

PROVISION OF LOCAL SERVICES BY THE MARINE DEPARTMENT

Executive Summary

1. The Marine Department (MD) operates five programmes: Infrastructure, Port Services, Local Services, Services to Ships, and Government Fleet. Under the Local Services Programme, the MD is responsible, among other things, for managing public cargo working areas (PCWAs); managing typhoon shelters; managing private moorings; providing licensing services; enforcing the Merchant Shipping (Local Vessels) Ordinance (Cap. 548); and under the Services to Ships Programme, conducting marine accident investigations that occurred within Hong Kong waters. As at March 2012, the MD had about 310 staff delivering these local services. The Audit Commission (Audit) has recently conducted a review of the MD's provision of local services and marine accident investigations.

Management of public cargo working areas

2. PCWAs are designated waterfront areas provided by the Government as common user facilities for loading and unloading of cargoes between barges and goods vehicles. At present, there are six PCWAs providing 129 berths. In 2011-12, the MD collected berthing fees of \$62 million, representing 50% of MD's total revenue from the operation of PCWAs. Since 1998, the MD has allocated PCWA berths through tenders. The system is generally business-friendly. However, Audit identified a number of issues that could be improved to enhance the overall performance, compliance with permit/licence conditions, safety, and operational efficiency.

3. *Re-tendering of vacant berths.* The Government is committed to devising an open, fair and economically viable system for the allocation of PCWA berths. From time to time, the MD conducted re-tendering exercises to dispose of vacant berths. Audit examination has revealed that the MD needs to explore ways of enhancing the transparency in re-tendering vacant berths. Audit has also noted an incident where a successful bidder was able to relinquish his berth obtained at a high

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bid price (after learning other successful bid prices at the end of a tendering exercise) and through a related company re-tender for the same relinquished berth at a lower bid price. The re-tendering was held after the Financial Services and the Treasury Bureau had reminded the MD to review the tender terms to minimise such risk. The MD needs to review the tender terms to prevent this from recurring.

4. *Automated vehicle entry/exit control system.* All six PCWAs provide waiting and parking areas for loading and unloading of cargoes. A vehicle driver using a PCWA for loading or unloading of cargo, waiting or parking is required to pay a vehicle entry ticket fee. This service generated a fee of \$49 million, representing 40% of the MD's total revenue from the operation of PCWAs in 2011-12. In 2000 and 2001, the MD installed automated vehicle entry/exit control systems at four PCWAs in order to save staff cost and improve operational efficiency. However, Audit has found that the management of the vehicle entry/exit control system needs improvement. The automated systems of two PCWAs in the New Territories had been out of service since June 2009 and September 2011 respectively. Moreover, two PCWAs on Hong Kong Island (which had been operating at a total deficit of \$8.38 million in 2010-11) were not equipped with automated systems. Installing and properly maintaining automated systems at all PCWAs could improve the control, cost-effectiveness, and the financial performance of the PCWAs.

5. Audit has also noted a few enforcement issues that may have safety implications. These include the mooring of vessels that exceeded the permitted berth width and the stacking of containers that posed potential hazard.

Surveying and licensing of vessels

6. The law requires that all local vessels (except those specifically exempted) must go through a survey to ensure compliance with the statutory safety and environmental protection requirements. The survey work may be carried out by the MD or a competent surveyor authorised by the MD for low-risk vessels before a licence is issued. In 2011-12, the MD collected licence fees of \$36.8 million and survey and plan examination fees of \$16.8 million.

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7. *Provision of plan examination and survey services.* The MD issued about 2,700 Certificates of Survey in 2011. While the number of vessels surveyed by authorised surveyors has increased from 627 in 2007 to 1,552 in 2011, the MD still faced challenges in performing its dual role as a survey service provider and a regulator. For example, in 2010-11 and 2011-12, the MD could not fully meet the pledged time targets in approving the plans for new building and modification of local vessels. From 2009 to 2011, the MD's quality checks on authorised surveyors' work also fell short of the laid-down requirement. Audit noted that low-risk vessels constituted a substantial part of the MD's survey work. There appears to be scope for the MD to leave more low-risk survey work to authorised surveyors so that it can focus more on its regulatory functions.

8. *Vessels without valid licences.* Under the law, a vessel owner who fails to license his vessel commits an offence. The MD conducts harbour patrols and will take prosecution action against owners of vessels found without valid licences. As at May 2012, 15,672 local vessels had valid licences while the licences of 14,517 other local vessels had expired. Besides, some owners' addresses have not been kept up-to-date. Of the expired licence cases, 3,310 vessels (23%) were also overdue for surveying. These vessels might pose a safety threat if still in use in Hong Kong waters. Besides harbour patrolling, the MD can also make use of its records to monitor some vessels which may be operating without valid licences. However, there were instances that the MD had not taken prompt follow-up action on such vessels.

Management of private moorings

9. According to the law, no person shall lay a private mooring anywhere in Hong Kong waters except in the place specified in the permission granted by the Director of Marine. In 2011-12, the MD derived revenue of \$16.1 million from letting out private mooring spaces. Audit found that there were cases that mooring owners had cancelled the licences of their designated vessels. However, the MD had not taken action to require the owners to remove their moorings and vacate the spaces for the MD's re-allocation to applicants on the waiting lists. There is also a need to publicise more proactively vacant mooring spaces. In areas where there are waiting lists for mooring spaces, there is a risk of subletting by taking advantage of the provision in the Shipping and Port Control Regulations (Cap. 313A) that a mooring can be used by a non-designated vessel if there is consent from the mooring owner. The guidelines and administrative measure for regulating mutual personal transfer of private moorings need to be reviewed.

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Marine accident investigations

10. The purpose of the MD's marine accident investigations is to determine the circumstances and the causes of the accidents with the aim to improve safety of life at sea and to avoid similar accidents from happening in the future. It is not intended to apportion blame or liabilities towards any individual or organisation. Accidents are categorised according to their seriousness and investigations are then conducted to ascertain the causes and the added measures required to improve the safety at sea and prevent recurrence. Audit noted cases of long delays in completing the investigations due to heavy workload of the investigation officers, case complexity and the time required for response from parties concerned during the investigation process. The actual times taken for completing 85% of the 34 accident investigation reports during January 2008 to May 2012 ranged from 33 to 164 weeks (averaging 69 weeks). On 1 October 2012, a Very Serious vessel collision incident occurred near Lamma Island resulting in a number of fatalities and injuries. According to the MD, it will endeavour to complete its investigation as early as possible.

Audit recommendations

11. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Marine should:**

Management of PCWAs

- (a) **review the tender terms with a view to minimising the risk of an operator surrendering his berth obtained at a high bid price and re-tendering for the surrendered berth at a lower bid price;**
- (b) **expedite action to replace the unserviceable vehicle entry/exit control systems for the two PCWAs in the New Territories;**
- (c) **consider installing suitable automated vehicle entry/exit control systems for the two PCWAs on Hong Kong Island;**

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Surveying and licensing of vessels

- (d) **conduct a review of the MD's survey work arrangements and requirements with a view to enhancing efficiency and effectiveness in performing its dual role as a survey service provider and a regulator;**
- (e) **take more targeted measures to tackle those expired licence cases where the vessels concerned are also overdue for surveying;**
- (f) **put in place monitoring procedures to ensure that any information on vessels which may be operating without valid Certificates of Survey and operating licences is promptly and effectively followed up;**

Management of private moorings

- (g) **require owners concerned to remove private moorings not in use and vacate the spaces for the MD's re-allocation to applicants on the waiting lists;**
- (h) **conduct investigations to ascertain the extent of the problem of subletting private moorings and seek legal advice on the possible enforcement actions that can be taken against subletting cases so identified; and**

Marine accident investigations

- (i) **as early as possible, complete the MD's investigations of the Very Serious accidents so as to draw lessons for improving the safety at sea and to prevent recurrence.**

Response from the Administration

12. The Administration agrees with the audit recommendations.