

Shipping Consultative Committee

Review on the Composition of the Shipping Consultative Committee and Criteria for Appointment of Members

Introduction

This paper seeks the views and comments from members on changing the criteria for selection of representatives from the shipping sector in the Shipping Consultative Committee.

Background

2. The Shipping Registry of Hong Kong was established in 1990. As a result, the Shipping Consultative Committee (here after known as SCC) was formed in 1st April 1991 for the Government and the industry to meet and discuss issues for the development of shipping policies, making of local legislation and collaborating our concerns in the International Maritime Organization (IMO). Hence, the terms of reference of this non-statutory technical committee is “To advise the Director of Marine on the efficient operation of the Hong Kong Registry of Shipping and Hong Kong’s effective participation at the IMO”.

3. SCC members are currently appointed on the basis of their parent companies’ contributions to the success of the Hong Kong Shipping Registry (HKSR) and on their influences to the maritime industry in Hong Kong. A Membership Appointment System (here after known as the MAS) was set up to provide information for the appointment of members. The last review of the appointment system was conducted in 2003 and SCC members were appointed using the system ever since. However, as the tonnage in the Hong Kong Shipping Registry continues to grow, many large shipping companies in the Mainland and overseas have established their businesses in Hong Kong. The shortcomings of the appointment system began to emerge. It might be an opportune time to review the system to meet the changing needs of the maritime industry in Hong Kong today.

4. At present, there are sixteen (16) non-official members in the SCC, which comprises of representatives from twelve (12) shipping companies, two(2) trade unions, a shipowners’ association and a local law firm.

5. Apart from the four (4) non-shipping company members in the SCC, representatives from shipping companies are currently appointed using the MAS developed in 2003.

According to the current requirements in the MAS, a list of shipping management companies, which have ships registered under HKSR, are kept by the system. These ship management companies are ranked according to the “total gross register ton (g.r.t.)” in the HKSR. The top 25 companies will be awarded with even points from a maximum of 50 to a minimum of 2 depending on their positions on the list i.e. the company with the most total g.r.t. will be awarded 50 points and the 25th company 2 points. These 25 companies are ranked again according to the “number of ships” they have in the HKSR. A maximum of 25 points will be awarded to the 1st company with the most number of ships in the HKSR and 1 point for the 25th company. The points awarded to these 25 shipping companies under these two criteria are added and ranked again to give a final list where appointment of member to SCC is based.

6. To ensure full participation of members in SCC, only those ship management companies that have their registered addresses on the DOC in Hong Kong are selected. The first twelve(12) companies on the list that are not represented in SCC are invited to nominate a representative into the SCC as the vacancies arose. At present, not all the twelve(12) shipping company representatives are appointed at the same time. Six(6) members will be appointed in one year and another six(6) members will be appointed in the next year i.e. six(6) members appointed in 2010 – 2012 and six(6) in 2011 – 2013.

Shortcomings in Current System

7. Views were received from shipping companies whose DOC addresses were not in Hong Kong. While it is recognized that there is a need to ensure the full participation of a member to SCC during consultation and it helps when these companies are located in Hong Kong, the registered office of the DOC to be Hong Kong should not be a limiting factor or criteria for qualification to SCC membership.

8. For operational reasons, companies may have representatives in Hong Kong despite the fact that their registration addresses in the DOCs are not in Hong Kong. The views stated that if the companies in Hong Kong are owned by their parent companies, these companies in Hong Kong should therefore, be considered as representatives of the parent company and they should be considered as qualifying members in SCC.

9. As the selection of members to the SCC relies on the list of ship management companies kept in MAS, shipowners who are not ship managers will not be included in the list even though they may own a large number of Hong Kong Registered ships and have their own representatives in Hong Kong.

10. The original intention of staggering the appointment of representatives from ship management companies into SCC in two years (i.e. six(6) in one year and then another six(6) in the next year) was intended to ensure that there are always members in the SCC who are familiar with the working of SCC as half of the members are changed every year. However, the separate batch appointment of members on the list into SCC in two years may not be fair to companies on the list. The total register tonnage and the number of ships of a company in the HKSR varied each year. A company who is on the eleventh or twelve position on the list may not be appointed because of the limited number of vacancies (six(6) in one year). In the next year, the company may not have enough register tonnage and number of ships to keep this position on the list. Such a company may not be appointed into the SCC for many years while those who have been surpassed by others may remain in the SCC for at least one or two years.

11. As at 23.11.2003, the HKSR had 635 ocean-going ships and a total of 19.1 million g.r.t. The appointment of representatives from the two twelve companies on the list would mean a representation of over 50% of the tonnage and number of ships in HKSR. On 31.10.2012, HKSR has 1950 ocean-going ships and a total of 78 million g.r.t. The appointment of just representatives from just twelve companies may not represent the majority views of shipowners and ship management companies who registered their ships in the HKSR.

Proposal

12. To resolve the shortcomings identified above in the application of the MAS, the following amendments to the MAS are proposed for the consideration of the SCC:

- (a) There is a need to increase the representation of shipping companies to cover at least 50% of the tonnage and number of ships in HKSR. It is proposed to increase the number of representatives from shipping companies from twelve(12) to twenty(20) to maintain 50% coverage.
- (b) Shipowners and ship management companies are the major players in the shipping industry in Hong Kong. However, MAS only selects from a list of ship management companies for the appointment of representatives into the SCC. Shipowners that do not carry out ship management functions will not be appointed under the present MAS system. In order to balance the representation from the shipping industry in Hong Kong, two lists is kept for the selection of representatives into SCC. One list is kept for shipowners and the other for ship management companies. The same ranking arrangements will apply to these new lists. The first ten(10) shipowners/ship management companies that have not been

invited for appointment will be invited for appointment into SCC i.e. if ship management company A who is also a shipowner is appointed under the ship management company list, company A will not be appointed again in the shipowners' list even though it is within the top 10 of the list. The next company in the line will fill up the vacancy.

- (c) The present criteria set in MAS has exclude those companies which a number of fleet flying Hong Kong flag but with their DOC registered address outside Hong Kong. It would not be fair to companies that have offices in Hong Kong despite that their registration addresses in the DOCs are outside Hong Kong for operational reasons. It is proposed that shipowners and ship management companies that have representative offices in Hong Kong are also eligible for appointment.
- (d) Experiences in the past show that the appointments are coming from more or less the same companies. Appointees are all familiar with the work of the SCC. All members in SCC will be appointed every two years.

13. The summary of the proposed criteria of SCC is at Annex A.

Consultation

14. Members are invited to comment on the above proposals on the review of the composition of the Shipping Consultative Committee and the criteria for appointment of its members. A copy of the complete report of the same subject prepared in 2003 is enclosed for reference.

Marine Department
Multi-lateral Policy Division
21 December 2012