong Kong Maritime Awareness Week on a regular basis.</p>	2	<ul style="list-style-type: none"> <li>• Allowing youngsters to have early exposure to the maritime industry would help make a difference in their later career choices. The current promotion strategy of the Government (e.g. Career Expo) focuses on school leavers. The Consultant recommends that the targets should include younger children such as early secondary school students. The Maritime Museum is a good vehicle to do this.</li> <li>• In addition to “awareness” of students, the Government should also help students to get a taste of working in the maritime industry. An internship scheme would be worth considering.</li> </ul>
<p><b>PE 9 – Employ non-traditional promotion strategies to update the concept and image of careers in the “maritime industry”</b> Launch non-traditional media campaigns such as soft-marketing on social media, viral internet marketing etc. to overturn the poor image of the career opportunities offered by the maritime industry</p>	4	<ul style="list-style-type: none"> <li>• The poor public image of “maritime” and “shipping” is a major hurdle to recruiting. The Government has been undertaking traditional promotion initiatives but these strategies are not effective in reversing deeply rooted concepts and images.</li> <li>• Non-traditional promotion strategies employ soft-marketing in influencing of the fundamental understanding of what “maritime” means and what kind of people are “maritime people”.</li> </ul>

Initiative	Priority	Elaboration
<p><b>PE 10 – Explore measures whereby the immigration regime can facilitate the recruitment of overseas talent for Hong Kong's maritime industry</b></p>	4	<ul style="list-style-type: none"> <li>• Despite efforts in training local people for the maritime industry, “maritime” is an international business and Hong Kong's maritime cluster needs a certain number of international practitioners to remain competitive. Their presence is also an important feature of IMCs and improves the interface with international maritime commerce.</li> <li>• The existing immigration regime allows 14 days for crews to join ships in Hong Kong and allows the employment of foreign professionals under the Supplementary Labour Scheme. The industry calls for changes to bring about greater convenience and to facilitate making Hong Kong a ship arrest centre and to gather a more vibrant international workforce.</li> </ul>
<p><b>PE 11 – If and when there is consensus among the industry to create an all-encompassing body of maritime professionals, the Government to facilitate and assist the industry in the establishment of such body</b></p>	5	<ul style="list-style-type: none"> <li>• Discussion with professionals involved in the recruitment of young talent to the maritime industry identified that young people are very keen to i) interact with other young professionals in the industry and ii) achieve a recognised status, e.g. joining an institute and through other structured goals in their career path.</li> <li>• Creation of a unified association will enhance the visibility and profile of Hong Kong's maritime cluster. Successful examples from other IMCs include Maritime London, Shipping Professional Network in London, Maritime by Holland, Oslo Maritime Network, Maritime Forum (Norway), and the Singapore Shipping Association.</li> <li>• Status amongst their peers /family and recognition of a profession is an important incentive for young recruits. This initiative aims to address this issue.</li> </ul>

**Table B.3 Marketing, Promotion and Communication “MPC” Initiatives**

Initiative	Priority	Elaboration
<b>MPC 1 – Empower the new maritime body to devise effective strategies and to market and promote initiatives to enhance Hong Kong’s status as an IMC, to attract commercial principals and raise awareness of Hong Kong’s strengths in providing quality maritime services</b>	1	<ul style="list-style-type: none"> <li>Refer to Section 8 for details.</li> </ul>
<b>MPC 2 – Devote resources for marketing and promotion for the purpose of attracting commercial principals from all around the world and in particular those from the Mainland to establish operations in Hong Kong</b>	1	<ul style="list-style-type: none"> <li>Almost all industry stakeholders agree that service providers go where the commercial principals are. To tie-in with the recommended positioning as a major centre for maritime service providers, Hong Kong needs to make sure there is enough demand for such services; and commercial principals are the key. The current marketing and promotion strategy adopted by the Government does not have a specific target in the global maritime community, although the MIC has been conducting promotional visits around the world.</li> <li>Hong Kong should maximize the effectiveness of the marketing and promotion strategy by focusing on commercial principals from the Mainland.</li> <li>This has to be carried out together with policy support by the central authorities (see GP 2).</li> </ul>
<b>MPC 3 – Attract, support, and assist the organization of international and regional maritime-related conferences / events</b>	3	<ul style="list-style-type: none"> <li>This will attract different players from the international maritime community to gather in Hong Kong, and help promote Hong Kong’s status as an IMC.</li> <li>The existing Asian Logistics and Maritime Conference is a good event, although it is only regional in focus.</li> <li>The Government should show support for these events to be held in Hong Kong, e.g. sending senior officials to officiate at these conferences / events.</li> </ul>
<b>MPC 4 – Creation of a One-Stop-Window for information and communication to be managed by the new maritime body.</b> To completely revamp the presentation and content of the current portal <a href="http://www.hkmaritimenet.gov.hk/en/index.htm">http://www.hkmaritimenet.gov.hk/en/index.htm</a> to include : <ul style="list-style-type: none"> <li>Annual updates on the contribution of the maritime cluster to Hong Kong (% of GDP);</li> <li>Annual updates on expenditure on maritime affairs</li> <li>Annual reports available online and disseminated through maritime-related associations</li> <li>Statistical reports (including historical data stretching back at</li> </ul>	2	<ul style="list-style-type: none"> <li>The proposed revamp of the portal will serve as the communication platform between the Government and the industry.</li> <li>The portal will be managed and maintained by the new maritime body (see Section 8) so enquiries can be dealt with quicker than the current communication channels and information can be shared in a more aggressive manner (selling Hong Kong as an IMC) in comparison to the Government’s more conservative tone.</li> <li>It will be the window for international players to understand Hong Kong as an IMC.</li> <li>It will, with proper promotion of the portal, be a means for local public to understand the maritime industry of Hong Kong and its career opportunities.</li> </ul>

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Initiative	Priority	Elaboration
<p>least 10 years)</p> <ul style="list-style-type: none"><li>○ Frequent updates on what's happening in the maritime industry in Hong Kong, including reports of government activities, maritime companies entering Hong Kong, and upcoming maritime events</li><li>○ A section for young people or those new to the industry who would like to learn more about Hong Kong as an IMC and each related service area</li><li>○ A maritime company and organization directory</li><li>○ Information on how to set up a maritime company in Hong Kong, including promotional information on why Hong Kong is the ideal location</li><li>○ Sound bites from maritime executives based in Hong Kong</li><li>○ A section on employment opportunities, career paths, maritime-related courses and programmes, etc.</li></ul>		

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**Table B.4     Infrastructure, Innovation & Technology “IIT” Initiatives**

Initiative	Priority	Elaboration
<b>IIT 1 – Empower the new maritime body to drive and coordinate research and development activities in the industry that are relevant to Hong Kong</b>	1	<ul style="list-style-type: none"> <li>• Refer to Section 8 for details.</li> </ul>
<b>IIT 2 – The Government to support and encourage research and development by the industry / academia in aspects such as maritime policy, services, infrastructure, innovation and technology that will drive the further development of Hong Kong as an IMC</b>	3	<ul style="list-style-type: none"> <li>• Each of the benchmarked IMCs conducts considerable R&amp;D activities. The EU, Shanghai and Singapore all boast funding schemes for maritime specific R&amp;D activities. These funds attract firms to conduct prominent R&amp;D projects which benefit the host country's maritime cluster and not just the firm.</li> <li>• R&amp;D activities will not always produce successful results. The focus of such activities should be relevant to the context of the IMC so that research findings benefit the maritime cluster. It also ties in with the transition of Hong Kong to a knowledge economy.</li> <li>• The institutional and financial support offered by Shanghai and Singapore has encouraged firms, even those based in Hong Kong, to put their technical expertise into those IMCs.</li> <li>• There are funds set up by the Government to encourage research and development, e.g. the Information and Technology Fund. These funds should support the research and development of maritime policy, infrastructure, innovation and technology that may help drive the further development of Hong Kong as an IMC.</li> </ul>