

Speech by STH at 3rd Mare Forum Hong Kong 2019 (English only) (with photo)

Following is the speech by the Secretary for Transport and Housing, Mr Frank Chan Fan, at the 3rd Mare Forum Hong Kong 2019 today (November 20):

Georgios (Executive Director of Mare Forum International, Mr Georgios Kostoulas), Arthur (Moderator of the Forum, Mr Arthur Bowring), distinguished guests, ladies and gentlemen,

It is my great pleasure to join the Mare Forum Hong Kong again. It is my third time here. At this very difficult time, please accept my warmest welcome to you all, particularly to those who have travelled all the way to Hong Kong. I am also delighted to welcome back the renowned Mare Forum for the third time since 2017. With a congregation of policy makers and chief executives, the Forum is where great minds meet and shed light on the way forward.

Since late 2018, international trade has been sluggish amid ongoing geopolitical and trade tensions. Last month, the International Monetary Fund forecasted a global economic growth of three per cent in 2019. This is the fourth downward adjustment since January and the lowest since the last decade. While we keep fingers crossed for a positive outcome from the trade negotiation between the United States and China, the outlook remains precarious.

In the face of the rather challenging global environment, we need to find a way out. The world now looks to Asia as the key driver of growth. With the world's second largest economy, China, together with the fast-growing Southeast Asian countries, the continent alone contributes some 40 per cent of the global merchandise trade value. The estimated growth rate of 5.9 per cent in 2019 for Asia highlights the potential and prospect.

Closer to home, immense opportunities arise from the Guangdong-Hong Kong-Macao Greater Bay Area development. The Greater Bay Area, with a population of 70 million and an aggregate GDP of US\$1.5 trillion, has much to offer. Notably, three of the busiest container ports in the world are located within the Greater Bay Area – Shenzhen, Guangzhou and Hong Kong. In 2018, their combined throughput was 67 million TEUs. Under a coordinated and synergised development strategy, the overall competitiveness of the Greater Bay Area is set to rise, and this applies to the maritime and shipping industry.

Hong Kong is a small city, with some 7.4 million people, or less than 0.1 per cent of the global population. But, believe it or not, this tiny little city was the world's eighth largest trading economy of goods and services in 2018.

Hong Kong's success doesn't come by coincidence. Because of a limited domestic market, we have been reaching out to the world all the time. With our strategic location in the heart of Asia and at the doorstep of Mainland China, shipping activities began to grow. Our international trade set sail in the 1960s when the first scheduled container ship berthed at Hong Kong. In 2018, our Kwai Tsing Container Terminals, together with our efficient land transport infrastructures, managed to move some 280 million tonnes of cargoes. Our voyage to economic prominence would not be possible without the invaluable contribution of the maritime and shipping industry.

On the maritime front, over 800 shipping-related companies are now operating in Hong Kong. They provide a wide spectrum of quality maritime services ranging from ship management, ship broking and chartering to ship finance, marine insurance, and maritime arbitration. Recognising Hong Kong's strengths in talents and services, we are tasked to provide maritime services to the shipping enterprises in the Mainland and Macao. There are ample opportunities for every one of us here today.

I should have stopped here if everything goes fine. But reality is often unforgiving. As an externally oriented economy, we are not immune from the impact of this global economic slowdown. Growth in the first half of 2019 was a marginal 0.5 per cent. For the first nine months of 2019, the Hong Kong Port handled 6.5 per cent less throughput compared with the same period last year. Amidst the external headwinds and domestic social unrest, we have to brace ourselves for the eventuality of an overall negative growth for 2019.

"A smooth sea never made a skilled sailor." Indeed, Hong Kong has overcome many testing moments, and risen once and again, stronger and more resilient.

In June, Hong Kong was named the world's second-most competitive economy in the world, according to the World Competitiveness Yearbook. In September, the Global Financial Centres Index once again ranked Hong Kong the third leading financial centre worldwide after New York and London.

Underlying these international accolades is our belief in free trade and economic freedom. Both the Washington-based Heritage Foundation and the Fraser Institute of Canada recognise that. And they repeatedly named Hong Kong the freest economy worldwide.

We are committed to providing a level playing field for all and remain wide open for businesses. In March, we sealed the Free Trade Agreement (FTA) with Australia. Then, in June, the FTA and related investment agreement we signed with ASEAN came into effect. Through reduced tariffs, enhanced market access, legal certainty and investment protection, we are looking forward to much closer economic collaboration with economies in the region.

As time and tide wait for no man, the maritime industry thus cannot stand still. Innovations and creative solutions are continuously required for not just to stay ahead of the game, but more importantly, as others have just mentioned, to comply with the various international requirements for

sustainability and breakthroughs.

Take for example, the International Maritime Organization's 2020 sulphur cap requirement. With the due date just round the corner, most economies have taken steps to ensure compliance, and we have done that a year ago. The majority have opted to use compliant fuel, the others opted for scrubbers and LNG vessels.

To help combat climate change, IMO targets an average of 40 per cent reduction of carbon dioxide emissions by 2030 and a 50 per cent cut in greenhouse gas emissions by 2050.

To achieve this bold 2050 target, industry experts anticipate that zero emission vessels have to set sail by 2030. This leaves the trade with a ticking clock to design and build greener vessels. It is encouraging that a "Getting to Zero Coalition" has been formed recently by more than 80 shipping companies, commodity traders and banks. This cross-sector partnership manifests the trade's commitment and determination to identify the best technology, finance and business practices for the 2050 target.

The need for eco-friendly vessels also generates demand for top quality ship finance and ship leasing. As one of the top international financial centres in Asia, Hong Kong is best positioned to serve such needs. We house seven of the world's top 10 ship finance bookrunners. Over the past decade, our shipping loans and advances have surged by an average of more than nine per cent annually. To better support shipowners and ship-finance companies, we are going to provide tax concessions for ship leasing businesses in Hong Kong.

Apart from using greener vessels, the trade has to find ways to reduce fuel consumption for both cost-efficiency and environmental protection. For instance, with the technological advancement in weather routing and ocean current analytics, many captains are now better equipped to decide the best possible routes from one place to another. Ships are thus able to, on one hand, avoid the rough weather areas, and on the other hand, make use of ocean currents to sail faster with less fuel.

Here at home, shipping-tech businesses are blooming. A local start-up designs and manufactures underwater drone robots for full inspection and cleaning of the hull. The new technology offers a more efficient, cost effective and safer hull maintenance work by robots rather than by divers.

Of course, many more game-changing technologies are out there; autonomous shipping, blockchain and digitalisation just to name a few. While these technologies can help meet regulator and customer expectations better and faster, they also bring disruption to existing business models and operations. Therefore, we need to build consensus across the globe to tackle the challenges together, and that's why we are here today.

The future starts today, not tomorrow. We have to invest now and invest "smart" for future. To Government, we cannot think of a better investment

than on human capital.

Attracting young people to join the maritime industry is by no way easy. As I talked with many delegates when I visited overseas partners in the past few years, we all come to the same conclusion that we need to work harder to attract the younger generation to join the maritime and shipping industry. If you ask university freshmen whether they have heard of Apple or Google, the answer is very simple, as you could have imagined. But if you ask them about Maersk or OOCL or HIT, you would probably meet with blank faces. The maritime and shipping industry has been contributing a lot to the global economy.

We spare no effort in the nurturing of maritime talents. Earlier in May, the Government injected HK\$200 million into the Maritime and Aviation Training Fund. The injection enhances on-going initiatives and supports new schemes for students and industry practitioners. The Fund is also conducive to raising awareness of the maritime and shipping industries so that young and talented people are attracted to join the industry.

Ongoing publicity and promotion is another form of "smart" investment. Think about the Hong Kong Maritime Week. To you, it is a golden opportunity to connect, look for potential partners and gain insights on the latest developments. It also enables us to showcase our strengths and potentials, and foster collaboration with partners, both local and overseas.

Ever since its establishment, the Hong Kong Maritime and Port Board, together with the Government have organised many visits to overseas and Mainland maritime cities. The concerted effort between the industry and government has borne many fruits. The decision of the International Chamber of Shipping to establish its first-ever Asian Liaison office in Hong Kong is a vivid demonstration.

Ladies and gentlemen, I have just shared with you my humble observations and thoughts. While 2019 is less gleaming than we would like it to be, we invite you all to set sail together. In closing, I would like to extend my heartfelt appreciation to every one of you for your participation. Amid social unrest and personal anxiety, your presence means a lot to us. May I wish you all an enjoyable and rewarding forum. Thank you.

