

LCQ3: Addressing measures of United States aimed against China's shipping industry

Following is a question by the Hon Yim Kong and a reply by the Secretary for Transport and Logistics, Ms Mable Chan, in the Legislative Council today (May 28):

Question:

Last month, the United States released the findings of the "Section 301 Investigations" under the Trade Act of 1974 and announced that port fees would be imposed on vessels owned or controlled by Chinese entities (including Hong Kong entities), including vessels whose owner or operator is headquartered in Hong Kong and vessels of which more than 25 per cent of the equity interest is held by a citizen or citizens or the Government of Hong Kong. Hong Kong is the fourth largest shipping register in the world, with over 1 100 maritime-related companies currently operating here. Some preliminary analyses have pointed out that such maritime companies will be faced with risks such as an upsurge in operating costs and a decline in market competitiveness, and ship leasing and ship financing businesses will also be affected by knock-on impacts. In this connection, will the Government inform this Council:

(1) whether the Government has systematically assessed the negative impact of the aforesaid measures of the United States on Hong Kong's shipping and maritime-related industries, and formulated a cross-departmental collaboration plan to safeguard Hong Kong's status as an international shipping centre, as well as companies' legitimate rights and interests;

(2) whether it will provide targeted relief measures to the affected companies engaged in shipping, ship leasing and so on, or provide certain financial support for them to adjust their route deployments; and

(3) whether it has proactive measures to attract "non-US" ship operators or relevant high-end maritime service providers to carry on developing their business in Hong Kong?

Reply:

President,

The United States (US) Government announced on April 17 this year the results of its Section 301 Investigations against Chinese maritime, logistics and ship building industries and decided to impose port fees on vessels owned or operated by Chinese (including Hong Kong and Macao) companies, and vessels built in China for the use of US ports. The Hong Kong Special Administrative Region (HKSAR) Government has immediately issued a press release to express

its strong opposition to the decision, particularly for the fact that the measures are blatantly discriminatory, deliberately dividing the international maritime community and undermining the spirit of international solidarity and co-operation.

The HKSAR Government is highly concerned about the incident and the Transport and Logistics Bureau (TLB) has been maintaining close liaison with the industry to assess the situation and respond as needed. With regard to the various parts of Hon Yim's question, my reply is as follows:

(1) The US authorities has announced that the port fees will take effect on October 14 this year. For a vessel of 50 000 net tonnage, it will be charged US\$2.5 million per entry into a US port, thereafter increased annually reaching US\$7 million in April 2028. Each vessel will be charged up to a maximum of five times per year. The fees are indeed detrimental to others without beneficial to oneself, not only undermining the interests of the US port industry, cargo owners and consumers but also unfairly increasing the costs of Hong Kong's shipping companies on their business operations routing to and from the US ports.

Hong Kong is an international maritime centre supported by our country. Over the years, Hong Kong has attracted shipping companies of different capital backgrounds from all over the world to operate in the city by virtue of our "one country, two systems", bilingual common law as well as a free and open business environment. Each of these shipping companies has its own specific business portfolio and clientele. The extent to which they will be affected would depend on the share of the US market in their respective portfolios and their scope for adjusting shipping routes and business portfolios. It is therefore difficult to generalise the situation.

Recently, we have been visiting the shipping companies one after another, and the industry has reflected that the business environment in Hong Kong is indeed unrivalled and that the Hong Kong's ship registry has brought an edge to their ships in terms of quality assurance and international reputation. The industry is striving to identify solutions to the incident, and we do not underestimate the pressure faced by them due to various commercial considerations. On the strength of our country's strong backings, the HKSAR Government will render its full support to the Hong Kong's shipping companies to cope with the challenges. At the same time, we urge the industry to stay confident and avoid making hasty decisions under short-term geopolitical pressures at the expense of the long-term development opportunities in Hong Kong.

(2) We understand from the affected companies that they consider financial subsidies from the Government neither financially sustainable nor an effective solution to the problem. In contrast, the industry hopes that the Government can better consolidate the edges for the maritime sector operating in Hong Kong.

In recent years, the Government has introduced a number of measures to enhance the competitiveness of the maritime industry, which has indeed saved up for a rainy day and enhanced the industry's resilience in coping with the

complex external circumstances. We will capitalise on our strengths via a systematic and proactive approach to reinforce the local maritime industry chain internally as well as to expand market opportunities in our country and the world externally. We would have four key areas of work in future, including strengthening the maritime ecosystem, leading the industry to seize the opportunities arising from green shipping, deepening Hong Kong's role as an international exchange platform, and expanding opportunities in Mainland and overseas markets:

(i) Strengthening the maritime ecosystem, including the introduction of a half-rate tax concession for commodity traders and enhancement of the existing tax concessions for the maritime industry, for which the legislative bill is to be submitted to the Legislative Council in the first half of next year; continuing to provide green cash incentives and implementing the Block Registration Incentive Scheme for Hong Kong-registered ships;

(ii) Supporting and leading the industry to seize the opportunities arising from green shipping. The TLB has promulgated the Action Plan on Green Maritime Fuel Bunkering at the end of last year, with a view to promoting Hong Kong into a high-quality green maritime fuel bunkering centre by, inter alia, providing collaborative platforms for catalysing green maritime fuel supply and trading, thereby equipping the industry to cope with the international trend of green transition.

(iii) Deepening Hong Kong's role as an international exchange platform for facilitating interfaces between the local and overseas industry and expanding global business opportunities. The Government has been actively deepening collaborations with the international maritime organisations. The Hong Kong Maritime Week last year has been one of the most international editions ever where the key organisations like the International Chamber of Shipping and the International Maritime Organization had staged events in Hong Kong. These organisations have confirmed their continued participation in the Hong Kong Maritime Week this year and there would also be other international organisations staging events in Hong Kong for the first time.

(iv) Assisting and leading Hong Kong shipping companies to expand opportunities in Mainland and overseas markets, capitalising on Hong Kong's connectivity. This include establishing a "rail-sea-land-river" intermodal transport system with the Mainland for securing more cargo sources for Hong Kong, as well as utilising the port community system to be launched in January next year for connecting with the international maritime community, thereby assisting the industry to further enhance efficiency and reduce costs.

In addition, the Government will soon set up the Hong Kong Maritime and Port Development Board to be chaired by a non-official and provided with dedicated team and resources for enhancing its research, promotion and manpower training capabilities, so as to provide more effective support to the Government in promoting the development of Hong Kong's maritime industry.

(3) The aforementioned measures will significantly enhance Hong Kong's business environment and attractiveness, reinforcing Hong Kong's position as

an international maritime centre. We will continue to step up external promotion on the advantages of operating in Hong Kong through the Marine Department's service points located in seven different continents and Invest Hong Kong's network at home and abroad. The Marine Department will also set up a new dedicated team in the Middle East in the fourth quarter of this year for targeted promotion towards the emerging markets there.

Thank you, President.