

PILOTAGE ADVISORY COMMITTEE

Proposed Pilotage Dues for Mirs Bay Pilotage Services

Purpose

The purpose of this paper is to seek members' comments on the proposed pilotage dues for Mirs Bay pilotage services.

Background

2. The waters of Hong Kong shall be a pilotage area (section 10B of the Pilotage Ordinance, Cap. 84). This is no exception to the waters of Mirs Bay within Hong Kong boundary.

3. In order to facilitate the provision of pilotage services in Mirs Bay, the Pilotage Advisory Committee (PAC) endorsed the establishment of three pilot boarding stations (PBS) in the Mirs Bay in the meeting held on 29 June 2016, as set out in PAC Paper 6/2016¹. The locations of the proposed PBSs are indicated in *Annex I*.

Mediation

4. The Marine Department (MD) has performed the mediator role since April 2017 with a view to materialising consensus between the Hong Kong Liner Shipping Association (HKLSA) and the Hong Kong Pilots Association (HKPA) over the level of additional pilotage dues for Mirs Bay pilotage services.

5. Despite the fact that four meetings² were held to discuss proposals offered by the HKPA and the views expressed by the HKLSA over the calculation of additional pilotage dues, no consensus was reached. In order to facilitate the provision of pilotage services in Mirs Bay, MD presented a consolidated proposed pilotage dues proposal at *Annex II* and circulated it to HKPA and HKLSA on 13 November 2017.

¹ http://www.mardep.gov.hk/en/aboutus/pdf/pacp6_16.pdf

² The meetings were held on 22 May 2017, 18 July 2017, 1 September 2017 and 16 October 2017.

Proposed Pilotage Dues

6. The mediation meetings concluded that both HKLSA and HKPA had no objection to the standard pilotage dues which would account for HK\$10,668 for a vessel of 95,497 gross tonnage (GT).

7. However, there was big debate between HKLSA and HKPA on the calculation of additional pilotage dues. As the mediator, MD viewed that the introduction of additional pilotage dues under the Pilotage (Dues) Order, Cap. 84D is to cater for specific type of pilotage services including long distance pilotage jobs, i.e. to board a ship or disembark from a ship at remote locations such as Tolo Harbour (吐露港), off and beyond Ngan Chau (銀洲), Pearl Island (龍珠島) or Black Point (爛角咀). Since Mirs Bay water is connected with Tolo Channel (赤門海峽), it is therefore sensible to derive the Mirs Bay additional pilotage dues by mirroring the dues charged for Tolo Harbour pilot station.

8. Tolo Channel is of about 7 nautical miles (n.m.) and that the additional pilotage dues for Tolo Harbour pilot station is HK\$4,200. Given Shek Ngau Chau (SNC) (石牛洲) is also a remote location, the additional due for a pilot to board a ship or to disembark from a ship at this station should be charged at the same rate as the Tolo Harbour pilot station (i.e. HK\$4,200).

9. The distance between SNC and the Crooked Island (CI) (吉澳) is about 7 n.m. which is similar to the distance of Tolo Channel. As such, the additional due for a pilot to board a ship or to disembark from a ship at CI pilot station should therefore be HK\$4,200.

10. The distance between SNC and Ping Chau (PC) (平洲) is about 4 n.m. On a pro rata base in comparison with the distance of Tolo Channel, the additional due for a pilot to board a ship or to disembark from a ship at PC pilot station should therefore be of HK\$2,400 [i.e. HK\$4,200 x (4/7) n.m.].

11. As provided by HKPA, tug will be needed for the boarding and disembarkation of pilots in the exposed water of Mirs Bay, for which the cost is HK\$15,900. This cost should be equally shared on the two pilot stations involved in the pilotage voyage in Mirs Bay.

12. Summarising paragraphs 7 to 11 above, MD proposes that the additional pilotage dues should be charged in accordance with the following table:

Item	HK\$
Additional pilotage dues for Shek Ngau Chau (SNC) pilot station, i.e. \$4,200 + \$7,950 (50% of tug cost)	\$12,150
Additional pilotage dues for Crooked Island (CI) pilot station, i.e. \$4,200 + \$7,950 (50% of tug cost)	\$12,150
Additional pilotage dues for Ping Chau (PC) pilot station, i.e. \$2,400 + \$7,950 (50% of tug cost)	\$10,350

13. Given the remoteness of Mirs Bay, a lengthy period of time is required for deployment of pilots. As such, HKPA proposes the following two items for consideration:

- (i) A pilotage due of HK\$4,700 shall be payable if the engagement of a pilot is cancelled within 3 hours before the last stated time of a requirement for pilotage services in Mirs Bay; and
- (ii) An additional pilotage due of HK\$300 shall be payable if the requirement of pilotage services in Mirs Bay is altered within 4 to 5 hours of the last stated time of requirement.

14. As tugs are not primarily designed for the boarding and disembarkation of pilots, they are not a cost effective meaning for this purpose. Therefore, the HKPA should explore the feasibility and practicability of employing purpose-built pilot launches for safe boarding and disembarkation of pilots in Mirs Bay. It is thus proposed that the associated tug cost should be reviewed not more than two years after provisioning of pilotage service in Mirs Bay be commissioned.

Advice sought

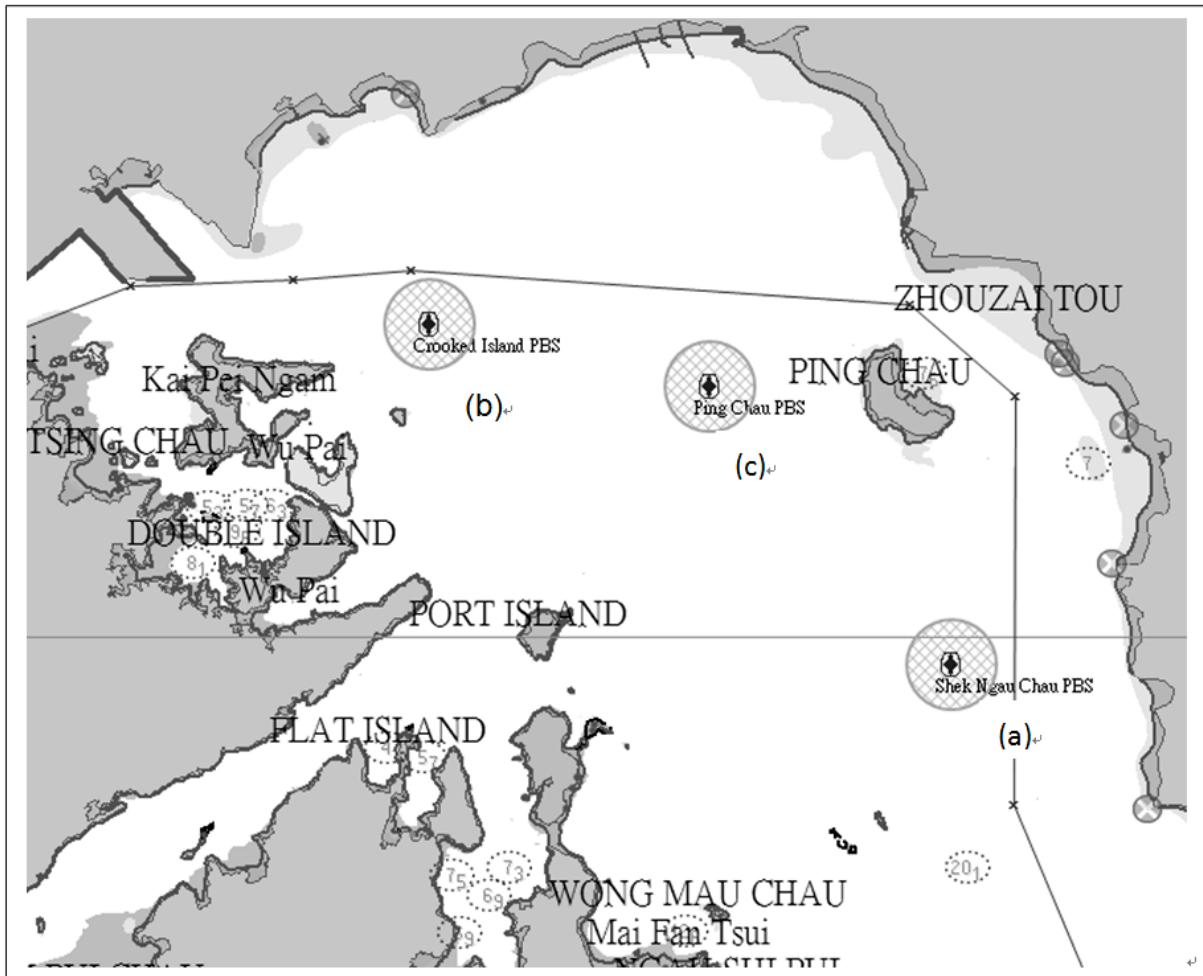
15. Members are invited to comment on the proposed pilotage dues as indicated from paragraphs 7 to 14 above for pilotage services in the Mirs Bay.

Implementation

16. After consultation with the PAC, MD would commence the administrative process for legislative amendment to amend Schedule 2 to the Pilotage Ordinance, Cap. 84 and the Schedule to the Pilotage (Dues) Order, Cap. 84D. It is anticipated that the legislative process could be completed in the first half of 2018.

Marine Department
December 2017

Chart showing location of Pilot Boarding Stations



	Description	Location (Datum : WGS84)	
		Latitude	Longitude
a.	Area off Shek Ngau Chau	22° 29.700' north	114° 26.540' east
b.	Area off Crooked Island	22° 33.500' north	114° 20.200' east
c.	Area off Ping Chau	22° 32.800' north	114° 23.600' east

**MD's Consolidated Proposal for the Pilotage Dues
for Mirs Bay Pilotage Services**

Background

The Marine Department (MD) has performed the mediator role since April 2017 for the purpose of finding a consensus between the Hong Kong Liner Shipping Association (HKLSA) and the Hong Kong Pilots Association (HKPA) over the pilotage dues for Mirs Bay pilotage services. Despite several meetings held to discuss two proposals offered by the HKPA and the views expressed by the HKLSA over the calculation of additional pilotage dues, both sides could not reach a conclusion. Given the consideration of the opinions raised by HKLSA and HKPA and the existing pilotage dues structure stipulated by the Pilotage (Dues) Order (Cap. 84D), MD hereby provides a consolidated proposal for the calculation of pilotage dues for Mirs Bay pilotage services.

Existing pilotage dues structure under Cap. 84D

2. The existing pilotage dues structure stipulated by Cap. 84D comprises 3 components which are: (a) standard pilotage dues; (b) additional pilotage dues; and (c) dues payable for cancellation or alternation.
3. Under Part 1 of the Schedule to Cap. 84D, standard pilotage dues include a pilotage due of HK\$4,700 plus a fee calculated on the basis of a vessel's gross tonnage (GT). For a vessel of 95,497 GT, the total standard pilotage dues is HK\$10,668 (i.e. HK\$4,700 + HK\$5,968). Both HKLSA and HKPA have no objection to this part.
4. There is also no argument between HKLSA and HKPA with regard to the dues payable for cancellation or alternation.
5. With regard to the calculation of additional pilotage dues, however, HKLSA and HKPA hold different opinions without compromise.

Additional pilotage dues calculation¹ methods proposed by HKPA with views from MD and HKLSA

6. HKPA presented a proposal on 22 May 2017 suggesting a surcharge (i.e. additional due) of HK\$34,167 which was derived from hourly rate calculation to cover the total number of hours engaged by a pilot's travelling time from HKPA's base at Central to a ship and the actual pilotage time in Mirs Bay; plus the cost of tug service used to facilitate safe boarding of pilots. The hourly rate suggested by HKPA was HK\$3,996.

MD's view: *hourly rate is not the general parameter used to calculate additional pilotage dues under Cap. 84D, except for the calculation of any pilotage service performed where a pilot is required to proceed outwards beyond a pilot boarding area, from the time the ship passes a pilot boarding area outwards until the ship passes a pilot boarding area inwards. Furthermore, the charge for a pilot's travelling time from HKPA's base at Central to a ship would be double-charged as the standard pilotage dues have included all costs incurred by a pilot in travelling to and from a ship. In order to maintain the consistence of pilotage dues structure, MD does not support this proposal.*

HKLSA's view: *HKLSA also queried HKPA's justification on counting a pilot's travelling time into the proposed additional due using Central as their base.*

7. Months later, HKPA presented an alternative proposal by introducing a risk factor of adding 50% surcharge to a revised additional due, plus the tug cost thus giving a total additional pilotage dues of HK\$41,538.

MD's view : *MD does not support this proposal as HKPA fails to provide any genuine facts to support the claimed risk factor. A 50% risk factor would imply that there would be one incident out of 2 pilotage jobs which is not realistic at all.*

HKLSA's view : *HKLSA shares the view of MD.*

¹ The calculation is based on a vessel of 95,497 GT.

Additional pilotage dues reckoned by HKLSA with views from MD and HKPA

8. In the meeting held on 16 October 2017, HKLSA provided their views as below:

- Tug was not the efficient means for pilot transportation and suggested HKPA to find another better way for pilot transportation in Mirs Bay;
- HKPA should have their own pilot boats for transportation in Mirs Bay; and
- HKLSA suggested that additional pilotage dues for Mirs Bay should be HK\$2,314².

HKPA's view: the deployment and the use of tug for Mirs Bay pilotage service (embark and disembark) is necessary for safety reason owing to the general rough sea condition in that area. While HKPA would consider having their own tugs in long run, they have no other choice but have to hire tugs for providing services at this stage and that the tug cost per pilotage deployment of HK\$15,900 is the lowest market offer.

MD's view: the use of tugs for pilotage services is quite a common practice in Mainland China and Japan and taking further account of the general rough sea condition of Mirs Bay, MD supports the use of tugs for safety reason. For long term development, MD considers that HKPA should consider owning their tugs and that HKPA should also review their operational mode in order to identify more cost effective way of pilotage in Mirs Bay upon accumulating enough field experience. With regard to the suggested additional pilotage dues of HK\$2,314, MD considers that the calculation is too simplified without counting on the extra charges of pilot stations at remote locations and tug cost.

² HK\$2,314 is calculated by taking the mean value of the cost-hour required to berth Kwai Chung terminal (HK\$2,000 for 1.5 hours) and Ma Wan transit (HK\$6,100 for 2 hours), i.e. HK\$8,100 / 3.5 hours.

MD's consolidated proposal for additional pilotage dues

9. The introduction of additional pilotage dues under Cap. 84D is to cater for specific type of pilotage services including long distance pilotage jobs, i.e. to board a ship or disembark from a ship at remote locations such as Tolo Harbour, off and beyond Ngan Chau, Pearl Island or Black Point. Since Mirs Bay water is connected with Tolo Channel, it is therefore sensible to derive the Mirs Bay additional pilotage dues by mirroring the dues charged for Tolo Harbour pilot station.

10. Tolo Channel is of about 7 nautical miles (n.m.) and that the additional pilotage dues for Tolo Harbour pilot station is HK\$4,200. Given Shek Ngau Chau (SNC) is also a remote location, the additional due for a pilot to board a ship or to disembark from a ship at this station should be charged at the same rate as the Tolo Harbour pilot station (i.e. HK\$4,200).

11. The voyage distance between SNC and the Crooked Island (CI) is about 7 n.m. which is similar to the pilotage distance at Tolo Channel. As such, the additional due for a pilot to board a ship or to disembark from a ship at CI pilot station should therefore be of HK\$4,200.

12. The voyage distance between SNC and Ping Chau (PC) is about 4 n.m. Given a pro rata calculation in comparison with the distance between SNC and CI, the additional due for a pilot to board a ship or to disembark from a ship at PC pilot station should therefore be of HK\$2,400 (i.e. HK\$4,200 x (4/7)n.m.).

13. The tug cost is HK\$15,900 which should be equally shared between any two pilot stations for a pilotage voyage in Mirs Bay.

14. The following table provides a summary of paragraphs 10-13 with regard to the additional pilotage dues for the respective pilot stations.

Item	HK\$
Additional pilotage dues for Shek Ngau Chau (SNC) pilot station, i.e. \$4,200 + \$7,950 (50% of tug cost)	\$12,150
Additional pilotage dues for Crooked Island (CI) pilot station, i.e. \$4,200 + \$7,950 (50% of tug cost)	\$12,150
Additional pilotage dues for Ping Chau (PC) pilot station, i.e. \$2,400 + \$7,950 (50% of tug cost)	\$10,350

15. An *Annex* attached to this paper provides pilotage dues comparison tables showing the proposals from HKPA, suggestion from HKLSA and MD's consolidated proposal for a typical pilotage service for a vessel of 95,497 GT.

Annex

Pilotage dues for each leg (voyage) between SNC and CI (for a vessel of 95,497 GT):

<u>Items</u>	<u>HKPA's proposal (hourly rate)</u>	<u>HKPA's proposal (risk factor)</u>	<u>HKLSA's consideration</u>	<u>MD's consolidated proposal</u>
<u>Standard Pilotage Dues</u>				
1. \$10,668 (i.e. \$4,700 + 5,968)	\$10,668	\$10,668	\$10,668	\$10,668
<u>Additional Pilotage Dues</u>				
2. Additional due for SNC ³	\$19,927	-----	-----	\$12,150
3. Additional due for CI ⁴	\$14,233	-----	-----	\$12,150
4. Additional due (HKPA) ⁵	-----	\$17,092	-----	-----
5. Risk cost (50% of item 4 cost)	-----	\$8,546	-----	-----
6. Tug cost	-----	\$15,900	-----	-----
7. Additional due (HKLSA) ⁶	-----	-----	\$2,314	-----
TOTAL:	\$44,828	\$52,206	\$12,982	\$34,968

Pilotage dues for each leg (voyage) between SNC and PC (for a vessel of 95,497 GT):

<u>Items</u>	<u>HKPA's proposal (hourly rate)</u>	<u>HKPA's proposal (risk factor)</u>	<u>HKLSA's consideration</u>	<u>MD's consolidated proposal</u>
<u>Standard Pilotage Dues</u>				
1. \$10,668 (i.e. \$4,700 + 5,968)	\$10,668	\$10,668	\$10,668	\$10,668
<u>Additional Pilotage Dues</u>				
2. Additional due for SNC ³	\$19,927	-----	-----	\$12,150
3. Additional due for PC ⁴	\$14,233	-----	-----	\$10,350
4. Additional due (HKPA) ⁵	-----	\$17,092	-----	-----
5. Risk cost (50% of item 4 cost)	-----	\$8,546	-----	-----
6. Tug cost	-----	\$15,900	-----	-----
7. Additional due (HKLSA) ⁶	-----	-----	\$2,314	-----
TOTAL:	\$44,828	\$52,206	\$12,982	\$33,168

³ Tug cost absorbed.

⁴ Tug cost absorbed.

⁵ For risk factor calculation only: a total pilotage time of 4.67 hours at \$3,660 hourly rate.

⁶ See Footnote 2.