

# MARITIME BUSINESS INSIGHT

## Feature - One Belt One Road



**C.Y. Tung International Centre for Maritime Studies**

**Maritime Education ★ Research ★ Consultancy**

**Volume 4, Issue 3, July 2016**



# Maritime Business Insight

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### Contents

<b>EDITOR'S MESSAGE</b> .....	2
<i>Translation of Belt and Road Initiative into Enormous Business Opportunities</i>	
<b>Mr. YAU Shing-mu</b> .....	3
<i>Global Liner Shipping Networks and Maritime Businesses</i>	
<b>Dr Jan HOFFMANN</b> .....	6
<i>Burgeoning Opportunities in Countries along the Belt and Road</i>	
<i>An Interview with Mr. Eric M.S. WONG</i> .....	10
<i>The Opportunity of Shipping and Port in OBOR</i>	
<b>Professor BAO Jia-yuan</b> .....	12
<i>Evaluation of Risks in OBOR Countries</i>	
<b>Mr. WENG Hsiang Kai</b> .....	18
<i>The Safety of Life at Sea Amendment which requires Verification of Gross Mass of Cargo</i>	
<b>Mr. Lokesh BHATT</b> .....	23
<i>Verification of Gross Mass of Containers in Hong Kong</i>	
<b>Dr Sik Kwan TAI</b> .....	27
<i>香港海員工會對施政報告的回應</i> .....	30
<i>在海中心留下航跡-地球上最長最神秘的一條線</i>	
<b>馬丁.謙</b> .....	33
<i>Call for Articles for Oct Issue</i> .....	36

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## EDITOR'S MESSAGE

The feature of this issue is OBOR- a heated topic since 2013 after launching by Chinese President, Mr. XI Jinping. The initiative encompasses over 60 countries with the stated aim to connect major Eurasian economies through infrastructure, trade and investment.

The Department of Logistics and Maritime Studies held a conference on OBOR from 10 to 11 May this year. In this issue, we will share the ideas presented by a number of speakers. Mr. YAU Shing-mu, the Undersecretary of the Transport and Housing Bureau, gave hints to Hong Kong business players on how to translate the OBOR into business opportunities.

Mr. Eric WONG, who has over 20-year experience in the shipping industry, has been putting effort to grasp the opportunities emanating from the OBOR initiative by setting up his own office in Yangon in 2014 to offer full-fledged transport and logistics services. He will share with us his insight, must-know and experience of doing business in Myanmar.

Professor Ali BAO will elaborate on the business opportunities from the newly built or upgraded infrastructures of the shipping and port industry so that readers can have a clearer picture. The infrastructures are summarized as follows: 1) Construction of infrastructure on port and rail; 2) Expansion of shipping business; 3) Opportunities in Free trade zone and 4) Utilization of land bridge.

As opportunities often go along with risks, we should not overlook the potential risks in making use of the OBOR initiative. Mr. WENG Hsiang Kai will evaluate the risks in OBOR countries, basing on the survey from

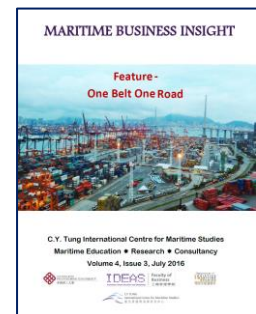
The Global Conflict Risk Index presented by the European Commission, 2014.

Regarding regulations of the international maritime industry, the Maritime Safety Committee (MSC) of the IMO has agreed to an MSC circular on an amendment of SOLAS which requires Verified Gross Mass (VGM) of packed containers. This new rule is due to enter into force on 1 July 2016. Previously there has been a requirement in SOLAS to only declare the gross mass of cargo and containers.

Mr. Lokesh BHATT, HSEQ Superintendent of Seaspan Ship Management Ltd. provides elaboration on this amendment and illustrates the two methods of weighing containers. Meanwhile, Dr. TAI Sik Kwan explains this amendment with specific reference to the application in Hong Kong. He mentions the duties of the shipper and the treatment when the gross mass of a container is not verified.

Dr Jan HOFFMANN, Chief of the Trade Facilitation Section of UNCTAD, introduced the "Liner Shipping Connectivity Index" which can indicate a country's access to container shipping services.

In the aspect of seafarers, it should be mentioned that there were celebrations for the Seafarers' Day, i.e. 25th June 2016. Some articles of "5 Hong Kong young seafarers" are shared with you so that you can know better the interesting side of this career. Also, the viewpoints of the Hong Kong Seamen's Union towards the latest policy address of the Chief Executive of HK are put on this issue.



## FEATURE – One Belt One Road (“OBOR”)

### Translation of Belt and Road Initiative into Enormous Business Opportunities

(Welcome Speech of OBOR Conference held on 10 to 11 May 2016)

*Mr. YAU Shing-mu, Undersecretary of Transport and Housing Bureau*



Professor Edwin Cheng, Professor Andy Yeung, Dr Venus Lun, Distinguished Speakers and Guests, Ladies and Gentlemen:

Good morning. It is my great pleasure to join you all here at today's conference. There is no better time than now for the Hong Kong Polytechnic University to organise this event. As the Chairman of the Standing Committee of the National People's Congress, Mr Zhang Dejiang, will attend the Belt and Road Summit next week (May 18). This two-day conference, as a prelude for the Summit, will shed light on how best we can work in tandem with the Central Government's "One Belt One Road" initiative



and grasp the emerging opportunities.

The Belt and Road Initiative is a national development strategy, aiming at fostering ties based on mutual and inclusive cooperation amongst some 60 countries along the Silk Road Economic Belt and the 21st Century Maritime Silk Road. "Connectivity" is one of the cornerstones of the Initiative. By making good use of international transport routes, core cities and key ports, it looks to promote a new paradigm of international economic cooperation.

Hong Kong is located at the heart of Asia and along the East-West trade routes, strategically at the doorstep of China. Riding on this favourable position, we are well-connected to every major city around the globe by a world-class international airport, a container port renowned for its efficiency, and our number of land crossings to Mainland China is unmatched in the world. Our City is full of connections, infrastructural or otherwise. We are well-positioned to play a prominent role as companies or individuals venture into the emerging and established Belt and Road markets. And this is exactly why our airport needs a Three-Runway System and our city needs a mega-bridge across the Pearl River estuary to reach Zhuhai, Macao and beyond for going West. They will equip our city to

meet future challenges and competition.

I won't bore you with facts and figures of the institutional strengths that Hong Kong possesses. People like you who are from the logistics industry and

academia are surely the people in the know. I would just like to highlight a few facts in relation to the potential of this city serving as a springboard or platform for opportunities that the Belt and Road Initiative brings.



Zhuhai Port

Latest statistics in 2014 showed that air passenger throughput between Hong Kong and the 60 some countries along the Belt and Road accounted for 71% of our overall air passengers. The trend is on the rise. The top 10 of those countries, which accounted for 63%, are all located in Asia. Mainland China has economical and convenient land access to many of the Belt countries, in particular, for transportation of goods. However, in terms of moving around investors, traders, bankers, professionals and alike who value time over money, our city's aviation-hub status would certainly be a natural and preferred choice.

Hong Kong also has economical and extensive networks for moving goods in containers. These Belt and Road countries also accounted for two-thirds of our sea-cargo freight. In either case, the respective top 10 countries accounted for over half of the total air passenger throughput and cargo volume.

In respect of the maritime industry, the Belt and Road Initiative looks to help boost trade

flows among countries along the economic corridors. Hong Kong is currently engaged in sea-cargo activities with about 45 jurisdictions and has already entered into double taxation relief arrangements with 25 jurisdictions. We are striving to explore ways to conclude double taxation relief arrangements with more trading partners.

And don't forget our high value-added professional services. We enjoy the competitive edge and have a solid foundation for development in areas ranging from ship management and broking, shipping agency, shipping finance, and maritime insurance to arbitration and legal services. Meanwhile, Mainland China, being the world's largest shipbuilding country, accounted for 40.8% of the world's total newly built ships in terms of deadweight tonnage last year (2015). Riding on the huge demands driven by Mainland China's fast growing shipping-related industries, I am sure that our position as an international maritime service centre would be nothing but strengthened.

The figures mentioned above shows the fact that the Belt and Road Initiative is not just a bold concept; it could be translated into enormous business opportunities based on what we are actually doing and investing. In terms of natural assets, this tiny city has only two: first, a natural harbour, which we have turned into one of the world's top container ports; second, our people – adaptive, adventurous, civilised, dynamic, industrious, resilient and versatile. How would our next generation respond to the opportunities and challenges ahead? Are they as good as their fathers and elder brothers, or even aspiring to and capable of overtaking them? Our forefathers, who were pioneers as well as foot soldiers for China's open-door policy in the



1980s and 90s, grew their China trade and business in spite of immense difficulties. The capital and technologies they brought along facilitated the Mainland's development. Do our young people today possess similar qualities and share the same bold vision; to travel the unbeaten paths to discover new green pastures; and overcome barriers, language, cultural, social or otherwise along their ways?

Ladies and Gentlemen, the Hong Kong can-do spirit has taken our city beyond the bounds of our city perimeters. The Hong Kong SAR Government is continuing to gear up our city and our young people for the opportunities ahead. As such, we need support from all of you in motivating our younger generations to embark upon this journey. A number of schemes have been put in place or will be

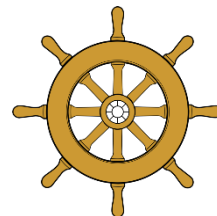


soon available under the Education Bureau to provide support for Hong Kong students to go for exchanges and internships in the Belt and Road regions. The Maritime and

Aviation Training Fund under our Transport and Housing Bureau sponsors various kinds of study schemes, on-job trainings and exchanges too. Knowledge, experiences and the advice of people like yourself is very valuable for the students to leap forward and try the untried.

Before closing my speech, if you may allow me to update you here on a small but meaningful development on the maritime side. Last week, the newly established Hong Kong Maritime and Port Board held its first meeting. This is a high-level steering body chaired by the Secretary for Transport and Housing. The Board aims at formulating strategies and policies for developing Hong Kong as an international maritime hub. It will also look into further opportunities that the Belt and Road Initiative may bring to Hong Kong; and work together with the maritime sector to promote Hong Kong's role as a “super-connector” between overseas countries and Mainland markets.

Indeed, enriching the Belt and Road Initiative and translating the vision into execution plans calls for a lot of thinking, planning and information sharing. Today we have a hall full of experienced industry leaders, practitioners and academics here to compare notes and share insights and thoughts. My colleagues and I are looking forward to ideas that may give Hong Kong a push on the road to the Belt and Road. On this note, I wish you all a very fruitful and successful conference. Thank you.



## **Global Liner Shipping Networks and Maritime Businesses**

*Dr Jan HOFFMANN*



Biography: Dr Jan Hoffmann joined the United Nations Conference on Trade and Development (UNCTAD) in 2003 and is

currently working as Chief of the organization's Trade Facilitation Section. He is in charge of various multilateral trade facilitation programmes, as well as regional and national projects in Africa, Asia and Latin America. He created and co-edits the quarterly "Transport and Trade Facilitation Newsletter", is the co-author and coordinator of the annual "Review of Maritime Transport", initiated the UNCTAD "Maritime Country Profiles", and he created and produces the annual "Liner Shipping Connectivity Index".

### **Abstract**

Dr Hoffmann's presentation covers the major trends in liner shipping connectivity from 2004 to 2016, including levels of competition, vessel deployment and ship sizes. In addition, Dr Hoffmann's presentation looks at the participation of countries as providers in different maritime businesses.

### **Liner Shipping Connectivity**

Since 2004, the UNCTAD has been monitoring the position of countries in the global liner shipping network. It has done so, because data on trade and transport has

shown that containerization plays a pivotal role in increasing international trade; in fact, most recent research suggests that containers have been more important for globalisation than freer trade. In order to capture a country's access to container shipping services, UNCTAD thus developed an indicator for "liner shipping connectivity".

It has been found that better connectivity leads to lower freight rates. There is a virtuous cycle that if there is more trade, there will be more supply of vessels to carry the cargo which results in more competition which in turn lowers freight rates. The lowering of freight rates will thus result in more trade. Another positive virtuous cycle is concerning the provision of better transport services. The provision of better transport services will induce more trade which means that more income will be generated to finance infrastructure which in turn lead to better transport services. A third virtuous cycle can be identified concerning the lowering of transport costs. It is expected that the lowering of transportation costs will induce more trade which will in turn leads to economies of scale in transporting the goods and this in turn leads to the lowering of transportation costs.

In order to analyse this type of mutual causalities, UNCTAD created and produces the annual "Liner Shipping Connectivity Index" (LSCI) which provides an indicator on how well countries are connected to global shipping networks. It is computed by the UNCTAD using the following 5 components:

- Companies
- Services
- Largest ship
- Number of ships
- TEU

The higher the LSCI, the easier it is for a country's shippers to access a high capacity and frequency of global maritime container transport services and thus effectively participate in international trade. The LSCI can be considered as a measure of connectivity to maritime shipping and as a measure of transport facilitation. It also reflects the outcome of the strategies of container shipping lines seeking to maximize revenue through market coverage.

The aforesaid 5 components are elaborated in the following:

### Companies

This refers to the number of companies that deploy container ships on services from/to a country's ports. We observed a declining number of shipping companies and liner services, while the number of vessels per company goes up. This indicator relates to how many shipping companies are servicing the country as well as how many scheduled services they are using to support this coverage.

### Services

This refers to the number of services provided by liner companies from and to each country.

### Largest Ship

This refers to the maximum vessel size. The larger the vessel size of the country, the higher the opportunity to enjoy economies of scale which in turn tend to imply lower shipping costs per TEU.

### Number of ships

This refers to the number of ships that are calling at the ports of a country. These calls

can either involve imports, exports or transshipment activities.

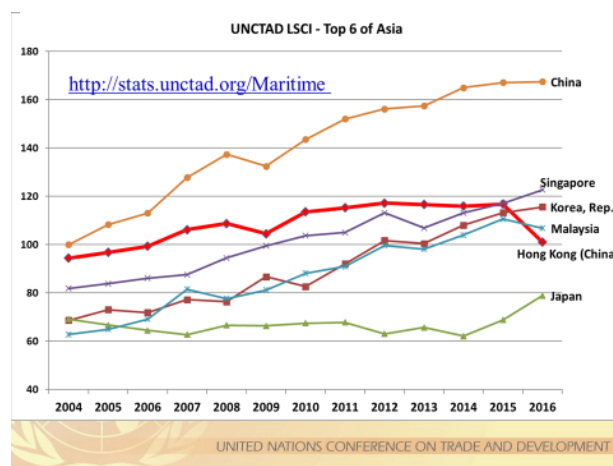
### TEU

This refers to the container-carrying capacity of the companies. The higher the capacity, the greater the potential to trade on global markets.

The countries that have the highest LSCI values are actively involved in trade. Namely, the export-oriented economies of China and Hong Kong for most years of the past decade ranked first, with the Singapore transshipment hub ranking third. Large traders such as the United Kingdom, Germany, South Korea, the United States and Japan rank among the top 15. Countries such as Malaysia, Spain, the United Arab Emirates, Egypt and Oman also rank high because of the major transshipment function their ports perform.

Figure 1 shows the LSCI of the top 6 Asian countries during the period from 2004 to 2016. China generally ranks the first and it has recorded a great leap during this period. Hong Kong generally ranked the second

**Fig. 1 LSCI of the top 6 Asian countries**



although more recently Singapore ranked higher than Hong Kong.



Tianjin Port, China

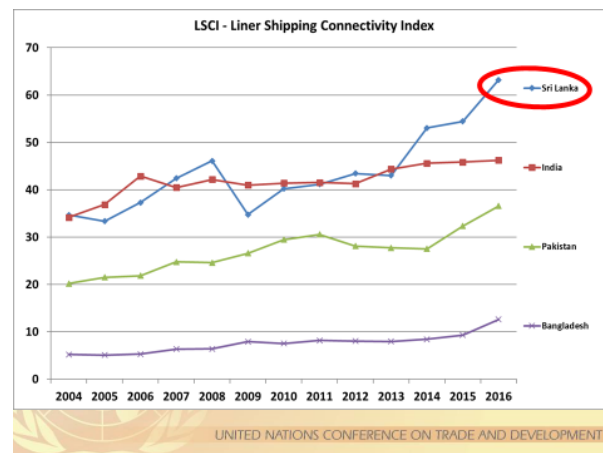
A comparison of Fig. 2, Fig. 3 and Fig.4 shows that the Asian countries generally have higher liner shipping connectivity which reflects the fact that Asian countries generally have higher levels of participation in international trade than most African countries.



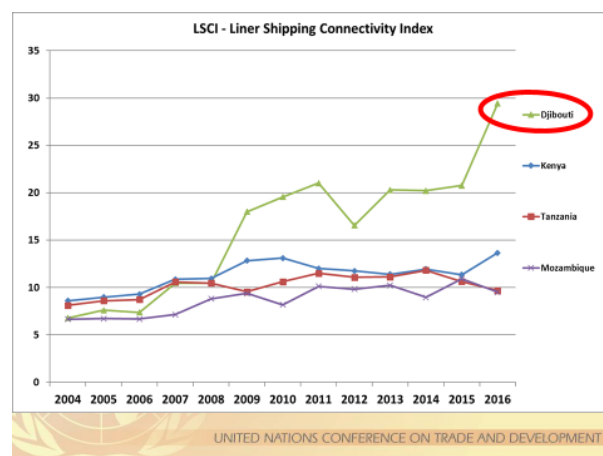
Port of Colombo, Sri Lanka

After getting to know about the current situation of initiatives to improve maritime connectivity policy makers can take some initiatives to improve maritime connectivity of a country by facilitating transit seaports and transit cargo.

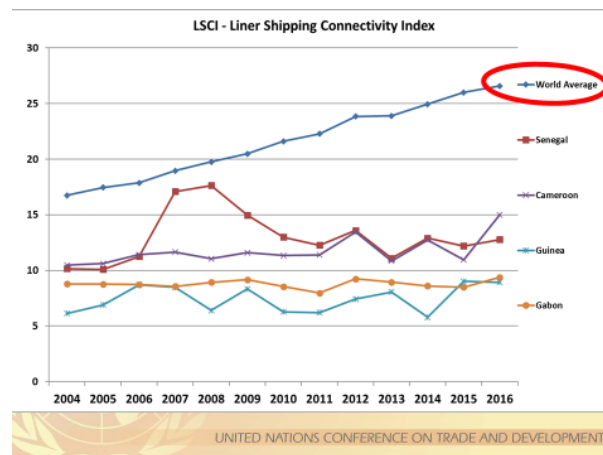
**Fig. 2 LSCI of four Asian Countries**



**Fig. 3 LSCI of four African Countries**



**Fig. 4 LSCI of four African Countries**



Transit trade is good for the transit countries as it is good for the business of those countries' own ports. Transit trade is also good for the countries' own importers and exporters, because it helps improve connectivity.

Regarding inland connections, the policy makers should improve the infrastructure, the transit facilities and introduce competition into the transport markets such as the trucking market. Moreover, the country should continue its port reform.

Ports should seek to benefit from competition and economies of scale. Regarding the development of maritime industry, the government should avoid unnecessary restrictions such as cabotage laws which hinder competition.

### **The participation in maritime businesses**

In the second part of his presentation, Dr Hoffmann discusses the participation of countries in different maritime businesses.

As regards ship building, China, Japan and Korea are the three major ship-building countries and the total gross tonnage of vessels built by these three countries is 91.2% of the total.

In the sector of ship owning, China and Greece ranked the first two (ranking may differ from year to year but always the first or second). The total gross tonnage of vessels owned by these two countries has a 29.1% share of the total.

Of The third business covered vessel registration. Panama, Liberia and Marshall Island are the three major countries in this regard. The gross tonnage of vessels

registered in these three countries has a 41% share of the total.

The fourth criterion is the gross tonnage of vessels operated by liner shipping companies. Denmark and Switzerland are the two major countries in this regard. The TEU capacity of vessels managed in these two countries has a 29% share of the total.

The fifth criterion is the gross tonnage of vessels scrapped in the country. India, Bangladesh, China and Pakistan are the four major countries in this regard. The gross tonnage of vessels scrapped in these four countries has a 90.6% share of the total.

The sixth criterion is the number of people who take up the career of seafarers. The Philippines and Indonesia rank in the first two positions and these seafarers work for vessels of other countries as well.

The seventh criterion is the number of container terminal operators in the country. Hong Kong, Netherlands, Singapore and UAE rank in the first four positions. Together, terminal operators from these countries handle about 30% of global container port traffic.

### **Outlook**

The long term trend is that there are ever fewer "maritime nations" which participate in all maritime businesses, but instead individual countries participate in some of the maritime sectors. The good news for developing countries is that in most maritime businesses, developing countries are increasing their market share.

## Burgeoning Opportunities in Countries along the Belt and Road

### *An Interview with Mr. Eric M.S. WONG, Director & CEO of Marina Container Lines (HK) Ltd*



**Biography :** Mr. Eric Wong Man Sum, the Director & CEO, Marina Container Lines (HK) Ltd and SKH Shipping Ltd, has 24 years' experience working in renowned shipping lines, including Maersk Line Ltd and P&O Containers Ltd and P&O Nedlloyd Ltd, in senior managerial positions.

Mr. Wong's company is a typical SME (small to medium sized enterprise) transport and logistics service provider in Hong Kong, with a network of 14 offices in China. Like many others in the industry, the Company is facing a very challenging operating environment.

Mr. Wong would like to share with us his knowledge and experience of finding a path out of the prevailing difficult business situations, by reference to his developments

in Myanmar which is one of the countries along the One Belt One Road.

At the first instance, Mr. Wong advised that SMEs' difficult business environment is attributable to the commonly known reason of high land cost and the short supply of labour in Hong Kong, especially frontline staff. Margins are squeezed due to the high degree of transparency of market information, including freight rates. The situation has become acute when the cargo demand diminishes in a deflationary market. As such, SMEs can enhance their competitiveness via "vertical integration" by augmenting service deliverables to customer's upstream and downstream processes, or go for "horizontal integration" by reaching out (跑出去) from their existing sphere to new markets,




developing new services to their customers, or both. At the same time, SMEs need to relentlessly pursue cost leadership via process re-engineering supported by sufficiently robust IT systems to remain competitive.

To grasp the opportunities emanating from the OBOR initiative, Mr. Wong has set his eyes on Myanmar which he first visited as a delegate of a HK Logistics Services and Manufacturing Mission organized by the HKTDC. In collaboration with his Myanmar contacts which he had made previously, he

opened his own office in Yangon in 2014 to offer a full-fledged transport and logistics service to his customers. In his business development in Myanmar, Mr. Wong has been enjoying considerable support from the Hong Kong Myanmar Chamber of Commerce. For the people who may be interested in doing business with Myanmar, Mr. Wong has the following perspectives to share.



Myanmar Industrial Port

SWOT Analysis - Myanmar	
<b>Strengths</b> <ol style="list-style-type: none"> <li>1. Strategic geo-political &amp; commercial location</li> <li>2. Opening up for business &amp; investment</li> <li>3. Pragmatic leadership</li> <li>4. Peaceful foreign policy</li> <li>5. Large and young population</li> <li>6. Rich in natural resources</li> </ol>	<b>Weakness</b> <ol style="list-style-type: none"> <li>1. Complex bureaucratic regulations &amp; legal issues</li> <li>2. Rudimentary financial market</li> <li>3. Inadequate infrastructures</li> <li>4. Limited industrial diversification</li> <li>5. Lack of international exposure</li> <li>6. Insufficiency of skilled labour</li> </ol>
<b>Opportunities</b> <ol style="list-style-type: none"> <li>1. On the Maritime Road</li> <li>2. Last frontier in ASEAN</li> <li>3. Connectivity with end-markets</li> <li>4. Strategic interest to China &amp; USA</li> <li>5. Investment in infrastructure, tourism, trade &amp; commerce, education &amp; ecology (the "green" vision)</li> </ol> 	<b>Threat</b> <ol style="list-style-type: none"> <li>1. Risks associated with reforms – economic, social, and political</li> <li>2. Negative impact on environment resulting from massive industrialization</li> <li>3. Inflationary pressure resulting from rapid economic expansion</li> <li>4. Conflict with ethnic minorities</li> <li>5. External political forces impacting internal political, social and economic stability</li> </ol>

Speaking about business development with countries along the One Belt One Road in general, Mr. Wong remarked that contacts at different levels should be established, from the government-to-government down to business-to-business, with people-to-people in between. To Mr. Wong, the importance of people-to-people cannot be underestimated. It fact, all the rest will fail, if the people part

is not handled properly. Taking the example of Myanmar, Mr. Wong said that respect for the local traditions, religion and culture, with sensitivity to the economic and social impact of foreign investments and business practices are of paramount importance. In other words, developing good will and friendship should always come before business.

## The Opportunity of Shipping and Port in OBOR

*Professor BAO Jya-yuan*



Biography :  
Professor Ali  
BAO is the  
Associate  
Professor,  
Department of  
Logistics and  
Shipping  
Management,  
Kainan

University, Taiwan and Secretary General,  
Chinese Maritime Research Institute, Taiwan

Since “One Belt One Road” (OBOR) initiative was introduced by Chinese President Mr. XI Jinping in 2013, the OBOR project has attracted considerable attention. China has also strived to put the idea of OBOR into implementation phase by phase. Now the OBOR initiative has become the highest political and economic strategy of Chinese government. In addition, officials from the Central Government and various municipal governments involved have tried to link their business to the OBOR initiative.

The OBOR project, which involves more than 60 countries and quite a few international organizations, implies unprecedented opportunities and challenges. We have found in the OBOR initiative some business opportunities from the newly built or upgraded infrastructures of the shipping and port industry and this will facilitate the flow of trade and investment and exchange of culture.

This study will focus on the shipping and port field in the OBOR projects. First of all, the engagement of shipping and port industry in the OBOR initiative shall be investigated. Afterwards, the business opportunities provided by the OBOR initiative to the shipping and port industry will be analyzed. Finally, some conclusions will be drawn.

### INTRODUCTION

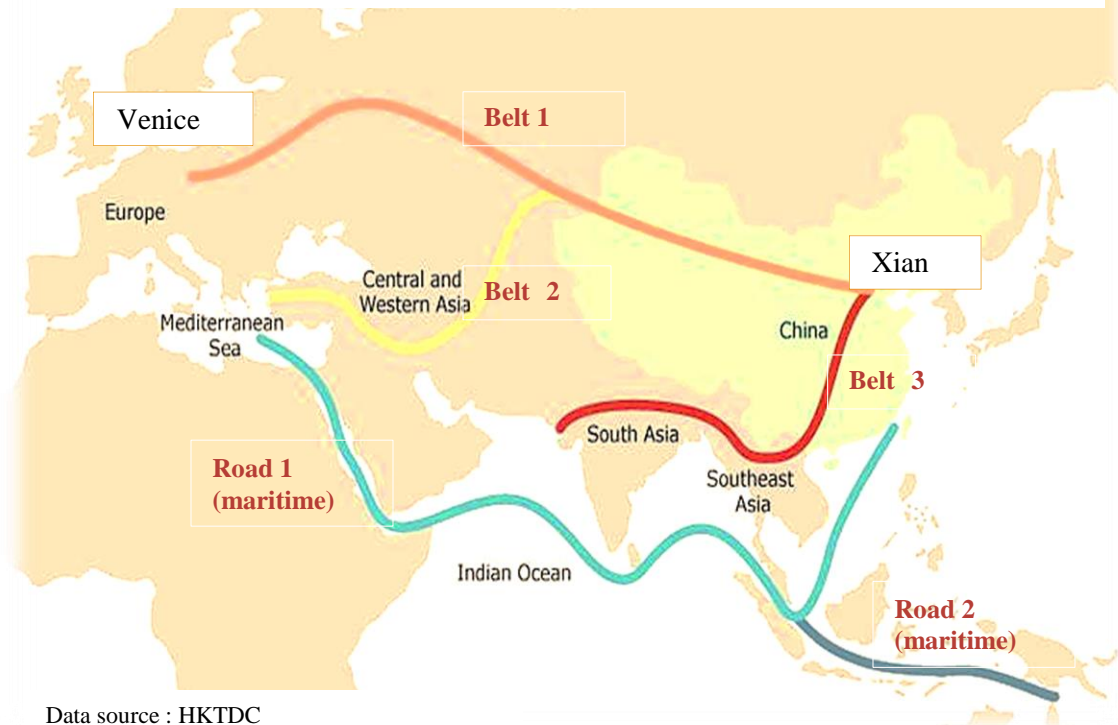
The One Belt One Road (hereafter referred as OBOR) has become a hot issue in the recent years. The “Belt” refers to the Silk Road Economic Belt and the “Road” refers to the 21st Century Maritime Silk Road.

The three routes covered in the Silk Road Economic Belt are: (1) From China via Central Asia and Russia to Europe; (2) From China to Central and Western Asia to the Persian Gulf and Mediterranean Sea; (3) China to Southeast Asia, South Asia and the Indian Ocean.

The 21st Century Maritime Silk Road will focus on two routes: (1) From Chinese coastal cities, via the South China Sea to the Indian Ocean, extending to Europe; (2) From Chinese coastal cities, via the South China Sea to the South Pacific.

The OBOR areas cover potential huge resources in which the vibrant East Asia economic circle will be connected at one end while the European economic circle will be developed at the other end. The OBOR covers more than 60 countries and 4.4 billion people, accounting for 63% of the population of the world. Their total economic output reaches \$21 trillion which is about 29% of the world output. However, most of the states are developing countries which are lack infrastructure and funding.

**Fig. 1 Routes of the OBOR**



Now the OBOR initiative has become the highest level political and economic strategy of the Chinese government. The officials from central and municipal governments involved have tried to link their business to the OBOR initiative. We have found in the OBOR initiative some business opportunities from the newly built or upgraded infrastructures of the shipping and port business and this will facilitate the flow of trade and investment and exchange of culture.

It will create economic prosperity and regional economic cooperation among the countries along the OBOR areas. The support, including financial support on infrastructure and construction etc., will move to the countries along the OBOR areas.

This study mainly explores the opportunities of shipping and ports in OBOR.

## THE DEPLOYMENT OF SHIPPING AND PORT IN THE OBOR INITIATIVE

To search the opportunities of shipping and ports in OBOR, the engagement of shipping and port business in the OBOR initiative is considered. First of all, we may see the focus of Asian Infrastructure Investment Bank. Then the OBOR initiative and measures suggested by various agencies and government shall be analyzed.

### Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) is a tool to facilitate the implementation of OBOR project. The investment of AIIB focuses on the development of infrastructure and sectors in Asia including energy and power, transportation, telecommunications, rural infrastructure, agriculture development,

water supply, sanitation, environmental protection, urban development and logistics etc. Therefore, the transportation and logistics are the targets which the AIIB may invest in.

### **The OBOR Initiatives**

On the other hand, the OBOR initiative (Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road) is a guideline for implementing the OBOR initiative. In addition, various agencies and governments will be responsible for the implementation of the strategies of OBOR. Therefore, the OBOR initiative and measures suggested by various agencies and governments concerning the shipping and logistics business shall be explored and summarized in the following:-

#### **1. Port construction and investment**

First of all, the Ministry of Transport indicates that ports play an important role in the 21st Century Maritime Silk Road. Regarding port construction, the major project is the port construction along the coast cities of Guangdong Province, such as Guangzhou, Shenzhen, Zhanjiang and Shantou. In addition, Fujian Province has selected six port cities, namely Fuzhou, Xiamen, Quanzhou, Zhangzhou, Putian and Ningde, to undergo improvement projects of their transportation systems around the ports. In the meantime, the port industry of China has started some overseas joint ventures on an experimental basis such as the container terminal in Colombo of Sri Lanka and the container terminal in Piraeus of Greece.

A new development of overseas joint venture of the port industry of China is the participation in the construction of Gwadar

Port of Pakistan for which an agreement was signed between China and the Pakistan government when President Xi Jinping visited Pakistan in April 2015.

#### **2. Cruise development**

Being a cruise home port is the main target of Guangzhou, Shenzhen and Xiamen. The cruise tourism industry has also planned to develop its business in Zhuhai, Shantou, Zhanjiang and Pingtan. In addition, Pingtan is focusing at the market of tourism between Fujian and Taiwan.

#### **3. Free Trade Zone**

After Shanghai Pilot Free Trade Zone (FTZ) was set up, Tianjin, Guangdong and Fujian Pilot FTZs were also established in 2015. Fujian FTZ, in particular, announced new measures which are apparently in favour of Taiwan. The measures include strengthening the cross-strait financial cooperation in cross-border RMB business, expanding the business scope of Taiwan-funded financial institutions and opening up the cross-border RMB business to Taiwan.

#### **4. Measures to improve the overall planning of shipping in Fujian FTZ**

In Fujian FTZ, the agencies adopt some measures to improve the overall planning of shipping in Fujian FTZ. They are as follows:-

- a) Foreigners may establish an international ship management enterprise with wholly foreign-owned investment in the FTZ.
- b) Relaxing the requirements for foreign ownership for the joint venture international shipping companies which are registered in the FTZ.
- c) The seaborne international express and transit consolidation between Taiwan, Macau and Hong Kong may proceed on a trial basis.

d) The FOC cruiser, which is registered in FTZ, may be approved to engage in the business in China, HK, Macau and Taiwan.

### **5. Fujian FTZ provides the opportunities of cross-border E-commerce**

The Fujian FTZ provides many opportunities to cross-border e-commerce suppliers. The cross-border e-commerce suppliers are allowed to take advantage of the facilitation of FTZ for their import business. The cross-border e-commerce suppliers in the FTZ areas may set up their service platforms and direct purchase stores. Hence the Fujian FTZ provides a good channel to those who wish to enter the mainland market through the cross-border e-commerce platform.

China has set up nine pilot cities for cross-border e-commerce import business. The nine pilot cities are Shanghai, Chongqing, Hangzhou, Ningbo, Zhengzhou, Guangzhou, Shenzhen, Fuzhou and Pingtan. The steps for the operation of cross-border e-commerce suppliers in Fujian FTZ are as follows:-

- a) The registered cross-border e-commerce suppliers in special surveillance areas may engage in bonded display and transaction.
- b) First of all, the foreign imported goods shall move to the designated cross-border warehouse in the bonded area.
- c) The registered cross-border e-commerce supplier applies for customs clearance upon receiving the confirmation of an order from the consumer through the network.
- d) Customers may declare to the Customs the imported goods they purchased as "personal belongings" to enjoy lower parcel tax. However, custom duties and 17% VAT have to be paid for regular imported goods.

e) After the Customs examination of goods, the goods shall be delivered to the consumer by courier.

f) Cross-border e-commerce suppliers which import goods in the form of "personal belongings" shall be subject to order in network, dispatch by courier and the principle of "for personal use, a reasonable amount".



Imported products display in direct purchase store

### **6. Logistics business**

Logistics service has been emphasized in the OBOR projects. Fujian Province encourages Fujian enterprises to participate in the port logistics park construction and operation with the countries along the OBOR routes. In addition, Fujian Province also attracts foreign shipping enterprises to invest in Fujian ports, logistics parks, cargo distribution and distribution center construction and management.

Fig. 2 Existing main routes of the Eurasian Land Bridge



There are two particular cases for developing the construction of logistics centers in Fujian. The first is Cold Chain Logistics Center established for cross-strait food cold chain logistics. The other is Logistics Park which focuses on the development of modern logistics industry between Fujian and Taiwan.

The Fujian Province may also set up a Logistics Information Center in which the platform can promote cross-border e-commerce.

## **7. Intermodal transport**

Rail transport plays an important role in the Silk Road Economic Belt. The land bridge is used to connect China and Europe through Central Asia and Russia. To develop rail transport services, Tianjin Province proposes various schemes and measures as follows:

- a) Accelerating the transit trains infrastructure and passage construction.
- b) Speeding up the construction of rail-sea intermodal links between Northeast Asia Central and West Asia.
- c) Actively cultivating transit train transport services and assisting the large scale enterprises with strong and capable logistics to engage in land bridge traffic agency business.
- d) Opening up the transit train service between Japan, South Korea and Central Asia, Europe.
- e) Promoting the port cooperation strategically and enhancing the Tianjin free trade zone and northern international shipping center.

With respect to the utilization of intermodal transport service, Xian has established an

inland port connected rail, roads and a bonded warehouse. In practice, the imported containers from Shanghai port without quarantine clearance will go directly on train to Xian comprehensive bonded area. Payment of customs duty is not necessary for the cargo in the bonded warehouse until the cargo is delivered. Some suppliers have set up their bonded warehouses in Xian inland port. Once the transaction by way of e-commerce is confirmed, the goods will be sent to the stores in Xian stores and put on the shelves after Customs clearance. It will ease the financial pressure of operating capital of the enterprise.

## **THE OPPORTUNITIES OF SHIPPING AND PORTS IN OBOR**

The opportunities of shipping and port industry in OBOR initiative are summarized as follows:

- Construction of infrastructure on port & rail
- Expansion of shipping business
- Opportunities in Free trade zone
- Utilization of land bridge

### **Construction of Infrastructure on Port and Rail**

Construction of infrastructure is the focus of the OBOR projects. Under the principle of mutual benefit and joint venture, some ports and rail lines in the countries along the OBOR areas shall be chosen for investment as facilities should be constructed in the future. Several ports in Guangdong and Fujian Provinces have already been designated to be constructed and developed.

The financial support of above construction may come from the Silk Road Fund and the Asian Infrastructure Investment Bank. In addition, some international cooperation and investment may also start in the future.

### **Expansion of Shipping Business**

In Fujian FTZ, the foreign shipping companies may take advantage of the privileges to establish their shipping business or engage in specific activities. Cruise business is also promoted proactively by the Guangdong and Fujian Provinces. The cruise industry should pay more attention on its development.

### **Opportunities in Free Trade Zone**

The FTZ covers the great business opportunities in OBOR project. The logistics provider and cross-border e-commerce supplier may benefit from the various measures by FTZ. It is expected that authorities of FTZ will increase their efforts to attract various industries, especially shipping, logistics and e-commerce suppliers, to enter the FTZ.

### **Utilization of Land Bridge**

The land bridge specifically for rail carriages will play a significant role in transport in Silk Road Economic Belt. The routes and transit train system still need to be strengthened in the future. This means that many business opportunities will emerge in the field of construction of rail and related facilities for rail carriage.

The cross-border carriage of land bridge has problems such as an imbalance of cargo at both ends of the route, differences in the rail gauge of different countries, higher cost of freight and cold weather etc. When the above problems are gradually resolved, the

utilization of rail will be increased. The shipping carrier and logistics provider should pay attention to its development and seize the opportune time.

## **CONCLUSION**

The OBOR projects have become the highest level political and economic strategy in China. Various officials from central and local government have implemented the OBOR initiative. It is expected that more measures shall be released as the OBOR initiative involves so many countries and industries along the OBOR areas. It bears not opportunities but also risks. The industry should evaluate every risk before joining the scheme of OBOR.

For the consideration of industry, the subsequent development of the OBOR shall be observed. For Hong Kong and Taiwan, Fujian FTZ is a good channel to enter the domestic market in China. Especially, Fujian Province is the core area of the 21st Century Maritime Silk Road. The enterprises of Hong Kong and Taiwan may take advantage of CIBA and ECFA simultaneously to obtain their best benefit.

## Evaluation of Risks in OBOR Countries

### *Mr. WENG Hsiang Kai*

Biography: Mr Weng received his MBA from National Taiwan Ocean University. He is currently a PhD student under the supervision of Prof. Chin-Shan LU, Dr. Venus LUN and Dr. Mike LAI at the Hong Kong Polytechnic University.

President Mr. Xi Jinping launched the “One Belt, One Road” (OBOR) initiative in 2013 which aims to provide a link between major Eurasian economies through infrastructure, trade and investment. The initiative was later specified to include two international trade connections: the land-based “Silk Road Economic Belt” and oceangoing “Maritime Silk Road.” (The World Bank\_Bert Hofman <http://blogs.worldbank.org/eastasiapacific/china-one-belt-one-road-initiative-what-we-know-thus-far>)

The “Belt” is a network of overland road and rail routes, oil and natural gas pipelines, and other infrastructure projects that stretches from Xi’an in central China through Central Asia and ultimately reach as far as Moscow, Rotterdam, and Venice. Rather than one route, the belt corridors are set to run along the major Eurasian Land Bridges, through China-Mongolia-Russia, China-Central and West Asia, China-Indochina Peninsula, China-Pakistan, Bangladesh-China-India-Myanmar. (The World Bank\_Bert Hofman)

The “Road” is its maritime equivalent: a network of planned ports and other coastal infrastructure projects that dot the map from South and Southeast Asia to East Africa and the northern Mediterranean Sea. (The World Bank\_Bert Hofman)

At this stage, the concept, scope and nature of the initiative are still fluid and the shape



and substance of OBOR is likely to evolve over time. Since it was launched by President Xi, the initiative is likely to take up a prior position in China’s overseas investment throughout his term in office. (The World Bank\_Bert Hofman)

The “One Belt One Road” (OBOR) initiative was begun in March 2015 and the opportunities for overseas businesses in China and along the routes are now becoming clearer as it continues to evolve sector by sector and province by province – a process which is expected to last for several decades. OBOR has two main elements (China-Britain Business Council):-

The Silk Road Economic Belt is a land route designed to connect China with Central Asia, Eastern and Western Europe. It links China with the Mediterranean Sea, the Persian Gulf, the Middle East, South Asia and South-East Asia. The aim of the land route is in twofolds:- 1) to build a “Eurasian land bridge” – a logistics chain from China’s east coast all the way to Western Europe; and 2) to develop economic corridors which connect China with Mongolia and Russia, central Asia and South-East Asia. (China-Britain Business Council). The 21st-Century Maritime Silk Road is a sea route rather than a road – runs

west from China's east coast to Europe through the South China Sea and the Indian Ocean, and east into the South Pacific. The purpose of the sea route is to build efficient transport routes between major ports in various countries, including the development of an economic corridor through the Indian Ocean to provide better connection from China to South Asia, the Middle East, Africa and the Mediterranean. (China-Britain Business Council)

The OBOR initiative which links more than 60 countries to form a huge economic zone was first raised by President Mr. Xi Jinping in Kazakhstan on September 7, 2013 when he introduced the "Silk Road Economic Belt". The objective is three-folded: -

- To advocate peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit.
- To promote practical cooperation in all fields.
- To build a community of shared interests, destiny and responsibility featuring mutual political trust, economic integration and cultural inclusiveness.

A US\$40 billion Silk Road Fund has been established which will be invested mainly in developing infrastructure, resources and in industrial and financial cooperation. The utilization of the Fund will comply with market rules and the international order of finance. Domestic and overseas investors, such as the China-Africa Development Fund and the Asian Infrastructure Investment Bank, are welcome to apply for this Fund.

It should be noted that OBOR initiatives comprise of economic and geopolitical projects. As the economic and political situations, including the level of economic development, culture, tradition, history,

religion, legal system and political system of the countries along the route are very diverse, it inevitably means there are wide-ranging inherent risks, from legal and financial challenges to political or social instability and regional disputes.

In this regard, a proper evaluation of the challenges in OBOR countries will be necessary, given the wide range of countries and the huge sums of fund involved. Investors will need to beware the range of risks present in OBOR countries. Maritime and logistics firms and other enterprises doing their businesses in countries along OBOR will need to prepare for potential threats to their operations in these new markets.

This short article will evaluate the risks in OBOR countries based on the survey from The Global Conflict Risk Index (European Commission, 2014). The major global risks and risk assessment in OBOR countries as illustrated in the reports of World Economic Forum (2016) and The Economist (2015) were discussed.

Six economic corridors are proposed as the framework of the OBOR initiative outside China:-

### **1. New Eurasian Land Bridge**

The New Eurasia Land Bridge is an international railway running from Lianyungang in Jiangsu through Alashankou in Xinjiang to Rotterdam in Holland. The railway section within the Chinese territory comprises the Lanzhou-Lianyungang Railway and the Lanzhou-Xinjiang Railway. The building of the New Eurasian Land Bridge led to the building of four international freight rail routes: (1) from Chongqing to Duisburg in Germany; (2) from Wuhan and Mělník and Pardubice in

Czech Republic; (3) from Chengdu to Lodz in Poland; and (4) from Zhengzhou to Hamburg in Germany. These routes offer rail freight transport and one-stop service of “one declaration, one inspection, one cargo release” for transport of cargo. (HKTDC)

## **2. China - Mongolia - Russia Corridor**

China and Mongolia are connected on land and China and Russia have long established economic connections and co-operation of frontier and cross-border trade. In September 2014, an agreement was reached by the above three countries in the Shanghai Co-operation Organisation Dushanbe Summit on the foresaid tripartite co-operation of China-Russia, China-Mongolia and Russia-Mongolia bilateral ties. The leaders of the three countries agreed at the creation of Silk Road Economic Belt in China, the restoration of Eurasia Land Bridge in Russia and the new construction of Steppe Road in Mongolia. These infrastructure projects are making stronger rail and highway construction and connectivity, improve cross-national co-operation in transportation, improve customs clearance and transport facilitation and establish the China-Russia-Mongolia Economic Corridor. In July 2015, the official adoption of the *Mid-term Roadmap for Development of Trilateral Co-operation between China, Russia and Mongolia* was conducted at the second summit of the leaders of the three countries. (HKTDC)

## **3. China - Central Asia - West Asia Corridor**

The China-Central Asia-West Asia Economic Corridor runs from Xinjiang in China to Alashankou at the border of China and Kazakhstan to join the railway networks of Central Asia and West Asia and then finally reaches the Mediterranean coast and

the Arabian Peninsula. This corridor covers the five countries in Central Asia, and Iran and Turkey in West Asia. (Source from HKTDC)

China and the five Central Asian countries signed a joint declaration in June 2015 at the third China-Central Asia Co-operation Forum to build the Silk Road Economic Belt. The joint declaration was aimed at further expanding co-operation in the areas of investment, trade, finance communication and transport. (HKTDC)

## **4. China - Indochina Peninsula Corridor**

Chinese Premier Mr. Li Keqiang suggested to deepen the relations between China and the five countries in the Indochina Peninsula during the Fifth Leaders Meeting on Greater Mekong Sub-regional Economic Co-operation, held in December 2014. The following suggestions were raised:- (1) jointly planning and building an extensive transportation network; (2) building a new way of co-operation for fundraising; and (3) creating sustainable and co-ordinated socio-economic development. (Source from HKTDC)

## **5. China - Pakistan Corridor**

In May 2013 in Pakistan, Chinese Premier Mr. Li Keqiang was the first person to discuss the concept of the China-Pakistan Economic Corridor. The initial idea was to create an economic corridor running between Kashgar, Xinjiang, in the north, to Gwadar Port, Pakistan in the south. The two governments have now formulated a long-term plan for various developments along the corridor. In April 2015, China and Pakistan signed a joint declaration to agree to proactively participate in key co-operation projects. (Source from HKTDC)



Gwadar Port, Pakistan

## 6. Bangladesh - China - India - Myanmar Corridor

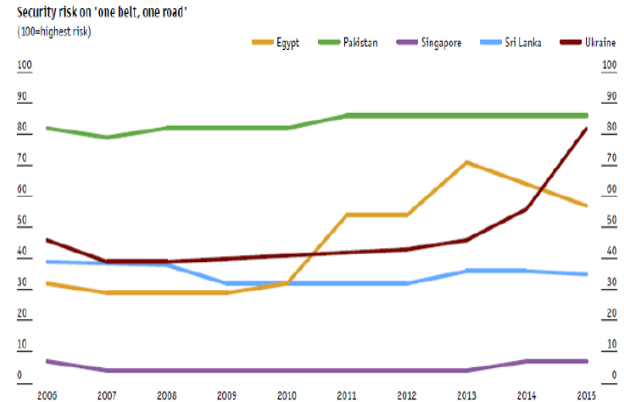
In May 2013, China and India discussed the creating of the Bangladesh-China-India-Myanmar Economic Corridor. In December 2013, the leaders of four OBOR countries, including Bangladesh, China, India and Myanmar, formed an Economic Corridor Joint Working Group. They discussed the development prospects, priority areas of co-operation and co-operation mechanisms for the economic corridor. They also agreed on co-operation in transportation infrastructure, investment and commercial circulation, and people-to-people connectivity. (Source from HKTDC)

Before looking into the risks in OBOR countries, the trends of global risks in 2015 will be examined. According to the Global Risks Perception Survey 2015, the major global risks are as follows:

- Ageing population
- Changing landscape of international governance
- Climate change
- Environmental degradation
- Growing middle class in emerging economies
- Increasing national sentiment
- Increasing polarization of societies
- Rise of chronic diseases
- Rise of cyber dependency
- Rising geographic mobility

- Rising income and wealth disparity
- Shifts in power
- Urbanization

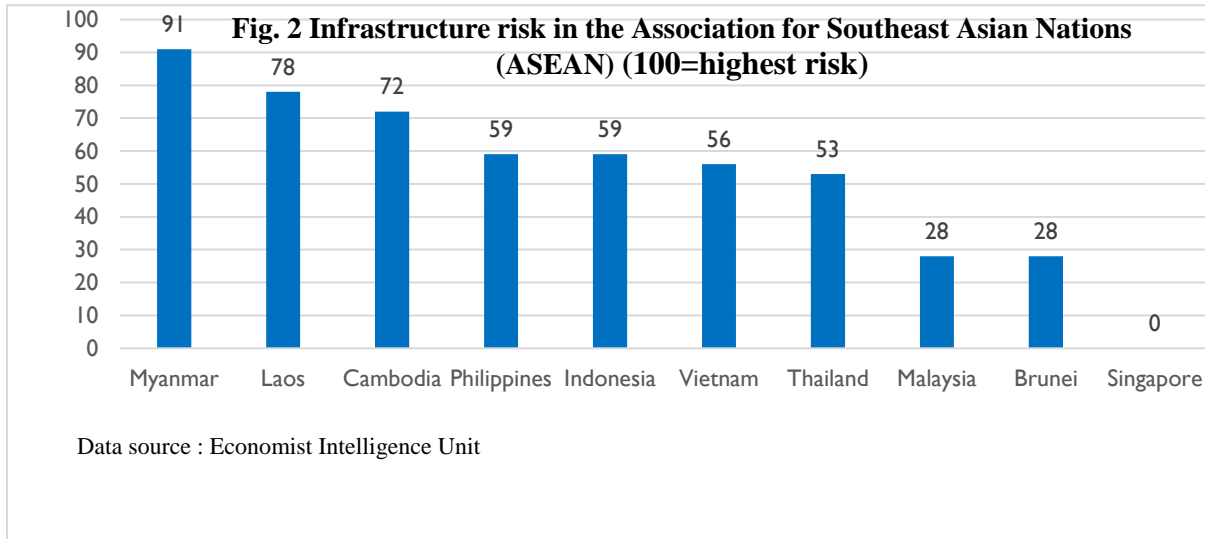
**Fig. 1 Security risk on “One Belt, One Road” (100 = highest risk)**



Data source : Economist Intelligence Unit

While the OBOR holds rich promise for Chinese companies search for investment opportunities in OBOR countries, they are also increasingly exposed to additional risks in these countries. Two economic risks, namely underemployment and energy price shocks, were assessed to be the top risks for doing business followed by the failure of national governance, fiscal crises, asset bubbles and cyberattacks.

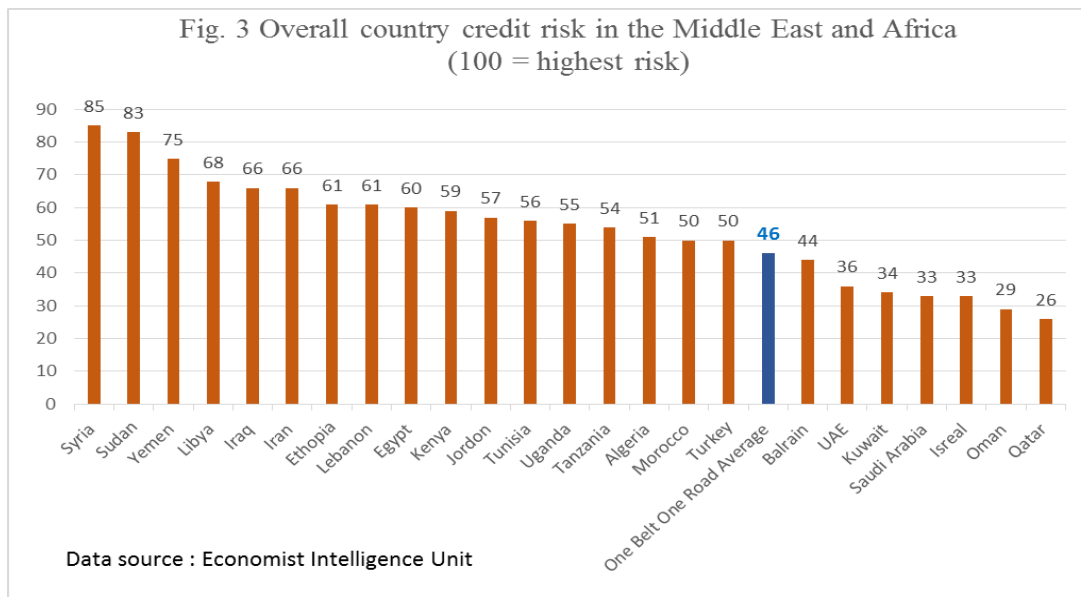
Results also indicated that conflict risks exist in OBOR counties including Pakistan, Myanmar, Cambodia, Tajikistan, Russia, Uzbekistan, etc. Political risks may weigh heavier on OBOR efforts than overseas direct investment activities for private firms. Political changes need to be anticipated, as they can change the outcome of a deal. The election of a prime minister can mean that a change or totally new attitude or policy towards will be formulated towards China.



In the worst cases, there are cases that ventures or co-operative projects between two countries are suspended or even unable to continue as the terms of the existing loans may be reviewed by the newly-elected leader of the country.

Another risk is sovereign risk which is often linked to the occurrence of war in the country which will destroy the economy and the financial system of the country to a certain extent.

This research is only based on a descriptive approach. Future work will explore more complex statistical analyses and ways to improve source data. A long term series could be considered in the future research to provide reliable information of risk assessment.



## **The Safety of Life at Sea (SOLAS) Amendment which requires Verification of Gross Mass (VGM) of Cargo**

**Mr. Lokesh BHATT, HSEQ Superintendent, Seaspans Ship Management Ltd.**



Maritime Safety Committee (MSC) of the International Maritime Organization (IMO) has agreed to an MSC circular on Advice to

Administrations, port state control authorities, companies, port terminals and masters regarding the SOLAS requirements for verified gross mass of packed containers.

There has always been a requirement in SOLAS to declare the gross mass of cargo and containers. The new requirement adds an extra level requiring verification of the mass.

Knowing the accurate gross mass of a packed container is critical when ensuring the correct stowage and stacking and avoiding the collapse of container stacks or loss overboard. This is an important safety measure, which is aimed at saving lives and preventing injury and the destruction of property. This SOLAS amendments which concerns new container weight verification rules is due to enter into force on 1 July 2016.

By and large, the shipping industry has had a reactive approach, as major disasters preceded creation and adoption of

important regulatory requirements. The sinking of the Titanic on 14 April 1912, after colliding with an iceberg was the catalyst for the adoption in 1914 of the first International Convention for the Safety of Life at Sea (SOLAS). More than 1,500 passengers and crew perished in that accident.

### **Adoption of MARPOL**

On the morning of Saturday 18 March 1967, the Torrey Canyon, a 300m-long supertanker, ran aground on Pollard's Rock between Land's End and the Isles of Sicily, spilling 119,328 tons of crude oil into the Atlantic. The disaster led to the adoption of MARPOL.

### **Adoption of ISM Code**

The flooding and subsequent capsizing of the roll on/roll off passenger ferry Herald of Free Enterprise, on 6 March 1987, which resulted in the loss of 193 lives, notoriously caused by human errors led to adoption of the ISM code.

Likewise, the structural failure and sinking of MOL Comfort and MSC Napoli is instrumental in the adoption of the VGM regulation. Container shipping is the only sector of the industry in which the weight of a cargo is not known.

Misdeclared container weights have been a concern for the shipping industry for some time. These may cause a problem throughout the transport chain, and more so on board ships where container weights are critical for safe carriage of the cargo and the safety of the vessel. The investigation on structural failure and subsequent grounding of MSC Napoli on 18th January 2007 pointed towards misdeclared container weights as a significant contributory factor. Similar

findings emerged from the structural failure and sinking of MOL Comfort in the Arabian Sea on 17th June 2013.

On that fateful day, the calculated dead load, i.e. the difference between calculated cargo weight and declared weight by the shippers, of MSC Napoli was estimated at 1,250MT. Later, during the course of investigation, out of 660 dry containers on deck which were weighed, the total weight of the 137 containers was 312 tons heavier than on the cargo manifest.

Out of 700 containers positions that were checked, 53 (7%) were found to be either in the wrong position or declared as the wrong container. It is generally agreed within the container industry that up to 10% of containers loaded onto a vessel might not be in their planned positions.

## MSC NAPOLI



Grounding of MSC Napoli on 18<sup>th</sup> January 2007

### Causes of misdeclared container weights:

- Lack of facilities for weighing
- Minimization of import taxes calculated on cargo weight
- Allowing overloading of containers

- Keeping the declared weight within limits imposed by road or rail transportation.

Pursuant to recent amendments to IMO's SOLAS Regulation VI/2 and MSC.1/Circ.1 75, coming into force on 1 July 2016, shippers will be required to provide ocean carriers with a certificate of verified gross mass (VGM) for each loaded marine container tendered for shipping. If the Master and the terminal have not obtained it, then the container shall not be loaded onto the ship.

## The VGM

The VGM is the weight of the cargo including dunnage and bracing plus the tare weight of the container carrying this cargo.

## Type of Document Required

How the certification is to be done will be up to the flag state concerned. If a container is packed by multiple parties or contains cargo from multiple parties, the shipper is responsible for obtaining and documenting the VGM of the packed container.

This document can be part of the shipping instructions to the shipping company or a separate communication (e.g. a declaration including a weight certificate produced by a weigh station utilizing calibrated and certified equipment). There is no SOLAS prescribed time deadline for the shipper's submission of the VGM other than such information is to be received in time to be used by the master and the terminal representative in the ship stowage plan. This may coincide with the cut off timing for cargo booking. Nor does SOLAS specify any tolerance limit for error in declared VGM. However,

various flag states or administrations may have their own tolerance limits and penalties may be imposed for wrongly declared VGM. The accuracy of the weighing equipment will be to the standards of the country of shipment of container and will provide a VGM well within government enforcement tolerances.

## **MOL Comfort**



Sinking of MOL Comfort in the Arabian Sea on 17th June 2013

## **Methods of Weighing Containers**

The SOLAS amendments provide that there are two methods shippers may use to determine the container weight once the container packing process has taken place. These are:

- Weighing the container after it has been packed or;
- Weighing all the cargo and contents of the container, including dunnage and securing equipment, and adding those weights to the container's tare weight as indicated on the door end of the container.

The scale, weighbridge, lifting equipment or other devices used to verify the gross mass of the container, in accordance with either Method No. 1 or Method No. 2 discussed above, should meet the applicable accuracy standards and

requirements of the State in which the equipment is being used.



## **Transshipment**

All packed containers discharged in the transshipment port should therefore already have a VGM and further weighing in the transshipment port facility is not required. The delivering ship should inform the port terminal facility in the transshipment port of the VGM of each delivered packed container.

The master of the ship onto which the transshipped, packed containers are to be loaded and the port terminal facility in the transshipment port may rely on the information provided by the delivering vessel.

## **Discrepancies in Gross Mass**

Any discrepancy between a packed container's gross mass declared prior to the verification of its gross mass and its VGM should be resolved by use of the VGM.

Any discrepancy between a VGM of a packed container obtained prior to the container's delivery to the port terminal facility and a VGM of that container obtained by that port facility's weighing of the container should be resolved by use of the latter VGM obtained by the port terminal facility. A container with a gross mass exceeding

its maximum permitted gross mass may not be loaded onto a ship. For empty containers- Tare weight written should be used.

### **Master's Discretion**

In case the container arrives without VGM, the Master or terminal can have the container weighed on behalf of the shipper- costs to be settled as agreed.

Nothing in the SOLAS regulations limit the principle that the master retains ultimate discretion in deciding whether to accept a packed container for loading onto his ship.

Availability of VGM does not constitute an entitlement for loading.

### **Verification by PSC**

The SOLAS compliance will fall under the purview of PSC inspections. Any non-compliance may lead to deficiency or detention.

### **Gearing up for the new regulation**

Insurers have welcomed the new rule requiring shippers to verify the weight of containers before they are loaded, among fears that many firms will not be ready for the July deadline. Many ports, such as the main export gateway in the Pearl River Delta, will provide container weighing services to help shippers comply with the new SOLAS VGM requirement from 1 July 2016.

How well other ports and weighing facilities are geared up to meet the challenges of "No VGM No Load" requirement, is yet to be seen and this may throw the container loading into disarray.

### **IMO Briefing 23rd May 2016**

Although there are no delays in the implementation of the VGM regulation from 1st July 2016, the IMO has asked the administration of countries and Port State Controls to take a "practical and pragmatic approach" when enforcing them, for a period of three months immediately following 1 July 2016.

"Some leeway should be provided in order for any problems resulting from software updates, required for the electronic collection and transmittal of verified gross mass data, to be rectified without causing delays to containers being loaded. This would help ensure that containers that are loaded before 1 July 2016, but transshipped on or after 1 July 2016, reach their final port of discharge without a verified gross mass and it would provide flexibility, for three months immediately after 1 July 2016, to all the stakeholders in containerized transport to refine, if necessary, procedures (e.g. updated software) for documenting, communicating and sharing electronic verified gross mass data" says the IMO.

Source: MSC.1/Circ.1475 & MAIB/IMO News/others

## Verification of Gross Mass of Containers in Hong Kong

*Dr Sik Kwan TAI, Visiting Lecturer,  
Department of Logistics and Maritime  
Studies, The Hong Kong Polytechnic  
University*



The Marine Department of the Hong Kong Government (MD) is responsible for the enforcement of new rules of the International Convention for the Safety of

Life at Sea (SOLAS) which are taking effect on the 1st July 2016 in relation to the verification of the mass of containers before loading on board the ships. Carriers should not accept on board the ships any containers which the weight has not been verified.

For this purpose, the MD has produced “Guidelines on the Verification of Gross Mass of a Container with Cargo packed in Hong Kong” (the Guidelines) in May. As indicated in the title, the Guidelines apply



only to those containers which are packed in Hong Kong. If a container is packed outside and only transhipped in Hong Kong, the Guidelines will not apply.

### Verification Methods

A shipper may opt for either one of the following methods to verify the mass of the container: (rule 3)

Method 1: weighing the packed container by using the approved weighing scale.

Method 2: weighing all packages and cargo items, including pallets, dunnage and other securing material to be packed in the container and adding the tare mass of the container to the sum of the single mass using a certified method approved by the MD.

#### Method 1

For Method 1, the most important requirement is that the weighing scales must be approved by the MD and all the approved entities or scale operators will be enlisted in the web-page of the MD. (rule 7) The weighing of the packed containers has to be done by the approved entities or scale operators by using the approved scales. Some terminal operators, such as Hongkong International Terminals Limited, Modern Terminals Limited and River Trade Terminals Company Limited, have already got approved weighing facilities in their terminals.

#### Method 2

For Method 2, the condition is that the procedure on weighing the container by the shipper has to be approved by the MD. The shipper has to submit a registration application to inform the MD the procedure of the container mass verification and the post title of the authorized staff to sign the shipper's declaration. (rule 13) The MD will scrutinize the documents submitted and perform a preliminary assessment of the practicality of the submitted container

mass verification procedure. If necessary, the MD has the right to inspect and witness the shipper's conduct of the procedure. (rule 14.2) After satisfying this requirement, the MD will issue a confirmation of registration with the registration number to the shipper. (rule 14.1)

Although the MD has approved the verification procedure, the MD is not liable to warrant the accuracy of the verified container mass declared by the registered shipper. (rule 12.1) The shipper is personally responsible to the practicality of the procedure, the accuracy of the calculated mass, the record of the process and the maintenance of the records. (rule 12.1)

### **Duties of the Shipper**

The shipper is responsible to obtain and record the verified gross mass (VGM) of a packed container in written form. (rule 2.1) "Shipper" means a legal entity or person named on the bill of lading or sea waybill or equivalent multimodal transport document as shipper and/or who a contract of carriage has been formed with a carrier. If a container containing the cargoes of more than one shipper, the entity who consolidates, seals and delivers the container to the carrier is the responsible person for the verification of container mass. (rule 2.2)

The shipper should declare the VGM in the shipping document. Such declaration should be made in the following prescribed format as a part of the shipping instruction or an independent proof document: (rule 4)

### **For gross mass obtained by Method 1**

"Shipper's declaration: the gross mass of the packed container declared in the shipping document was obtained in accordance with Method 1 stipulated in SOLAS Chapter VI Regulation 2." (rule 5.1)

### **For gross mass obtained by Method 2**

"Shipper's declaration: the gross mass of packed container declared in the shipping document was obtained in accordance with Method 2 stipulated in SOLAS Chapter VI Regulation 2. The procedure of this method has been approved or recognized by MD with registration number 'GMV012345678'." (rule 5.2)

The declaration should be signed by the authorized person of the shipper. The signature may be in electronic form. (rule 4)

The VGM document should be presented to the master or his representative and the terminal operator sufficiently in advance of the formulation of the ship stowage plan. (rule 2.3) The arrangements agreed among the shipper, carrier and terminal operator should be followed.

All the stakeholders, including shippers, scale operators, carriers and terminals, should retain all the documents and records related to VGM of a container for at least one year. (rule 16)

### **Wrong declaration of VGM and overweighted container**

The carrier, terminal operator of the MD has the right (not an obligation) to re-verify the VGM declared. If the VGM declared and the re-verified gross mass figure are different, the latter shall prevail.



(rule 9) When the gross mass of the container is more than 10 tons, the tolerance rate between the VGM declared and the re-verified figure is  $\pm 5\%$ . When the gross mass of the container is less than 10 tons, the tolerance rate is  $\pm 0.5$  ton. (rule 9.4) If the VGM of the container is outside the tolerance rate, the carrier may refuse the loading of the container on the ship.

When the gross mass of a container has exceeded the maximum operating gross mass stated on the safety approval plate of the container, the overweighted container should not be allowed to be loaded onboard the ship. (rule 10)

### **Unverified container**

If the VGM of the container cannot be provided upon the arrival of the container at the terminal, it should not be loaded onboard the ship until verification of the container mass is completed. The shipper may delegate the master and the terminal

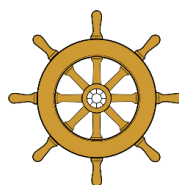
operator to carry out the verification in the terminal or other places where approved weighing scales can be found. (rule 11)

Similarly, when an unverified container is shipped to a terminal in Hong Kong via land transportation, railway or non-convention vessel for transshipment, such container should not be loaded onboard the ship until the verification has been completed. (rule 8.1)



### **Further information**

The MD has prepared different documents to help the stakeholders to meet the new rules of SOLAS. The Guidelines, the List of Approved Weighing Equipment for Container Verification, the Procedures of Application for approval of Weighing Scale by Method 1, Verification of Gross Mass of a Container by Method 2 and other relevant documents can be found on the web-page of the MD.



## 香港海員工會對施政報告的回應

2016 年 1 月 13 日行政長官梁振英先生在發表任內第三份「施政報告」時再一次表示，政府將成立新的航運管理機構——「海運港口局」，以促進香港的航運服務業及強化香港國際航運中心的地位。結合近期運輸及房屋局遞交至立法會經濟事務發展委員會有關「成立新航運組織以助航運業進一步發展」的討論文件，作為一個與香港航運業緊密相連並且一直十分關注其發展的組織，香港海員工會對政府的這一舉措深表支持。我們認為，香港航運業歷史悠久，擁有天然、高效又具競爭力的港口，身處自由經濟及策略性的地理位置，這些都是得天獨厚的優勢。但是，缺乏有效的整體規劃、資源未能充分結合優化、人才招攬及培訓環節薄弱等仍是阻礙香港航運業進一步發展的絆腳石，同時香港正面對其他國際航運中心的激烈競爭。因此，我們冀望新的航運組織能夠盡快成立並且有效發揮其效能，對此我們亦提出以下建議：



### 1. 整體規劃、資源整合及吸引業界資源

現時香港航運業的組織、結構及各類資源之間的聯繫不夠緊密，雖然有數量眾多的各類業界委員會、監督管理機構，但是欠缺統一的規劃部署。例如以往為了發展物流業，政府可能會劃一塊地作為物流中心，但卻欠缺完善的配套實施，最終發展不起來甚至導致荒廢；為了提高港口服務，政府可能又斥資建一個港口，卻沒有足夠的支援網絡去優化運作。如果發展物流中心與建設港口一併考慮，效能將得到最大提高。政府應考慮制定一個整體的規劃，把各類分散資源整合優化，令其在業界可以更有效地流通共

享。新的航運機構就可以利用其優勢，促成政府全盤考慮去制定一個香港航運發展的整體規劃，再通過其執行委員會去落實調動業界各成員配合執行。

貨主與船東是香港航運業收入的最重要資源之一，只有吸引到實力雄厚的外來大企業進駐，才能夠擴大貿易服務及相關服務，從而推動航運發展。近年內地經濟持續發展，全球經濟重心已東移，香港作為外資進入中國內地的一個重要門戶，還是中國範圍內唯一提供國際認可的綜合航運服務，如仲裁、保險、融資等的航運中心，應當利用好這些優勢，制定新政策去吸引船公司和航運機構到香港落戶，其他航運服務如船舶經紀、船舶管理、保險等的業務機會亦會因而增加。

### 2. 人力資源：招攬及培訓

香港的航運業能否成功轉型升級，需要解決已經存在多年的人才問題。香港航運人才不論是基層或高層均出現青黃不接，因為一直缺乏主動吸納本地和世界各地人才的動力，政府亦沒有制定長遠培訓規劃。

據香港海事處統計，目前香港船員在遠洋航線上只有近 200 人，港澳船等內河航線有 1400 人。本地的航海訓練學院和理工學院每年培養出大約 60 名甲板部高級船員實習生、20 至 30 名輪機部高級船員實習生及 100 名水手。



根據香港海事服務業訓練委員會提供的2014年調查報告(如下圖),

行業	2014年實際人力	2015年預測人力	2016年預測人力
遠洋輪	8643	9224	10051
內河船	1711	1711	1711
本地船舶	3774	3760	3704
岸上	9845	10039	10043
總計	23973	24734	25509

我們可以看到現時香港航運業需要大量人才，然而本地的高級船員級別及其他技術性航海人員不足以應付香港對這類人員的需求。這其中涉及兩個問題。第一，普遍市民不理解航運業的職業性質及前景，年輕人認為其缺乏吸引力。很多人對該行業仍然存在誤解，認為從事航運行業就是當一名船員，對其他的職業不了解。第二，即使已經立志當一名遠洋船員並且在相關學院就讀的學生，畢業後的就業機會並不多，因為船公司往往希望聘請有經驗的高級船員，船公司普遍不積極聘用本地剛畢業的實習學員及培訓本地航海人才，只倚賴從海外輸入專才，令航海畢業生即使有志從事遠洋工作，往往都被拒諸門外。雖然遠洋輪上有船上職位，但本港僱員填補有關空缺有限。久而久之，令本地年輕人不願意入行，造成人才荒，遠遠追不上

航運業的高速發展，導致本地航運業發展裹足不前。因此，在行業人才招聘方面，政府應當制定政策從兩方面同時入手。一方面要積極向社會介紹航海業的覆蓋範圍，讓市民知道從事航運行業除了當一名船員以外，其實還有很多其他的選擇，行業涉及一系列不同界別，包括航運保險、航運金融、貨代物流，航運經紀、航運管理、海事律師等等。還有踏入這個行業以後的發展方向。比方說，就「船員」這一個職業，大部分行外人仕可能會覺得選擇了成為船員就只能一直當一名「行船佬」，但事實上有經驗的高級船員是政府海事機構和船公司緊缺的人才，海員的選擇面很廣。這些信息都應該讓年輕人知道。另一方面政府還應制定相關政策提高船公司聘請畢業實習生的意欲，提供更多機會給這些新人，以吸引他們投身該行業。

對於人才培訓方面，現時香港有職業訓練局的海事訓練學院、香港專業教育學院(青衣分校)、香港大學、香港理工大學及香港科技大學從不同範疇提供與航運有關的各類相關課程及學位，例如香港專業教育學院及海事訓練學院的「兩年制海事科技高級文憑」課程培養出遠洋輪(甲板部)的高級船員，取得香港大學、香港理工大學及香港科技大學的「四年制機械工程工學學士學位」後亦可以從事遠洋輪輪機部高級船員的工作，海事訓練學院及香港航海學校每年培養出大約 80 至 100 名水手。現時還有航海訓練計劃、船舶維修訓練獎勵計劃、城市大學的香港海事法律獎學金、香港理工大學的國際航運及物流管理獎學金及香港大學與大連海事大學互換法學院學生的學術合作計劃，以及 2014 年立法會通過成立的「海運及空運人才培訓基金」等，可見政府已著力推廣香港航運業，希望吸引更多的人才加入。然而，我們認為，海運港口局的成立，應該使人才培訓方面更完善。香港海事人才培

訓的機構雖然不少，但過於零散，欠缺一個獨立完整的學科，尤其缺乏對海事管理人才方面的系統培訓規劃。航海學是一門覆蓋面廣、知識淵博的學科，零星分散去提供各類培訓不利於培養專業全面的海事人才，特別是管理人才。內地的大連海事大學、上海海事大學、廈門集美大學，台灣的國立海洋大學，新加坡的南洋理工大學等，都專門為航海學科設立專業全面的高學歷學位。反觀香港在這一方面相對滯後。我們建議香港亦應針對航運業設立系統的學科為業界提供一個專業全面的培養人才的機制。新加坡南洋理工大學的「海事研究理學士學位」開設於 2004 年，課程專注於航海和航海科學技術的高等教育，培養新加坡當地優秀的航海領域人才。基礎課程有數學、社會科學、商業和技術。航海專業課有航海公司的組織管理學、國際航海物流、航海法、海上保險、海上戰略和研究專案。台灣國立海洋大學的航運管理學系暨碩士班課程包含海運業與港埠經營管理、空運業與航空站經營管理、運輸與物流、管理科學、資訊科技和校院通識課程六大領域，大二起可選擇主修海運或空運，重視實務訓練，安排學生至航空站、航空公司、海運公司、貨物承攬運送公司等暑期實習，以培養海、空運專業人才。香港暫時未有一間像上海、大連、廈門等地的海事大學，但是可以參考台灣與新加坡，在綜合大學中設立航運的專門學科。

總結：香港要向世界展示作為國際航運中心的決心，關鍵在於人才及外界對此的信心，而這些往往都不是業界人士說了就算，還需要政策的支持。與鄰近的競爭對手新加坡及上海相比，我們確實還欠政府在這方面的足夠支持，過往政府在航運業方面的政策均是欠缺積極性及連貫性，政策都是老生常談，亦由不同部門各自執行。政府在制定航運政策的過程中，需要更聚焦回應業界

的需要，並且加入業界專業意見和利用國際人才。香港海員工會作為本地一個極具規模和影響力的行業機構，除了與本地各界，包括數萬名聯繫船員、各船公司、政府海事部門、各航海院校有著密切的聯繫與互動外，還與香港以及世界其他地區、國家的各類海事組織、機構保持緊密往來。因此，在探討、制定及推行發展香港航運業政策的過程中我們定會發揮積極而有效的作用。尤其是在人才招徠及培訓、港口發展等方面，香港海員工會更是具有全面專業作為業界代表的話語權。我們希望在擬議新航運組織機構中，能夠成為「人力資源委員會」及「航運及港口發展委員會」的成員。我們同時希望新航運組織的成立能夠制定全面既長遠政策以促進航運業持續發展，不會令該組織只是又流於形式而已。

讓我們一起為香港這個國際航運中心的突破出一分力，期待香港能夠為世界航運業帶來新的景象！

香港海員工會

2016 年 1 月 27 日

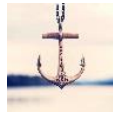


## 在海中心留下航跡

### 地球上最長最神秘的一條線

馬丁. 謙

本文由網誌“商船記”供稿, 已獲得網誌管理人同意。該網誌由在遠洋船上工作的“五個八十後的行船仔”, 與你分享海上的喜怒哀樂。



(accessible via

<https://www.facebook.com/tale.of.merchant.navy/photos/a.998746523496140.1073741827.998552673515525/998746526829473/?type=3&theater>)

如果有人問你世上最長的一條直線, 你會想起什麼? 我會想起在地球中央把南北半球分開的赤道。而赤道是個怎樣的景象呢? 可能有人會聽過「赤道無風帶」(ITCZ, Intertropical Convergence Zone), 那到底是否真的「無風」呢?

赤道是否一定是全世界最熱的地方? 非也, 因為太陽直射到地面並不是長期在同一個地方, 而是不停上下移動至南北半球約二十三度的地方。另一方面受到海洋性氣候影響, 實際上也不是十分熱; 但上面提及的「無風帶」卻真的名符其實。在赤道中, 海面上經常都波平如鏡, 有時更海天一色 - 就像我腦海中的天堂。我十分喜愛那個景色, 所以每次經過赤道我都滿心期待, 可以再次一睹那美麗的畫面。

但第一次經過赤道卻令我擔心了很多晚, 越接近就越提心吊膽、心生畏懼, 為什麼?

(video of crossing the equator accessible via

<https://www.facebook.com/tale.of.merchant.navy/?fref=ts>)

到底過赤道又有什麼可怕呢? 熱死? 焗死? 天氣差? 有海盜? 對了, 就是有海盜。而那些海盜就是我日對夜對, 經期待已久, 每天整裝待發的船員。他們很「期待」, 我卻很害怕, 但那一天始終要來, 就在一日風和日麗的中午, 我如常地在甲板工作, 忽然一班打扮成海盜的船員把我綁了起來。

Equator-crossing ceremonies 就一觸即發。

這個是一個很有趣的傳統活動, 就是每一個船員第一次過赤道都須要經驗的, 如果簡單點令大家明白, 就是「玩新



人」。過程雖然有驚有喜，但絕對是船員一生其中一個最難忘的經歷。

「過赤道時拜海龍王，海龍王大典一甲板上會出現由船員扮演的“海龍王”和“蝦兵蟹將”。他們身穿龍王服、手持龍王杖、頭戴龍王面具，煞有介事地“出巡”，隨後向全船員宣讀“聖旨”，同意船隻通過赤道線。」—台灣網頁的解釋。

<https://www.facebook.com/tale.of.merchant.navy/?fref=nf> (video of crossing the equator)

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## 船上隨筆 海員生活常見問題 即釣即燒

小何

船員嘛，另一個很常聽到的問題就是：你們是不是常常釣魚來食？

對對... 我們是每天都有魚吃沒錯，但那些是在陸地上買伙食時，帶上船的急凍魚，在遠洋航程中，我們很少有鮮魚吃的。

咦？你們不是在船上面生活的嗎？為什麼不自己釣魚來吃啊？

哎呀... 我們雖然是船員，但我們是在遠洋商船的船員，我們不是漁民啊。商船不是漁船，我們船速快，又甚少停下來，所以我們甚少有機會釣魚的，更不用說好像漁船一樣拖網捕魚了。但！我們拋錨時就可以釣魚了！

話說這兩天我們到了泰國芭堤雅附近拋錨，等待進港。在錨地的這兩天裡，釣魚便變成我們的重點休閒活動！



為了釣魚，實在是出盡法寶！用機艙的鏢絲帽當做鉛塊！把急凍蝦解凍作魚餌！帶上啤酒汽水，大家便齊齊跑到船尾的後甲板，享受這泰國錨地下午的釣魚時光。

這時，水手不知從那裡找來一個炭爐，直接在船尾燒烤！我們把魚釣上來後，去鱗去內臟，撒少許鹽，即釣即烤。

伴著海風，看著日落，夕陽下釣魚烤魚飲啤酒，爽。



## 行過船先知咩叫風浪-第二章

政 (記於 2014 年 2-3 月)

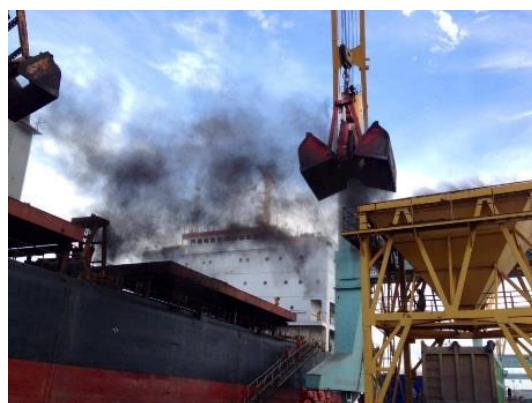
出廠第一個港口是越南錦普(Campha)，途經琼州海峽，而我在過海峽時忘記接大伙吃晚餐。船長見到我就提醒一下，也說在海峽裡他也在駕駛台，讓我沒那麼窘。錦普是越南桂林，山水相連，不過再美的風景我們做船員也是在船上日做夜做。在錦普下錨裝煤，我和水手小許一齊坐在梯口值班，加上我是由貨櫃船轉散貨船，很多東西都要請教下小許。

第一次船上過新年，公司每人發利事，船上亦按越南邊防要求打上假期旗，我們協助二副將所有字母數字旗分 4 邊掛上。錨地有一條船沒按規定掛上，結果當然是給邊防敲了一筆錢。



回程返汕頭港，靠好發現爆管開不到艙，船長非常焦急吩咐我們開艙讓碼頭卸貨，因為退潮關係，結果我們還是擱淺了，不過因為是泥底，最後沒事。大老闆帶人上船修管，其實就應該在船廠一次過修好，而在往後日子，爆管開/關不到艙是指定動作，三管亦開始了他的悲劇之旅，皆因是他管理的設備。

汕頭開新就去香港南丫錨地加油，雖然已進入香港水域但又不能回家。丫艇不斷抱怨我們的船特別搖，他們的小船細小過我們的都穩如盤石，只能說我的 GM 值太高。加了 4 個時間油往南向馬來西亞丹戎馬尼港(Tanjung Manis)出發，一路上一艘船都沒有，有的只是無盡大海和無邊藍天白雲。船長晚晚吹水，不過我只是聽小許、船長傾。今次又是拋錨裝煤，裝貨期間船吊出了問題，操吊工人裝貨其間太粗暴，不停將個 block and wire 撞擊艙蓋邊，引致鋼索跑離勾頭，結果成船人要搶修，由下午搞到大半夜才可以重新作業。



在梯日曬雨淋值班 6 到 6 太浪費時間，所以我整理了筆記去溫習 Class 2。煤炭是一種污穢的貨物，風一吹整艘船鋪滿煤渣，眼耳口鼻都不能倖免，只能帶口罩以減少對健康的影響。裝散貨最重要就是臨尾平艙調吃水，需要確保不會出現 trim by head 同超過法定載重量的情況，因為這對船舶操作不利，也會引致危險。如果臨尾係你值班的話，就恭喜你，要經常睇水尺，又要跟工頭溝通，監督平艙，忙碌程度不下三艘吊不停上冷櫃。如果下錨裝貨，更要在船尾放領水梯下去船旁看，有次船長仲嚇我話河裡有鱷魚，千祈唔好跌落水。

## Call for Articles for Oct Issue – Ship Management



CY Tung International Centre for Maritime Studies

The Maritime Business Insight (formerly “Maritime Insight”) was launched in June 2013 under the CY Tung International Centre for Maritime Studies (ICMS). It aims to combine both theoretical and practical knowledge and promote collaborations among scholars and professionals in the maritime industry. It mainly covers article reviews of general interests to the profession with a special focus on different maritime concerns. We endeavor to summarise current maritime initiatives and to bring forward topics for further discussions in academic research whilst also offering implications to industrial players and policy makers.

Interested parties are cordially invited to submit the practical article in Chinese or English. The article can be 2-6 pages long. For our July issue, **we would like to focus on the topic of ship management**. Topics will include but not restricted to:-

- Technical management - dry docking, bunkering, maintenance
- Financial management – budgeting, control, etc
- Quality and safety management – QHSE (Quality, health, safety and environment), compliance with Port State Control and Flag State Control, minimization of maritime incidents
- Crew management and training
- Procurement of materials

By submitting an article to us, you are affirming that the content is original to you, the author, and has not appeared elsewhere online or in print.

We do not guarantee to publish your submission, but we will review it and make a decision on publication. Feedback is always provided.

You can provide a short bio (three to five sentences) at the end of the article and also you may link to your company, blog and projects.

For submission of articles or enquiries, please email to [editor.icms@polyu.edu.hk](mailto:editor.icms@polyu.edu.hk) **on or before 15 September 2016**. For enquiries only, please call Ms. Vicky Yip at 3400 3617.

# CY Tung International Centre for Maritime Studies



The ICMS held the Career Fair 2016 – Shaping Tomorrow on 21 March 2016. A number of logistics, shipping and terminal operators delivered career talks on logistics and shipping industries. Personnel of the Human Resources Department of OOCL delivered a career talk to the students and they were greeted warmly by Prof LU Chin-Shan (left 1), Director of the ICMS



Students of National Taipei University, Taiwan led by Prof LIU Chung-Chu, Dept of Business Administration, visited the ICMS on 2 June 2016. They were received warmly by Prof Edwin CHENG (right 10), Dean of Faculty of Business, The HK PolyU, Prof LU Chin-Shan (left 1) and Dr TAI Sik Kwan (right 1), Editor-in-Chief of the Maritime Business Insight.



Prof LU Chin-Shan acted as the Chair of the “Featured Session on OBOR Initiative” of the OBOR Conference held by the Dept of LMS of the HK PolyU on 10 to 11 May 2016.



Dr T.L. YIP (right 2 of the front row), Deputy Director of the ICMS, joined the dinner party held on 28 June 2016 celebrating the Seafarers Day (25th June). Dr YIP and other guests, including top management level of the Hong Kong Marine Dept, various shipping companies and the Hong Kong Seamen’s Union, gave a toast to all the attendees.

## DISCLAIMER

All opinions stated in the articles are those of the respective authors and do not necessary reflect the views of the editors or ICMS. We hereby express gratitude to all the authors for their photographs and articles. If you are interested in subscribing an e-elert or you have any inquiry about the Maritime Business Insight, please feel free to contact us.

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