

ITEM FOR FINANCE COMMITTEE

HEAD 122 – HONG KONG POLICE FORCE Subhead 603 Plant, vehicles and equipment

Members are invited to approve a new commitment of \$114,000,000 for the replacement of five high-speed interceptor craft for the Marine Region of the Hong Kong Police Force.

PROBLEM

The Hong Kong Police Force (HKPF) needs to replace its existing five high-speed interceptor craft (HSIs) [Police Launches (PLs) 85, 86, 87, 88 and 89] with enhanced capabilities to maintain an effective response to maritime security incidents, and to prevent and suppress illegal cross-boundary speedboat activities.

PROPOSAL

2. The Commissioner of Police, on the advice of the Director of Marine and with the support of the Secretary for Security, proposes to replace five HSIs at an estimated cost of \$114,000,000.

JUSTIFICATION

Functions of the HSIs

3. HSIs are principally employed by the Marine Police Small Boat Division to interdict the unlawful use of speedboats in Hong Kong waters which are engaged in illegal cross-boundary activities involving the movement of goods and people. HSIs are the only vessels in the Government fleet that are capable of forcibly intercepting multi-engined ‘Tai Fei’¹ speedboats and thus act as an effective deterrent.

/Need

¹ A ‘Tai Fei’ normally refers to a smuggling speedboat with four or more engines.

Need for replacement of HSIs

4. The HSIs proposed to be replaced, which were commissioned in 1999, have been in service for over 13 years. The normal life expectancy of this type of aluminium alloy hull craft is 15 years. In June 2012, the Marine Department assessed the condition of four of the HSIs, i.e. PLs 85, 87, 88 and 89 and concluded that these four HSIs would still be in serviceable condition for three more years. The remaining HSI, PL 86, was damaged during the interception of a high-powered speedboat on 21 February 2012. In view of the high repair cost² for PL 86, HKPF considered it more cost-effective to replace PL 86 together with the above four HSIs. Taking into account the lead time required for completing the procurement, including tendering, construction, delivery, and arranging for commencement of service, etc, it is necessary for the HKPF to commence the process for replacement now so as to ensure continued operational capability.

5. The current HSI fleet is largely credited with stopping and preventing ‘Tai Fei’ speedboat activities in Hong Kong. It also plays an important role in maritime counter-terrorism, and fulfills a Government requirement under the International Ship and Port Facility Security (ISPS) Code³ to provide a fast and effective response to maritime security incidents. To ensure that the Marine Police are sufficiently equipped to carry out their maritime law enforcement responsibilities, there is an imminent need to replace the five HSIs.

The proposed HSIs

6. The proposed HSI will be of the same size as the existing craft (15 metres long), but it has an increased speed from 60 to 66 knots (from 111 to 122 km/h) and enhanced navigation equipment which includes a night vision capability. These enhancements will greatly improve the operational efficiency and effectiveness of the Marine Police. The functionalities of the new HSIs are summarised as follows –

- (a) the higher top speed of the proposed new HSIs at 66 knots (122 km/h) will enhance the Marine Police’s capability to intercept fast-moving target vessels, such as speedboats used by criminals that can often achieve speeds exceeding 50 knots (93 km/h);
- (b) the proposed new HSIs will be equipped with a more advanced and effective radar system, which will greatly enhance the detection capability of fast-moving targets as well as maintaining navigational safety; and

/(c)

² The estimated repair cost is \$3,100,000.

³ The ISPS Code came into effect on 1 July 2004. It prescribes responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to “detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade.”

- (c) leveraging advances in thermal imaging technology, the proposed new HSIs will have a night vision capability. This technology will help in the early identification of suspect craft and will be able to detect contraband thrown overboard at night.

Benefits of the replacement proposal

7. The ability to intercept fast moving suspicious craft at sea is essential for deterring criminal and terrorist incidents in Hong Kong waters. Timely replacement of the HSIs is essential to maintaining the overall response time of the Marine Police Small Boat Division and the effectiveness of HSIs in intercepting fast moving suspected “Tai Fei” craft.

8. Given that the first berth of the Kai Tak Cruise Terminal will soon come into operation this year, it is essential that Hong Kong maintains its maritime enforcement capabilities so as not to undermine its economic competitiveness and international reputation. This is also conducive to entrenching the confidence of the shipping and cruise industries in Hong Kong’s ability to maintain a safe maritime environment and its ability to deal with ISPS Code related incidents. Otherwise, cargo ships may use other ports and cruise operators may steer clear of Hong Kong, resulting in economic loss.

FINANCIAL IMPLICATIONS

Non-recurrent Expenditure

9. The total non-recurrent cost for replacing the five HSIs is estimated to be \$114,000,000 (\$22,800,000 for each HSI). A detailed breakdown is as follows –

	Unit cost (\$'000)	Total cost (\$'000)
(a) Aluminium alloy hull with facilities	16,070	80,350
(b) Electronic equipment on board	4,130	20,650
(c) Spare parts	500	2,500
(d) Contingency [about 10% of items (a) to (c)]	2,100	10,500
Total	22,800	114,000

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10. On paragraph 9(a) above, the estimated expenditure of \$80,350,000 is for the design and construction of the aluminium alloy hull with all the fixtures therein such as engines, anchor, rudder, fendering, etc.

11. On paragraph 9(b) above, the estimated expenditure of \$20,650,000 is for the electronic navigational aids and communications systems on board such as a solid state radar, satellite navigation, fibre-optic gyro, thermal night vision, etc.

12. On paragraph 9(c) above, the estimated expenditure of \$2,500,000 is for spare parts required to keep the proposed HSIs in a good state of operational preparedness.

13. On paragraph 9(d) above, the estimate of \$10,500,000 represents about 10% of the contingency on the items 9(a) to (c).

14. The estimated cash flow requirement is as follows –

Year	\$ '000
2013 – 14	11,400
2014 – 15	28,500
2015 – 16	68,400
2016 – 17	5,700
Total	114,000

Recurrent Expenditure

15. The estimated annual recurrent expenditure of the five new HSIs will be \$20,087,000 from 2017-18 onwards. This will be partially offset by the annual savings of \$10,965,000 from the recurrent cost of the five decommissioned HSIs. The additional recurrent cost of \$9,122,000 is due to the higher annual maintenance and repair cost of the more powerful engines and other more advanced equipment/machinery of the new HSIs, which will contribute to the higher speed and other advanced functions of the new craft as mentioned in paragraph 6 above. No additional staff cost will be incurred.

16. Maintenance of the new HSIs will commence from April 2017 after expiry of the one-year warranty period. The requirements of recurrent expenditure will be reflected in the Estimates of the relevant years, with the breakdown as follows –

/2016-17

	2016-17 \$'000	2017-18 onwards \$'000
(a) Maintenance cost (vessels)	15	15,078
(i) Maintenance cost	-	15,000
(ii) Ship's store	15	15
(iii) Docking services	-	63
(b) Maintenance cost (vessel communications systems)	-	2,948
(c) Fuel cost	2,061	2,061
Sub-total:	2,076	20,087
<i>Less</i>		
(d) Maintenance cost of existing vessels	-	(8,730)
(e) Maintenance cost of existing vessel communications systems	-	(362)
(f) Fuel cost of existing vessels	(1,873)	(1,873)
Sub-total:	(1,873)	(10,965)
Total:	203	9,122

17. On paragraph 16(a) above, the estimated annual expenditure of \$15,078,000 is for the maintenance and repair cost for the hull, mechanical parts and consumables on board of the new HSIs.

18. On paragraph 16(b) above, the estimated annual expenditure of \$2,948,000 is for maintenance of the navigation and communications systems of new HSIs.

19. On paragraph 16(c) above, the estimated annual expenditure of \$2,061,000 is for the fuel cost of new HSIs.

IMPLEMENTATION PLAN

20. Subject to the approval of the Finance Committee, HKPF plans to implement the replacement project according to the following schedule –

Activity	Target completion date
(a) Preparation of tender documents	December 2013
(b) Tendering, evaluation and award of contract	August 2014

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Activity	Target completion date
(c) Construction	February 2016
(d) Inspection and delivery	March 2016
(e) Training and commissioning	April 2016

PUBLIC CONSULTATION

21. We consulted the Legislative Council Panel on Security on 1 March 2013. Members supported the proposal.

BACKGROUND

22. Hong Kong is one of the busiest ports in the world with over 190 000 vessel arrivals reported in 2012. In the same year, a total container throughput of 23.117 million twenty-foot equivalent units was recorded, making Hong Kong the world's third largest container port. Maritime trade is therefore vitally important for maintaining the economic well-being and competitiveness of Hong Kong, and keeping local waters free from the threat of terrorism and crime should be accorded priority.

23. In 2012, the Marine Police detected a total of 40 sea smuggling cases, arrested 39 persons and seized goods with a total value of \$65,849,631.

24. The existing Marine Police fleet comprises a total of 121 vessels, ranging from a 40-metre training launch to small 5-metre rigid-inflatable craft, broken down as follows –

- 1 Training Launch
- 12 Divisional Patrol Launches
- 17 Medium Patrol Launches
- 16 Inshore Patrol Craft
- 12 Divisional Fast Patrol Craft
- 8 Fast Pursuit Craft
- 5 High Speed Interceptors
- 4 Barge Operating Platforms
- 46 Miscellaneous craft (tenders and specialist craft for shallow water etc.)