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Our Ref : GD/C/A/74  
Your Ref : CB(3)/PAC/R46

6 June, 2006

Ms Miranda Hon,  
Clerk  
Public Accounts Committee  
The Legislative Council

Dear *Miranda,*

**The Director of Audit's Report on the  
results of value for money audits (Report No. 46)**

**Chapter 4: Management of the government fleet**

I refer to your letter under reference seeking MD's timetable for implementing the various recommendations set out in the captioned Audit Report.

I have tabulated the recommendations from paragraphs 2.8 to 6.12 providing a brief of the Recommendation, the Actions to be taken and the Time Schedule. These are attached in English and Chinese for your further action. Soft copies have also been sent.

Please contact the undersigned for any further information.

Yours sincerely,

( Roger Tupper )  
Director of Marine

cc Director of Audit (Fax: 2583 9063)  
CAS(PMLDU), EDLB (Fax: 2523 0290)

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### Action Plan to Report No. 46 of the Director of Audit

Report Reference	Recommendations	Actions to be Taken/Taken	Time Schedule
2.8	<p>Audit <i>recommends</i> that the Director of Marine should:</p> <p>(a) critically consider adopting the revised manning scale in the MD's fleet operation; and</p> <p>(b) draw up an implementation plan, taking into account the MD's manpower position, for applying the revised manning scale.</p>	<ul style="list-style-type: none"> <li>➤ The recommendation involves reducing the present crew of one Senior Launch Master (SLM) or Launch Master (LM) and two Launch Assistants (LAs) per vessel to either two SLMs or LMs per vessel. Test trials have been conducted and proved this proposal to be viable both from the operational and safety standpoint.</li> <li>➤ The implementation of the proposal will reduce head count by 33%. However, to achieve this, MD needs to create additional SLM/LM posts to offset Launch Assistants (LAs) in the establishment. No additional resource is needed and there will be some savings.</li> <li>➤ A plan is being drawn up to implement the recommendation while giving due consideration to the need to rationalize the reserve pool as a priority under D of A recommendation 2.19 and outsourcing demands from users, both which may affect the implementation progress.</li> <li>➤ Two MD launches will be outsourced in 2006/07 and 2007/08 respectively. In the meantime, MD will prepare a detailed proposal to commence the rationalization of crew in 2007/08.</li> <li>➤</li> </ul>	<p>The rationalization plan is expected to start in 2007/08 and be completed in eight years having due regard to the Government policy to deal with surplus staff through redeployment and/or natural wastage.</p>

2.19	<p>Audit <i>recommends</i> that the Director of Marine should:</p> <p>(a) critically review his manpower resources in the reserve pool to make sure that it is not over-staffed and that the crew staff in the pool are always gainfully employed;</p> <p>(b) if it is found that there are surplus crew staff in the reserve pool, draw up an action plan to deal with the surplus staff; and</p> <p>(c) in consultation with the relevant government departments/organizations, critically review the optimum manning arrangement for MD crewed vessels, particularly those listed in paragraphs 2.14 and 2.17.</p>	<p>To resolve this issue:</p> <ul style="list-style-type: none"> <li>➤ MD has stepped up communication with user departments to better ascertain users' demands well in advance of the changes to the deployment of vessels.</li> <li>➤ A rolling five-year plan has been drawn up and reviewed annually to ensure the balance of manpower in the reserve pool.</li> <li>➤ This will be achieved before crew rationalization commences.</li> <li>➤ The surplus situation will improve when a promotion exercise is carried out in June this year.</li> </ul>	Complete in 2007/08.
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2.25	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <ul style="list-style-type: none"> <li>(a) closely monitor the utilization of MD crewed fleet;</li> <li>(b) take prompt action to deal with vessels with low utilization rates. Such action may include, for example, reviewing the justifications for retaining all five "Standby/Spare" operation vessels mentioned in paragraph 2.23(a) and promoting the wider use of "Tin Hau" within the Government (see para. 2.23(b)); and</li> <li>(c) take appropriate action to gainfully employ those crew staff for vessels with low utilization to perform other duties, especially when their vessels are idle (e.g. the two explosive carriers of the CEDD).</li> </ul>	<ul style="list-style-type: none"> <li>➤ End users of vessels have the responsibility to manage and deploy vessels under their control. The cooperation of the users is necessary to improve the utilization of the vessels.</li> <li>➤ The followings actions are taken by MD to help users in improving the utilization of their vessels: <ul style="list-style-type: none"> <li>■ Records generated by the Government Fleet Operation Management Information System (GFOMIS) about the location of each vessel every minute during its operation are sent to the users on a monthly basis to enhance their management capability;</li> <li>■ Users are met regularly to discuss their plans on the utilization of their vessels and, if necessary, to make adjustments to our outsourcing plan to suit the operation need of the client departments.</li> <li>■ The launch MD112 will be transferred to AFCD and will reduce one standby launch.</li> <li>■ Issue a circular to all departments and bureaus promulgating the usefulness of "Tin Hau".</li> </ul> </li> </ul>	Immediate and ongoing
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3.11	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <p>(a) require maintenance workshop supervisors to prepare monthly summaries, in similar manner as the four "hull and deck" workshops;</p> <p>(b) include supervisors' estimates of manhours required for individual work assignments in the monthly summaries;</p> <p>(c) conduct regular cost comparisons to evaluate the cost-effectiveness of in-house maintenance work and assess the potential for further outsourcing; and</p> <p>(d) keep the staffing position of the workshops under review, assess if there are still surplus staff and take appropriate actions to redeploy them to work areas where they will be gainfully employed.</p>	<p>➤ Government Fleet Information System* (GFIS) will be modified to include the recording of work assignments for all workshops in GFD. Supervisors will be required to record their estimates of manhours required for individual work and the actual manhours spent in completing it in GFIS. (*GFIS is a computer system that records maintenance and authenticates the procedures of maintenance work, procurement and issue of spare parts for maintenance.)</p> <p>➤ A project team has been set up to carry out cost comparisons of in-house maintenance work with that of the private sector. Plans will be made when the outsourcing is found to be a better option.</p> <p>➤ The staffing position of the workshops is reviewed annually. When an insufficiency of staff is observed in one area re-training of staff from surplus areas is considered. A current example is the retraining of five artisans in carpentry workshops to provide staff for crane and fork-lift operations.</p>	<p>End of 2006</p> <p>End of 2006</p> <p>Immediate and ongoing</p>
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4.6	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <p>(a) for various types of maintenance work, ascertain if term contracts are the more cost-effective means of outsourcing vis-à-vis one-off contracts;</p> <p>(b) ascertain the reasons leading to the limited use of term contracts in the MD; and</p> <p>(c) explore how the MD can make better use of term contracts for its vessel maintenance work, including drawing up a plan for using more term contracts.</p>	<p>➤ A project team has been set up to:</p> <ul style="list-style-type: none"> <li>■ investigate the use of term contracts on various types of maintenance work;</li> <li>■ find out the reasons leading to the limited use of term contracts; and</li> <li>■ recommend plans to enhance the use of term contracts for vessels maintenance.</li> </ul>	End of 2006
4.11	<p>Audit has <i>recommended</i> that the Director of Marine should critically review the desirability of continuing the existing arrangement of providing workshops free of charge to selected contractors, taking into account that this may result in unfair competition, and explore alternative options to the provision of workshops free of charge.</p>	<p>➤ MD has conducted a review on the current system used in allocating workshops to approved contractors. Views gathered from contractors indicated that the majority of them are willing to pay a reasonable rent for the use of the workshops.</p> <p>➤ MD will liaise with Government Property Agency (GPA) to set a lease rate of workshops at GD and explore the ways of charging rental fees for workshops from interested approved contractors.</p>	End of 2006

4.19	<p>Audit has <i>recommended</i> that the Director of Marine should provide clearer directions, by revising the MD's guidelines, to:</p> <ul style="list-style-type: none"> <li>(a) help his inspecting staff determine the actions to be taken based upon the seriousness of the offences committed; and</li> <li>(b) elaborate on the circumstances where demerit points can be allotted to the contractors without prior verbal warning.</li> </ul>	<p>The recommended enhancements in the audit report to the Quality Performance Procedure Manual (QOP) on verbal warnings will help the inspecting staff to determine the seriousness of the offences and decide on the most appropriate actions. These recommendations will be incorporated into the QOP Manual which will be re-issued.</p>	End of 2006
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5.11	Audit has <i>recommended</i> that the Director of Marine should conduct a stock review to ascertain the reasons for the increased stock level and take appropriate measures to improve the stock position.	<ul style="list-style-type: none"> <li>➤ The number of stock items in store is directly related to the number of vessels maintained by MD. MD has a total number of 666 vessels in 2002 and 713 in 2005. The number of vessels has increased by 7% within these years</li> <li>➤ At the time of the audit due to a programming error in the Computer System, there was a gradual increase in total stock items between 2002 and 2005 in computer reports. It was later found out that written-off items from retired vessels were also counted in the computer reports.</li> <li>➤ This programming error has been corrected after the audit. The correct total number of stock items in 2002 and 2005 is 19154 and 19256 respectively showing an actual reduction of about 7% in stock items since 2002 despite the growth in the same percentage of vessels maintained by MD.</li> </ul>	Completed
5.17	<p>Audit has <i>recommended</i> that the Director of Marine should:</p> <p>(a) revise the stock valuation method by recording all spare parts that are procured with new vessels (Note 21) in the MD's inventory records; and</p> <p>(b) make appropriate adjustments in the MD's inventory records for those spare parts recorded at zero value.</p>	<ul style="list-style-type: none"> <li>➤ MD will continue to evaluate means to reduce the level of stock without impairing the maintenance efficiency.</li> <li>➤ All stocks procured with new vessels will be recorded in GFIS at the purchase price.</li> <li>➤ MD will adjust all inventory records currently recorded as zero value to the price at the time of delivery.</li> </ul>	<p>Immediate and ongoing</p> <p>Immediate and ongoing</p> <p>End of 2006</p>

**Note 21:** Audit notes that the unit prices for such spare parts are readily available in the delivery notes. If not available, the MD can consider tracing their unit prices to tender documents or contacting the shipbuilders direct to ascertain the prices.



6.5	<p>Audit has <i>recommended</i> that the Director of Marine should critically review the reasons for the extra downtime, with particular reference to downtime due to "waiting for spare parts" and "crew staff for sea trial not available", and take appropriate measures to reduce the downtime. Such measures include, for example, better stock management and making pre-arrangements for conducting sea trial on public holidays.</p>	<p>Waiting time for spare parts:</p> <ul style="list-style-type: none"> <li>➤ A statistical report is already produced every month to monitor and analyze the reasons leading to the requirement of extra downtime during maintenance.</li> <li>➤ The percentage of extra downtime due to a long wait for spare parts is kept to below 25% of the total downtime of the vessels under maintenance.</li> <li>➤ Spare parts that are used frequently will be kept in stock.</li> <li>➤ Any significant increase in downtime due to this reason will be investigated with a view to resolving the problem identified.</li> </ul> <p>Crew staff for sea trial not available:</p> <ul style="list-style-type: none"> <li>➤ MD has no problem in finding crew staff to man its own vessels for sea trial even on public holidays and will liaise with other user departments to make similar arrangements.</li> </ul>	Immediate and ongoing
6.12	<p>Audit has <i>recommended</i> that the Director of Marine should consider reporting additional key performance measures in the COR to reflect the extent to which the MD has met its programme aim of providing cost-effective marine transport services to government departments.</p>	<p>MD will meet the recommendations given in the audit report and increase the number of key performance indicators as suggested in the auditors report.</p>	End of 2006