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**Public Accounts Committee  
Public Hearing on the Director of Audit's Report No. 69**

**Chapter 2: Procurement and maintenance of government vessels**

**Opening Remarks by the Secretary for Transport and Housing**

Mr Chairman,

I would like to thank the Audit Commission (“AC”) for looking into the procurement and maintenance of government vessels by the Marine Department (“MD”) in a comprehensive manner, and providing valuable comments to us. We are also grateful to the Public Accounts Committee (“PAC”) for offering this opportunity for me and relevant colleagues to explain further on related matters. We have accepted the various recommendations made by the AC in the Director of Audit’s Report (“the Report”), and are leading MD’s efforts in implementing the relevant measures. I would like to give an account on MD’s reform efforts, in particular on the recommendations put forward in the Report to improve the process in procuring government vessels.

2. In May 2013, the Government established the Steering Committee on Systemic Reform of the Marine Department (the Steering Committee). The Committee was chaired by the Secretary for Transport and Housing, who personally steered and monitored MD in conducting the review and reform. Since then, MD has, under the leadership and guidance of the Steering Committee, implemented reform measures in a progressive manner in different sections in the department. The

Steering Committee published its Final Report (“the Final Report”) in April 2016. The Final Report recommended MD to replicate the good practices introduced in certain divisions in other divisions of MD, notably the Government Fleet Division (“GFD”), which took up over 40% of the manpower and resources of MD, with a view to improving its operations and procedures. In the light of this recommendation, MD has been stepping up its efforts in reforming the GFD since 2016.

3. The Transport and Housing Bureau (“THB”) has all along been providing support at the policy level to MD. THB conducts regular meetings with the management of the department to learn about and monitor the progress of various work duties, with a view to ensuring they are aligned with the relevant targets and policy directions. As and when necessary, THB would provide additional resources to support MD’s reform work. In fact, under the steer of THB, MD has since 2013 implemented a series of reform measures to improve the progress and efficiency of the various work duties of GFD. On this point, I am glad to learn of the acknowledgment by the AC in the Report of the various reform measures taken forward by MD and their effectiveness. As pointed out in the Report, the various reform measures would be continued and supported.

4. The Report has pointed out the relatively slow progress of MD’s vessel procurement work between 2010 and 2013, leading to a backlog of vessel procurement projects and ageing of the government fleet. This was mainly due to a shortage of staff with experience and expertise in procurement at MD. In order to relieve the manpower shortage in the Government New Construction Section (“GNCS”) under GFD, THB has had provided additional funding totalling \$35 million

over a span of three financial years between 2014-15 and 2016-17 to MD for it to outsource the management work of some shipbuilding projects to external consultants on the condition that the work shall be subject to the supervision of MD staff. This was intended to be a relief measure in the short-term for MD to expedite the progress and workflow in vessel procurement.

5. In addition, with the support of THB, MD has successfully obtained resources to create three time-limited Surveyor of Ships (SoS) posts between 2014-15 and 2016-17, and an additional time-limited Senior SoS post in 2017-18. Two Supplies Officer grade officers with rich procurement experience have also been seconded to MD to strengthen the manpower of GNCS, with a view to further expediting the vessel procurement work.

6. The reform measures implemented by MD since 2013 have started to bear fruit. For example, from January 2016 to November 2017, MD has had conducted 11 tender exercises involving a total of 52 government vessels for six departments. Meanwhile, other vessel procurement projects with funding approved have also progressively commenced.

7. With regard to medium- to long-term measures, MD is committed to solve its manpower shortage problem in the long run. The Standing Commission on Civil Service Salaries and Conditions of Service has completed a grade structure review (“GSR”) of the two professional grades (i.e. the Marine Officer and SoS grades) of MD, with a report being submitted to the Chief Executive on 31 October 2017. The Civil Service Bureau (“CSB”) is now studying the GSR report and

will submit the relevant proposals to the Legislative Council Panel on Public Service on the 18<sup>th</sup> of this month for discussion. We would be working closely with CSB to facilitate the swift implementation of the recommendations made in the report, with a view to resolving fundamentally the manpower shortage problem of the two professional grades of MD and ensuring MD would be adequately-staffed to continue with its reform measures.

8. I would like to thank the Director of Audit and his colleagues for the professional and independent value-for-money audit. MD has agreed to the contents of the Report and accepted the recommendations therein. THB will continue to provide appropriate guidance and steer to MD at the policy level, as well as monitor closely the implementation progress and status of various measures, with a view to ensuring the effective and full implementation of relevant recommendations so as to further strengthen the overall management and operation of the government fleet.

9. Mr Chairman, I hope that my brief account just now could give Members of the PAC a broad understanding of the work conducted by THB and MD for the purpose of improving the services of the government fleet. I will leave it to the Director of Marine to provide Members with more details and particulars involving the daily operations of MD and technicalities in procurement. Thank you.