

For information

Legislative Council Panel on Economic Services Meeting on 16 January 2001

Legislative Proposals to Streamline Ship Registration and Improve - Freight Container Handling, Stacking and Transportation Safety

INTRODUCTION

In the discussion of the Legislative Proposals to Streamline Ship Registration and Improve Freight Container Handling, Stacking and Transportation Safety at the meeting on 19 December 2000, the Administration undertook to provide supplementary information to members on –

- (a) the Flag Stage Quality Control System (FSQC),
 - (b) the basis for calculating the proposed \$5,500 charge on application for approval of examination procedure is set.
2. This paper provides Members with the information.

(A) Flag Stage Quality Control System

3. The FSQC was introduced on 1 April 1999 to replace the MFSS Scheme (MFSS) in order to make the quality inspection system of the HKSR more cost-effective and user friendly while maintaining the quality of ships in the HKSR. The two schemes work on completely different philosophies and methodologies, which are elaborated below –

(a) Objective and approach

4. MFSS adopts a ship-oriented approach under which inspections are carried out on a regular and routine basis (when a new ship joins the HKSR and at every five-year intervals thereafter) irrespective of vessel conditions. This approach enables HKSR to carry out the monitoring work of a regular maritime administration in a systematic manner. However, follow-up actions are limited to the rectification of the deficiencies found during an inspection.

5. FSQC adopts a “helping business approach”, under which HKSR prudently and proactively monitors all parties involved in the

process of making quality shipping in a flexible and cost-effective manner. Instead of inspecting ships at regular intervals, Marine Department is using the FSQC information system to determine whether an inspection needs to be carried out based on an agreed set of objective criteria related to ship quality. The in-situ inspections and investigations are able to identify potential problem areas on a ship that cause its deterioration in quality. The problems are discussed with the shipowner and possible solutions and preventive measures are devised. Rather than rectifying deficiencies after they have occurred, FSQC takes a preventive approach by identifying potential problem areas during information analysis and inspections, and helping the shipowners to identify reasons for the quality deterioration problem so that they can implement solutions to bring the ship back to its performing quality. Such solutions are not only limited to those for rectification of the ships' physical deficiencies but also of different elements involved in the shipowners or ship management companies' business process which may be attributed to the quality deterioration, e.g. operational procedure, management skills, technical know-how, crew/managing staff competencies, as well as the work of recognised organisations (ROs)¹ as necessary.

(b) Cost to shipowners

6. Under MFSS, the average cost of inspection of \$90,000 per inspection is charged to the shipowners. This is in addition to the ship registration fee. Under FSQC, the inspection cost is reduced as the inspection cost is absorbed into the registration fees. FSQC introduces a new fee for poor quality ships. If a ship is detained for serious deficiencies under port state control inspections by other Maritime Administrations, the cost of such inspection and audit is charged to the shipowner.

(c) Human resources implication

7. Under MFSS, the workload of Marine Department is not predictable. Surveyors are sent to carry out inspections when the need arises. The length of time the ship staying in a port, accessibility of port location and availability of human resources at the time of the request are factors that determine the workload in the Department during the year. Owing to these constraints, ships cannot always be inspected as scheduled. In contrast, human resources can be more easily planned and utilized under FSQC. The urgency to meet specific time frame as in

¹ ROs are private global establishments whose main functions are to carry out safety inspections and certification of ships and companies on behalf of those Maritime Administrations entrusted them with these functions.

MFSS does not exist in FSQC. Ships identified with deteriorating quality can be inspected when a ship is staying in port or when she (the ship) is staying in a more accessible port.

(B) The Proposed \$5,500 charge for Application for Approval of Freight Container Examination Procedures

8. The proposed \$5,500 charge is set based on full cost recovery as computed at **Annex**. As seen from the cost breakdown, 92% of the cost will be used to cover staff cost for a shipping safety officer's 7.5 to 8 man-hours duty for assessment of the examination procedures of particular design. Once a design is approved, containers manufactured in accordance with the same design would not need to go through the same examination procedures again. A \$5,500 charge can therefore cover hundreds or thousands of containers.

Economic Service Bureau
PMB 72/70/93 Pt.12
January 2001

COST COMPUTATION

Marine Department

Fee for Application for Approval of an Examination Procedure

**Cost at 2000-01 Price Level
(for processing one application)**

		\$
Staff Cost		5,045
Departmental Expenses		54
Accommodation Costs		163
Central Administrative Overheads		<u>240</u>
	Total Cost	<u>5,502</u> =====
Proposed Fee (\$)		5,500