

**For discussion on
22 April 2002**

Legislative Council Panel on Economic Services

Flag State Quality Control System: An Update

INTRODUCTION

In discussing the legislative proposals to streamline ship registration procedures on 19 December 2000, the Administration undertook to provide supplementary information to Members on the differences between the Flag State Quality Control (FSQC) system for quality inspection of ships on the Hong Kong Shipping Register (HKSR) implemented by Marine Department since April 1999 and the Mandatory Flag State Survey (MFSS) scheme replaced by the FSQC system. The information was subsequently provided in LC Paper No. CB(1)462/00-01 presented to the meeting of this Panel on 16 January 2001.

2. In addition to the above information, Members at the meeting on 19 December 2000 requested the Administration to provide further information on the effectiveness of the FSQC system after a longer period of its implementation. This paper serves to provide the information.

BACKGROUND

3. Before the introduction of the FSQC system on 1 April 1999, ships joining the HKSR were subject to inspections carried out by Classification Societies (Classes) recognized by Marine Department and were audited by Marine Department to ensure the full compliance with the necessary safety standards. Subsequent periodic surveys were then carried out by the Classes annually and by Marine Department once every five years.

4. The shortcomings of the above arrangement are -

- (a) any follow-up visits after a survey were limited to the re-inspection of the rectified deficiencies found in the survey;

- (b) there was no direct communication between Marine Department, the Classes and shipowners or their management companies to discuss problems in order to improve the condition of ships; and
- (c) the initial audit and the five-yearly survey requirement of Marine Department imposed a high operating cost and the inflexible survey arrangement caused inconvenience to the owners.

5. In view of the above problems of the MFSS scheme, the importance of ensuring the high quality of ships registered in Hong Kong (Hong Kong ships) so as to maintain a good international image for Hong Kong ships and enhance the status of Hong Kong as an international shipping hub, Marine Department implemented in April 1999 the FSQC system to replace the MFSS scheme.

THE FSQC SYSTEM

6. The FSQC system comprises two distinct components, i.e. the setting up of a database system for quality grading of ships and physical inspections of ships. The database system screens ships and their management companies with reference to a set of objective criteria related to ship quality which include data on casualty incidents, Port State control inspection records, detention records, and survey records of the ship carried out by its Class. Inspections and audits are then carried out on those ships and companies that match the criteria for the purpose of identifying potential problem areas on a ship that may cause or have caused its deterioration in quality. Marine Department discusses the problems with the concerned shipowners and ship management companies under a helping business approach, with a view to devising possible solutions and preventive measures before deterioration of ship quality begins or accelerates. The overall results are more focused inspections and follow-up actions.

7. In the first two years of its implementation, the FSQC system relied on a database system compiled and handled manually by Marine Department. To improve the processing of increasing volume of the information, a dedicated FSQC database computer system was developed and commenced operation in 2001. The computer system imports vetted data into the FSQC database, analyses the imported data according to the set of specified criteria for quality ships and then comes up with a priority list of ships / management companies to be inspected / audited /

take follow up actions. The process is fully automated and objective, with all ships and parties involved evaluated on an equal basis.

EFFECTIVENESS OF THE FSQC SYSTEM

Inspections and audits

8. Statistics on the operation of the FSQC system in the last three years are given in Table 1 below. The figures indicate that the performance of the FSQC system has been improving and coping well with the rapid growth in the number of ships on the HKSR.

Table 1 : Performance of FSQC System on Hong Kong Ships

	1999	2000	2001
No. of HK ships	276	349	433
Vetting of documents (% of HK ships)	19.2%	28.6%	37.8%
No. of HK ships inspected	13	15	30
No. of ship management companies audited	6	6	7

Detention rates of Hong Kong ships

9. Table 2 below and the chart at Annex present the detention rates of Hong Kong ships in recent years. With the more effective FSQC system carrying out inspections on Hong Kong ships and audits on ship management companies since 1999, the detention rate of Hong Kong ships in overseas Flag States has observed an improvement trend and remained well below the average detention rate of ships around the world.

Table 2: Detention Rates of Hong Kong Ships in Paris and Tokyo MOU Regions ¹

	1999	2000	2001
Detention rate of HK ships in Tokyo MOU region (%)	1.85%	1.98%	1.55%
Detention rate of HK ships in Paris MOU region (%)	4.95%	4.03%	3.23%
Average detention rate of HK ships in Tokyo & Paris MOU regions (%)	3.40%	3.01%	2.39%
Tokyo MOU detention rate average	7.18%	6.87%	Not yet available
Paris MOU detention rate average	9.15%	9.50%	Not yet available

Others

10. The quality of surveys carried out by Classes is more reflected in the condition of the ships under the FSQC system compared to the MFSS scheme. Hence, the degree of satisfactory performance of the Classes is more effectively monitored under the new system.

11. The FSQC system with its interactive features is also a better way for promoting a safe culture among all concerned parties, as compared to the survey procedures under the MFSS scheme which were purely regulatory and passive. The experience gained from the FSQC inspections and audits are fed back to the shipping industry through safety seminars held by Marine Department about every three months.

CONCLUSION

12. To sum up, the FSQC system is user-friendly and provides a package of flexible inspection and audit arrangements to assist shipowners to effectively monitor their ships, ship staff, ship management companies and Classes. Since implementation, the FSQC system has been welcome by the industry as it actively assists shipowners, managers and the staff on ships to improve the quality in particular the safety and environmental aspects of their ships.

¹ The MOUs (Memorandum of Understanding) for Port State Control (PSC) are international mechanisms which establish effective PSC regions through co-operation and harmonization, with a view to eliminating sub-standard shipping so as to promote maritime safety, protecting the marine environment and safeguarding working and living conditions on board of ships.

13. Like Hong Kong, many countries such as the United Kingdom, the United States and the Netherlands have in recent years devised different quality ship schemes in order to more effectively monitor the quality and conditions of ships registered in their countries and ships calling their ports. The FSQC system of Hong Kong is a pioneer scheme and has proved to be user-friendly and cost-effective for ship quality control. It has been used as a reference for similar models being developed internationally.

Economic Services Bureau
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Tokyo MOU / Paris MOU
PSC Detention Rates of Hong Kong Ships

ANNEX

