

ITEM FOR FINANCE COMMITTEE

HEAD 31 – CUSTOMS AND EXCISE DEPARTMENT

Subhead 603 Plant, vehicles and equipment

New Item “Procurement of a mobile X-ray vehicle scanning system for cargo examination at the River Trade Terminal in Tuen Mun”

Members are invited to approve a new commitment of \$36,952,000 for procuring a mobile X-ray vehicle scanning system for the Customs and Excise Department.

PROBLEM

The existing mode of cargo inspection by the Customs and Excise Department (C&ED) at the River Trade Terminal (RTT) in Tuen Mun is labour-intensive, time-consuming and inconvenient to traders.

PROPOSAL

2. The Commissioner of Customs and Excise, with the support of the Secretary for Security, the Secretary for Financial Services and the Treasury, and the Secretary for Commerce and Economic Development, proposes to create a new commitment of \$36,952,000 to procure a mobile X-ray vehicle scanning system (MXRVSS) for cargo examination at the RTT in Tuen Mun to enhance its capability of detecting contraband goods and facilitate the law-abiding traders.

JUSTIFICATION

Container Throughput at the RTT

3. Owing to the rapid economic development in the Pearl River Delta,

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the volume of cargoes carried by river trade vessels that go through the RTT has increased substantially. From 2000 to 2008, the container throughput at the RTT, in terms of 20-foot equivalent unit, grew from 0.98 million to 2.05 million. To cope with the rapidly increasing traffic of containerised cargoes at the RTT, we need to enhance C&ED's ability to provide a more speedy cargo clearance service at the RTT.

Mode of Cargo Examination at the RTT in the Absence of MXRVSS

4. For containers requiring more detailed cargo inspections at the RTT, customs officers stationed there have to unload the cargoes from the containers for examination by an X-ray checker or open the cargo packages for physical examination. Where it is necessary to search the inner part of a container, a time-consuming process of unloading and re-loading all cargoes in the container is involved. On average, it takes about two to three hours to complete the examination of a 40-foot fully loaded container in this manner. This mode of operation is labour-intensive, time-consuming and inconvenient to traders.

Functions and Benefits of MXRVSS

5. An MXRVSS is a fully mobile and self-contained system for scanning containers up to 45-foot long by X-ray. It comprises an X-ray generator, a boom, a folded-up detector arm and a control room, all mounted on a truck for easy mobilisation. The MXRVSS produces radiographic images of containerised cargoes to facilitate identification of suspicious container structures and cargoes. Such images can be stored electronically for future reference (e.g. in subsequent enforcement action). The system can also readily detect hazardous radioactive substances. With the aid of an MXRVSS, a 40-foot fully loaded container can be inspected more thoroughly and with less time, i.e. less than 30 minutes.

6. The procurement of an MXRVSS for use at the RTT will significantly enhance the efficiency and effectiveness of customs cargo inspection conducted at the RTT. The inspection time for each container will be substantially reduced, and the capacity of customs cargo inspection at the RTT will increase from six to 24 containers daily. Moreover, by analysing the radiographic images and radiation readings captured by an MXRVSS, customs officers can readily identify irregularities. More accurate risk assessments will enhance customs officers' judgement in deciding on the need for a physical examination of cargo contents, thereby enhancing C&ED's capability of detecting contraband goods.

7. In 2008, with the aid of X-ray vehicle inspection systems^{Note}, C&ED detected 123 smuggling cases with a total seizure value of \$297 million. The technical performance and inspection capability of MXRVSS are well proven.

8. The installation of an MXRVSS will also significantly shorten shippers' waiting time for cargo examination at the RTT. This will benefit the trade, especially the logistics industry, thereby contributing to the overall competitiveness of our ports.

FINANCIAL IMPLICATIONS

Non-recurrent Expenditure

9. On the advice of the Director of Electrical and Mechanical Services, we estimate that the total non-recurrent expenditure on procuring the MXRVSS will be \$36,952,000, broken down as follows –

	\$'000
(a) One set of MXRVSS	24,300
(b) Initial spare parts	3,159
(c) Supporting services and site works	1,500
(d) Contingency	2,896
(e) Electrical and Mechanical Services Trading Fund (EMSTF) project management services	5,097
Total	36,952

10. On paragraph 9(a) above, the estimate of \$24,300,000 is for the procurement of a set of MXRVSS, including a power generator and ancillary systems that are required to support the operation of the X-ray scanning process.

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^{Note} At present, there are a total of six sets of MXRVSS for scanning vehicles at Man Kam To Control Point, Sha Tau Kok Control Point and Shenzhen Bay Control Point and for scanning maritime containers at Kwai Tsing Container Terminals. In addition to MXRVSS, C&ED has also installed fixed vehicle X-ray inspection systems at Lok Ma Chau Control Point and Shenzhen Bay Control Point.

11. On paragraph 9(b) above, the estimate of \$3,159,000 is for the procurement of initial spare parts, such as X-ray generation tubes, X-ray detector modules and hydraulic system parts, which are essential to the effective functioning of the MXRVSS.

12. On paragraph 9(c) above, the estimate of \$1,500,000 is for the supporting services to be provided by the contractor for C&ED (such as operation and maintenance training), minor construction works and building services (such as provision of electrical power supply) at the RTT to prepare for the use of the MXRVSS.

13. On paragraph 9(d) above, the estimate of \$2,896,000 represents a 10% contingency on the items set out in paragraphs 9(a) to 9(c) above.

14. On paragraph 9(e) above, the estimate of \$5,097,000 is for the payment to EMSTF for providing project management services, including system design, preparation of tender documents, tender evaluation, contract administration, monitoring of system assembly, acceptance tests and monitoring of warranty services.

15. The estimated cash flow requirement for the procurement of the MXRVSS is as follows –

Financial Year	\$'000
2009 - 10	510
2010 - 11	7,199
2011 - 12	29,243
Total	36,952

Recurrent Expenditure

16. We estimate that the recurrent expenditure on operating the proposed MXRVSS will be \$3,100,000 per annum from 2013-14 onwards, including \$3,000,000 for routine maintenance inspections and repairs, and \$100,000 for fuel consumption. C&ED will absorb the recurrent expenditure from within its existing resources. It will also deploy its existing staff to man the proposed MXRVSS.

/IMPLEMENTATION

IMPLEMENTATION PLAN

17. We plan to procure the MXRVSS according to the following schedule –

Activity	Target completion date
(a) Preparation of tender specifications	July 2009
(b) Invitation for tender	March 2010
(c) Tender evaluation and award of contract	September 2010
(d) System assembly and delivery	September 2011

PUBLIC CONSULTATION

18. We consulted the Legislative Council Panel on Security on 3 February 2009. Some Members enquired whether there would be manpower savings with the installation of the proposed MXRVSS at the RTT and sought clarification of the contingency included in the non-recurrent expenditure. In response, the Administration explained that the proposed MXRVSS was intended to enhance C&ED's ability to provide a more speedy cargo clearance service at the RTT and its capability of detecting contraband goods. With the proposed MXRVSS, C&ED would be able to inspect more containers at the RTT in a more efficient and effective manner. As for the provision for contingency, it would be used to cater for any possible cost increases resulting from unforeseen situations (e.g. changes in the exchange rate). The Panel had no objection to the proposal.

BACKGROUND

19. The RTT is a purpose-built container terminal for handling cargoes conveyed by river trade vessels plying between Hong Kong and neighbouring ports in the Mainland. At present, customs officers stationed at the RTT examine, with the aid of an X-ray checker, cargoes passing through the RTT and the Tuen Mun Public Cargo Working Area. To enhance the operational efficiency, C&ED has on ad hoc basis redeployed one of the two existing sets of MXRVSS procured for the Shenzhen Bay Control Point to the RTT.