

LEGISLATIVE COUNCIL BRIEF

MERCHANT SHIPPING (LOCAL VESSELS) (AMOUNT OF INSURANCE COVER) NOTICE

INTRODUCTION

A This paper briefs Members on the Merchant Shipping (Local Vessels) (Amount of Insurance Cover) Notice (“the Amount of Insurance Cover Notice”) at **Annex A**, made under the Merchant Shipping (Local Vessels) (Compulsory Third Party Risks Insurance) Regulation (“Compulsory Third Party Risks Insurance Regulation”) for specifying the amount of insurance cover for different types, classes or descriptions of local vessels. The Amount of Insurance Cover Notice will be tabled at Legislative Council on 25 October 2006.

BACKGROUND

2. The port of Hong Kong is served by vessels operating within Hong Kong waters for various purposes, including the carrying of passengers and cargoes. We refer to them as local vessels to distinguish them from ocean-going vessels engaged in international voyages.

3. Local vessels have been governed by requirements set out in various ordinances and their subsidiary legislation. This was not user-friendly to owners and operators of local vessels as they often need to refer to different pieces of law.

4. The Merchant Shipping (Local Vessels) Ordinance, Cap. 548 (“LVO”), enacted in July 1999, seeks to consolidate the provisions

previously set out in different ordinances into one piece of legislation dedicated for local vessels. The implementation of LVO entails the introduction of 11 pieces of subsidiary legislation. The Legislative Council passed five of them in 2001 and 2004 already. The names of the passed subsidiary legislation are at **Annex B**. On 11 October 2006, the Government tabled four Regulations at the Legislative Council for the general regulation of local vessels, the survey and inspection of vessels, the control of works and the insurance that is required under the LVO. The names of the four Regulations are at **Annex C**, one of which is the Compulsory Third Party Risks Insurance Regulation.

5. The Director of Marine is empowered under section 21 of the above-mentioned Compulsory Third Party Risks Insurance Regulation to specify the amount of insurance for different classes, types or descriptions of local vessels and for different circumstances, and to publish them by notice in the Gazette.

THE NOTICE

6. The Amount of Insurance Cover Notice will specify the amount of insurance cover for different vessels in two phases to ensure smooth operation. For phase one, i.e. the first 6 months from the commencement of the Notice, the amount of insurance cover for the vessels concerned, including pleasure boats, launches and ferry vessels will be the same as those currently prescribed under the existing Merchant Shipping (Compulsory Third Party Risks Insurance) Regulations, Cap.281K. The amount of insurance cover will be adjusted upon the beginning of the second phase, i.e. 6 months after the commencement of the Notice. In addition, the mandatory insurance requirement under the Compulsory Third Party Risks Insurance Regulation will be extended to all local vessels. The existing Merchant Shipping (Compulsory Third Party Risks Insurance) Regulations (Cap.281K) will be repealed upon the commencement of the Amount of Insurance Cover Notice.

7. The amounts of insurance cover for major types of local vessels under the two phases are summarized as follows –

Types of Local Vessels		Minimum liability cover for the first 6 months from the commencement of the Notice <i>(i.e. the first phase)</i>	Minimum liability cover after 6 months from the commencement of the Notice <i>(i.e. the second phase)</i>
Ferry vessel, launch, tug and multi-purposes vessel	more than 12 passengers	\$3 million	\$5 million
	12 or not more than 12 passengers		\$1 million
Auxiliary powered yacht, cruiser and open cruiser	more than 12 passengers and let for hire or reward	\$600,000	\$5 million
	12 or not more than 12 passengers; or not let for hire or reward		\$1 million
Primitive vessel (Kaito)		Not applicable	\$1 million
Crane barge, dry cargo vessel, work boat, landing pontoon, fishing vessel, outboard open sampan etc.		Not applicable	\$1 million

LEGISLATIVE TIMETABLE

8. The legislative timetable for the Amount of Insurance Cover Notice is -

Publication in the Gazette	20 October 2006
Tabling at the Legislative Council	25 October 2006
Commencement	To be notified

IMPLICATIONS OF THE PROPOSAL

9. The proposals are in conformity with the basic law, including the provisions concerning human rights. It will not affect the binding effect of the LVO. It has no additional financial implication and does not have staff implications for the Government. The Marine Department will enforce the Amount of Insurance Cover Notice using their existing staff and resources.

PUBLIC CONSULTATION

10. We have consulted the Provisional Local Vessel Advisory Committee, which comprises a wide cross-section of representatives from the local shipping industry, and secured their support. We have briefed the Panel on Economic Services of the Legislative Council on the contents of the Amount of Insurance Cover Notice and obtained Members' support in 2003.

PUBLICITY

11. A press release will be issued on 18 October 2006.

ENQUIRY

12. Any enquiry on this brief can be addressed to Mr Y N CHAN, Senior Marine Officer (Tel: 2852 4382).

Marine Department

18 October 2006

**MERCHANT SHIPPING (LOCAL VESSELS)
(AMOUNT OF INSURANCE
COVER) NOTICE**

(Made by the Director of Marine under section 21 of the Merchant Shipping (Local Vessels) (Compulsory Third Party Risks Insurance) Regulation (L.N. of 2006))

1. Commencement

This Notice shall come into operation on the day appointed for the commencement of section 9 (except in so far as it relates to the new section 23B(1)(c)) of the Merchant Shipping (Local Vessels and Miscellaneous Amendments) Ordinance 2005 (24 of 2005).

2. Amount of insurance cover for first 6 months

The following amounts are specified for the purposes of section 23D(3)(c) of the Ordinance for the period of 6 months beginning on the commencement of this Notice –

- (a) \$3,000,000 in the case of a policy of insurance in respect of –
 - (i) a local vessel which was, immediately before the commencement of section 23D of the Ordinance, a ferry vessel or launch as defined in section 107B(3) of the Merchant Shipping Ordinance (Cap. 281) in force immediately before that commencement; or
 - (ii) a local vessel which is certificated under the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548 sub. leg. D) for –
 - (A) Class I: ferry vessel, launch or multi-purposes vessel; or

- (B) Class II: transportation boat or tug; and
- (b) \$600,000 in the case of a policy of insurance in respect of –
 - (i) a local vessel which was, immediately before the commencement of section 23D of the Ordinance, a pleasure vessel as defined in section 107B(3) of the Merchant Shipping Ordinance (Cap. 281) in force immediately before that commencement; or
 - (ii) a local vessel which is certificated under the Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548 sub. leg. D) for Class IV.

3. Amount of insurance cover from seventh month onwards

The following amounts are specified for the purposes of section 23D(3)(c) of the Ordinance with effect from the expiration of 6 months beginning on the commencement of this Notice –

- (a) \$5,000,000 in the case of a policy of insurance in respect of a certificated local vessel which is permitted to carry more than 12 passengers under the conditions of its operating licence, other than –
 - (i) a Class I primitive vessel; and
 - (ii) a Class IV vessel not let for hire or reward; and
- (b) \$1,000,000 in the case of a policy of insurance in respect of –
 - (i) a certificated local vessel which is permitted to carry 12 or less than 12 passengers under the conditions of its operating licence;
 - (ii) a Class I primitive vessel; or
 - (iii) a Class IV vessel not let for hire or reward.

Director of Marine

2006

Explanatory Note

This Notice specifies the minimum amount of insurance cover for different classes, types or descriptions of local vessels for the purposes of section 23D(3)(c) of the Merchant Shipping (Local Vessels) Ordinance (Cap. 548). Section 23D(3)(c) of the Ordinance provides that the policy of insurance in relation to the use of a local vessel is not required to cover any liability in respect of any one accident or series of accidents arising out of the same event exceeding such amount as specified by the Director of Marine.

**Subsidiary Legislation passed by Legislative Council
under the Merchant Shipping (Local Vessels)
Ordinance, Cap. 548**

1. Merchant Shipping (Local Vessels) (Dwelling Vessels) Regulation (Cap. 548A)
2. Merchant Shipping (Local Vessels) (Ferry Terminals) Regulation (Cap. 548B)
3. Merchant Shipping (Local Vessels) (Conduct of Inquiries) Regulation (Cap. 548C)
4. Merchant Shipping (Local Vessels) (Certification and Licensing) Regulation (Cap. 548D)
5. Merchant Shipping (Local Vessels) (Typhoon Shelters) Regulation (Cap. 548E)

**Subsidiary Legislation
under the Merchant Shipping (Local Vessels)
Ordinance, Cap. 548 that were tabled at the
Legislative Council on 11 October 2006**

1. Merchant Shipping (Local Vessels) (General) Regulation
2. Merchant Shipping (Local Vessels) (Safety and Survey) Regulation
3. Merchant Shipping (Local Vessels) (Compulsory Third Party Risks Insurance) Regulation
4. Merchant Shipping (Local Vessels) (Works) Regulation