

For discussion
on 3 January 2012

Legislative Council Panel on Security

Replacement of one High Speed Pursuit Craft of the Customs and Excise Department

PURPOSE

This paper sets out the proposal by the Customs and Excise Department (“C&ED”) to replace one High Speed Pursuit Craft (“HSPC”), and seeks comments from the Panel.

BACKGROUND

2. The existing Customs fleet comprises a total of 19 vessels, including five Sector Patrol Launches, four HSPCs, two Shallow Water Launches and eight Inflatable Crafts. HSPCs are specifically deployed for pursuit and interception of speed boats and mechanised sampans suspected to be engaging in smuggling activities, including those smuggling speed boats commonly known as “Tai Fei”.

3. In order to evade detection from law enforcement officers, smugglers deliver goods to remote coastal areas or secluded waters near the maritime boundary between Hong Kong and the Mainland before they load such goods onto “Tai Fei” and leave Hong Kong waters in high speed. According to analysis by C&ED on smuggling activities, smugglers usually make use of “Tai Fei” to smuggle high-valued goods (such as computers, electronic products, mobile phones and high-priced seafood) to the Mainland, and dutiable commodities (such as duty-not-paid cigarettes and petrol) to Hong Kong for lucrative profit.

4. From January to November 2011, C&ED and the Police detected a total of 66 sea smuggling cases, in which 114 persons were arrested and goods with a total value of \$92.76 million were seized. To effectively combat smuggling activities involving high-speed vessels, C&ED needs to make instant identification of suspicious vessels and conduct swift interception before those vessels berth or leave Hong Kong waters. Hence, it is necessary for C&ED to be equipped with HSPCs with advanced capabilities to deter and suppress highly diversified sea smuggling activities.

JUSTIFICATIONS FOR THE PROPOSED REPLACEMENT OF HSPC

5. The HSPC proposed to be replaced was commissioned in 2003 and has been in service for over 8 years. It was grounded during an anti-smuggling operation in October 2010.

6. Marine Department (“MD”) has conducted a thorough inspection of the HSPC and has confirmed that its hull and propulsion system had sustained severe damage (see **Annex I**) and a major overhaul with replacement of relevant parts is required. The recovery cost is estimated at about \$2.9 million, but the restored HSPC would not be able to attain its original performance and durability, including the original maximum speed of 49 knots, thereby significantly undermining the enforcement capability of C&ED in using that HSPC against sea-smuggling activities. In addition, the normal serviceable lifespan of the HSPC is about 15 years and having deducted 8 years’ prior service, MD advises upon careful examination that it would not be cost-effective to repair the HSPC and proposes a replacement. To ensure that C&ED is sufficiently equipped for the enforcement against smuggling duties, there is an imminent need to replace the HSPC.

PROPOSED REPLACEMENT HSPC

7. The proposed replacement HSPC will be 15 metres long and will be equipped with a higher navigating speed and more advanced functions in order to meet with operational requirements and to enhance overall anti-smuggling enforcement efficiency and capabilities of C&ED. The strengths of the functionalities of the new HSPC are summarised as follows:

- (a) The speed of the proposed new HSPC will reach 55 knots, which is higher than the 49 knots of the existing HSPC. According to the operational experience of C&ED in recent years, smugglers often use boats with a speed of up to 50 knots in smuggling activities. C&ED often encounters difficulties in pursuing and intercepting those speed boats. The new HSPC will help C&ED intercept fast-moving target vessels more effectively;
- (b) The hull of the new HSPC will be made of aluminium alloy, which is stronger and more stable than existing fibre hull. Benefited from the higher rigidity of aluminium alloy as compared with fibre and the latest design and shipbuilding technology, the new HSPC will be more resistant to impact. In strengthening high-speed navigation safety, the stronger hull will also reduce possible damage to the hull in case of collision between the HSPC and smuggling speed boats during anti-smuggling interception and provide better protection to C&ED officers on board. Further, whereas the fibre hull is made of a combination of different materials such as wood, synthetic fibre, resin, etc., the aluminium alloy hull is made of a homogeneous metal, which results in easier maintenance and repair; and
- (c) The proposed new HSPC will be equipped with a more advanced and effective radar system which will greatly enhance the detection capability of fast-moving targets while maintaining navigation safety.

FINANCIAL IMPLICATIONS

8. We estimate that replacement of one HSPC will incur a total non-recurrent cost of \$17.05 million over a period of two years from 2012-13 to 2013-14. A detailed breakdown is set out at **Annex II**.

9. In addition, we estimate that the recurrent cost for the replacement of HSPC will be \$2.93 million a year. This includes the maintenance and repair cost for the new HSPC (for the hull, mechanical parts, electric equipment, berth and consumables on board of the HSPC), as well as fuel cost. C&ED will

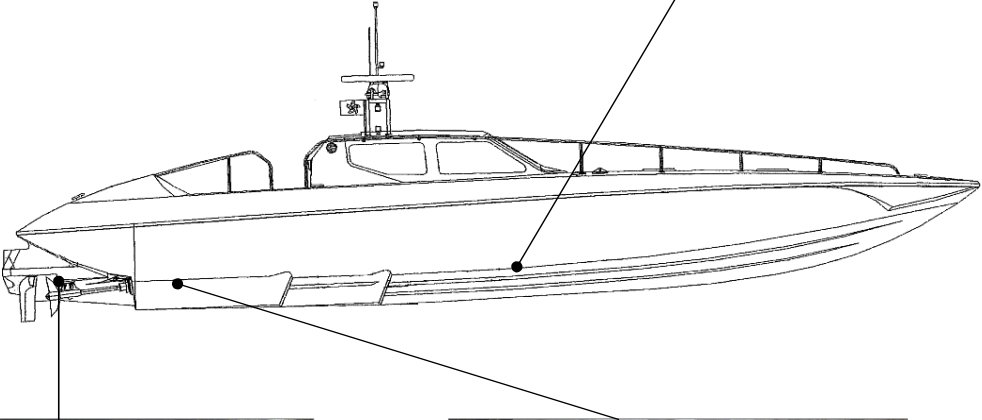
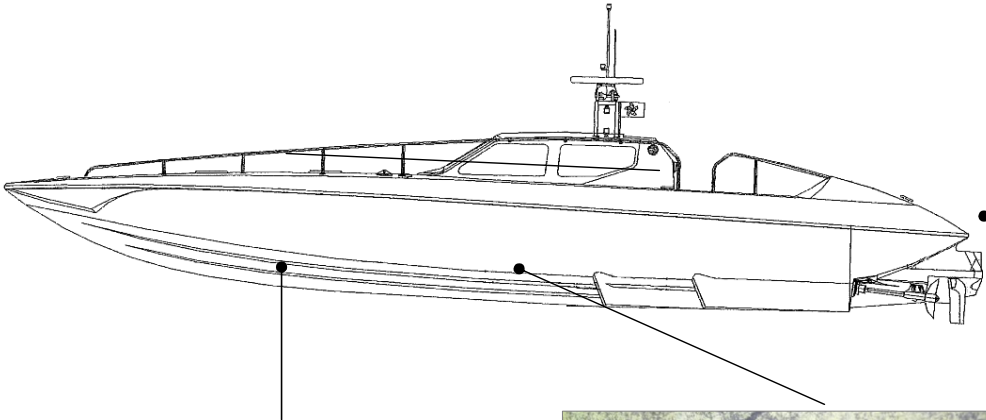
absorb the additional recurrent cost from within its existing resources. The replacement proposal will not incur any additional staff cost.

ADVICE SOUGHT

10. Subject to Members' views on the proposal, we plan to seek funding approval from the Finance Committee of the Legislative Council during the period from April to May 2012. Subject to the funding approval from the Finance Committee, we will commence the replacement project in accordance with the schedule set out at **Annex III**.

Security Bureau
Customs and Excise Department
December 2011

Damages of the High Speed Pursuit Craft



**Replacement of one High Speed Pursuit Craft
of the Customs and Excise Department**

Estimated Non-recurrent Cost and Cash Flow Requirement

I. Estimated Non-recurrent Cost

<u>Item</u>	<u>HKD</u> <u>(\$ million)</u>
(a) High Speed Pursuit Craft with equipment on board	15.5
(i) Aluminium alloy hull with facilities (such as anchor, rudder and mooring facilities, etc.)	5.425
(ii) Machinery on board (such as main engine, transmission system and steering system)	7.75
(iii) Electronic equipment on board (including satellite navigation equipment, nautical chart navigation system and radar system)	0.775
(vi) Delivery and insurance cost	1.45
(v) Payment to the Electrical and Mechanical Services Trading Fund for project management services	0.1
(b) Contingency (10% of item (a))	1.55
Total:	17.05

II. Estimated Cash Flow Requirements

<u>Financial Year</u>	<u>HKD</u> <u>(\$ million)</u>
2012 – 2013	1.715
2013 – 2014	15.335
Total:	17.05

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Tentative Implementation Schedule

<u>Activity</u>	<u>Target Schedule</u>
(a) Preparation of tender specifications	January to May 2012
(b) Invitation of tender	June to August 2012
(c) Tender evaluation and award of contract	September 2012 to January 2013
(d) Construction of craft	February to December 2013
(e) Inspection and delivery of craft	January 2014