LCQ4: Promoting development of maritime and professional services

Following is a question by the Hon Chan Hok-fung and a reply by the Secretary for Transport and Logistics, Ms Mable Chan, in the Legislative Council today (February 19):

Question:

The Central Government has, in the 14th Five-Year Plan, expressed clear support to Hong Kong in consolidating its status as an international shipping centre. In addition, the Special Administrative Region Government is committed to developing high value-added maritime and professional services, including creating a commodity trading ecosystem for metals and minerals. In this connection, will the Government inform this Council:

(1) how it will make good use of the advantages under "one country, two systems" to formulate "industry standards" that comply with the standards of the Mainland and the countries along Belt and Road, and whether it will promote the establishment of qualified testing centres in Hong Kong to conduct shipping-related inspections; if so, of the scope of services of the testing centres and the implementation timetable;

(2) whether it will select shipping transhipment industries with development potential, such as those which conduct testing on third-party timber or used electrical and mechanical products, so as to strengthen Hong Kong's position as a port for transhipment of goods to the Mainland (e.g. Tianjin, Shanghai, Zhejiang, Fujian, Guangdong and Guangxi) and countries along Belt and Road; if so, of the relevant roadmap; and

(3) apart from trading in commodities including metals and minerals, whether the Government will offer tax concessions to the aforesaid selected industries, so as to attract relevant enterprises in the Mainland and overseas to set up businesses in Hong Kong; if so, of the details; if not, the reasons for that?

Reply:

President,

Maritime services, mainly comprising ship management, financing and leasing, marine insurance, maritime law and arbitration are the high-value-added segment of shipping business. Enjoying the advantage of having the strong back-up of the Motherland and being closely connected to the world, the Hong Kong maritime services sector has its economic contribution increased by nearly 40 per cent in recent three years (i.e. from 2019 to 2022). The number of port and maritime companies has also risen by over 9 per cent from 1,137 to 1,242 from year of 2018 to 2023. In 2024, Hong Kong ranks fourth in the International Shipping Centre Development Index (Note: It refers to the Xinhua-Baltic International Shipping Centre Development Index) for the fifth consecutive year, reflecting our comprehensive strengths in port, maritime services and overall business environment.

The Government strives to promote the development of high value-added maritime services and launched a series of tax concessions since 2020, including full tax exemption for ship lessors, as well as half-rate tax concessions for ship leasing managers, marine insurers, ship agents, ship managers and ship brokers. Taking ship leasing regime as an example, the number of relevant enterprises has multiplied from 11 to 46 in the two years from 2020/21 to 2022/23. With the efforts of the industry and the Government over the years, Hong Kong's maritime services industry has become a "golden brand name" in the international arena. For example, three out the world’s top 10 ship management companies are headquartered in Hong Kong; the Baltic and International Maritime Council designated Hong Kong as one of the four arbitration venues in 2020; and 11 out of the 12 member associations of the International Group of Protection and Indemnity Clubs provide services in Hong Kong. In addition, the gross tonnage of Hong Kong-registered ships is the world's fourth largest and its port detention rate is among the top three lowest of the world's major flags, and its achievement is evident to all.

The Government is constantly reviewing its development strategy. At present, we are considering the introduction of new tax deduction arrangement for ship lessors, so as to maintain the competitiveness of the aforementioned tax incentives. At the same time, as mentioned by the Hon Chan, given that the trading of commodities including metals and minerals account for more than half of the global shipping trade volume, we are exploring the introduction of tax concessions for physical commodity traders as the next point of growth to boost the development of maritime services. We target to complete the study within this year.

In consultation with the Environment and Ecology Bureau, the Electrical and Mechanical Services Department, and the Innovation and Technology Commission, my consolidated reply to the various parts of the Hon Chan's question is as follows:

(1) and (2) As an important transhipment hub in Asia, Hong Kong's port has its competitive edge in its free port status, fast custom clearance, high efficiency and strong international connectivity, especially in handling cargoes of high value and with critical delivery time. It is well-positioned to complement the strengths of the other ports in the region for providing highly efficient services to inter alias the manufacturing industry and import-export trades of the Guangdong-Hong Kong-Macao Greater Bay Area and in Southern China as a whole.

Taking the import or re-export of timber as an example, most countries and regions in the world usually require that imported plants, including timber, be accompanied by a phytosanitary certificate or a re-export phytosanitary certificate issued by the place of export or re-export. The Agriculture, Fisheries and Conservation Department provides the service of issuing such certificates to facilitate exporters or re-exporters to comply with the phytosanitary requirements of the importers. As regards used electrical and mechanical products, we understand from the relevant departments that although the Hong Kong Government does not impose specific requirements on the export or re-export of such products at present, this type of products is subject to stringent international control.

(3) In 2023, the transhipment of (i) office machines such as computers and telecommunication audio-visual appliances and (ii) timber to the Mainland and the Belt and Road countries via Hong Kong accounted for about 0.6 per cent and 2.3 per cent of Hong Kong's total laden container throughput respectively. This should include the third-party timber and used electrical and mechanical products mentioned by the Hon Chan but currently the separate breakdown of the relevant figures is not recorded. We believe that more research may be conducted on this aspect.

â€‹Commodities mainly refers to commodities traded and transported in bulk volumes. They generally comprise three categories, namely: agricultural products, energy as well as metals and minerals. In the course of studying tax concessions, one of the key parameters to consider by now is which type of commodities to be covered. Regarding the Hon Chan's suggestion for introducing tax concessions for shipping re-export industry with potential, we will continue to listen to views. Should the product concerned align with the definition of commodities and the overall policy objective of the tax concessionary measures, and we will be proactive and keep an open mind to suitably consider and consult relevant stakeholders when there is a proposed way forward.

The port is the Government's top priority in boosting economic development. Given its throughput has been faced with challenges in recent years, the Government is committed to working closely with the industry to strengthen the competitiveness of the Hong Kong Port. In this regard, we will continue to "enhance quantity" and "enhance quality". With regard to identifying cargo sources and increasing cargo volume, Hong Kong must capitalise on its advantages of fast customs clearance and high efficiency to create more high-end port brands resembling the "Cherry Express", proactively develop emerging cargo sources and markets, and establish intermodal transport system connecting to the inland region, as well as to foster co-development with ports in the Greater Bay Area and deepen collaboration with the Shenzhen Yantian Port such as the Chongqing-Shenzhen-Hong Kong scheduled rail-sea service. The Government will also continue to reinforce the international status of the Hong Kong Port through digitalisation, green transformation and smart transition, including seeking funding from the Legislative Council within this year to complete the Port Community System and developing Hong Kong as a high-quality green fuel bunkering centre.

Thank you, President.