SPECIALIST

MARITIME

CONSULTANCY

SERVICES

Marine Survey Office:

Value for Money Review

Final Report

April 2012

FISHER ASSOCIATES

Marine Survey Office:

Value for Money Review

Final Report

April 2012

Prepared by Fisher Associates

on behalf of

Department of Transport, Tourism and Sport, Ireland

Document Control	
Details	**Date**
Draft Report	13th March 2012
Final Report	3rd April 2012

FISHER

Contents

FISHER

FISHER

Glossary

Acronym	Meaning
COLREG	International Regulations for Preventing Collisions at Sea
DTTAS	Department of Transport, Tourism and Sport
EC	European Commission
EMSA	European Maritime Safety Agency
EU	European Union
FAL	Convention on Facilitation of International Maritime Traffic
FTE	Full Time Equivalent
GT	Gross Tonnage
IAU	Internal Audit Unit
ICRO	Irish Committee of Recognised Organisations
ICT	Information and Communications Technology
IHO	International Hydrographic Organisation
ILO	International Labour Organisation
IMO	International Maritime Organisation
IRCG	Irish Coast Guard
ISD	Information Services Division (within DTTAS)
ISM Code	International Safety Management Code
ISO	International Standards Organisation
ISPS	International Ship and Port Facility Security Code
ITU	International Telecommunications Union
KPI	Key Performance Indicator
MARPOL	International Convention for the Prevention of Pollution from Ships
MIS	Management Information System
MMO	Mercantile Marine Office
MSA	Maritime Safety Administration
MSO	Marine Survey Office
MSPD	Maritime Safety Policy Division
MSD	Maritime Safety Directorate
Paris MoU	Paris Memorandum of Understanding on Port State Control
PSC	Port State Control
RO	Recognised Organisation
RoPax	Combined Ro-Ro / Passenger Ship

FISHER

RSO	Recognised Security Organisation
SOLAS	International Convention for the Safety of Life at Sea
STCW	International Convention on Standards of Training, Certification and Watchkeeping for Seafarers
STCW-F	International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel
SUR6	Application for Survey or Inspection by the Marine Survey Office
UKMCA	United Kingdom Maritime and Coastguard Agency
VFM	Value for Money
VTMIS	Vessel Traffic Management Information System

FISHER

1   Introduction

The Department of Transport, Tourism and Sport (DTTAS) required a review of the Marine Survey Office (MSO) to:

- Examine work practices that are a barrier to efficient service delivery.

- Assess the scope for alternative service models, which can deliver public services more efficiently.

- Make appropriate recommendations.

It therefore appointed Fisher Associates to undertake a value for money (VFM) review of MSO. VFM is about obtaining the maximum benefit with the resources available. VFM is high when costs are relatively low (good Economy), productivity is high (good Efficiency) and successful outcomes have been achieved (good Effectiveness). Value for money centres around these "3Es", and the following shows how these relate to the terms of reference.

3 Es	TOR
Economy "Can cost be reduced for the same output?"	(i) Examine the existing provision of services by the MSO and review the cost (and efficiency) of such service provision;
Efficiency "Can greater output be achieved for the same cost?"	(iii) Examine the scope for enhanced efficiencies in the delivery of the services, including enhanced use of ICT; (iv) Examine the scope for alternative means of delivering the services or elements of the service, such as outsourcing or other options etc. (vii) Examine the possible enhancement of revenue generation and retention by the MSO;
Effectiveness "Are policy goals and objectives met?"	(ii) Examine and report on the range of functions performed by the MSO, identifying any gaps in the current service provision etc. (v) Examine whether any potential development opportunities for the Irish maritime sector would rely on the further development of MSO services. (vi) Examine future additional service obligations which will arise from International legal obligations, EU Regulations or Directives and national requirements; (viii) Examine how the MSO can contribute to the development of maritime transport, fishing, tourism and employment;

The methodology centres upon "review and challenge" in terms of:

- Identifying what the service does.

- Reviewing the cost of providing this.

- Finding out what key stakeholders think about the quality of the service.

- Analysing the opportunities for improving VFM.

- Providing recommendations.

FISHER

Our approach to this work was based on several pillars:

- Discussions with MSO.

- Review of information collected.

- Consultation with key stakeholders.

- Application of our own experience.

We gratefully acknowledge the participation of all staff and stakeholders who have contributed to this review.

FISHER

2   Description of service

2.1   Regulatory basis

2.1.1   General powers

The MSO came into being approximately 130 years ago. In January 2006 it was transferred from the Department of Marine and Natural Resources to the Department of Transport. It is part of the executive arm of Government, and therefore has general powers that can be exercised through the legal framework of Government. Together with IRCG, Maritime Transport Division and Maritime Safety Policy Division, it constitutes the Government run part of the Irish Maritime Safety Administration (MSA).

The MSO has prime responsibility for fulfilling Ireland's responsibilities for Flag State Implementation, Marine Safety Inspection, including Port State Control, and Port and Ship Security in respect of EU Directives and International Maritime Organisation (IMO) Conventions, and is recognised as the competent authority by EMSA and IMO.

2.1.2   National legislation

The rights and obligations in the exercise of these general powers are contained in national legislation in the form of primary and secondary legislation. Ireland has a comprehensive set of primary Merchant Shipping Acts, both Acts of Parliament and Acts of the Oireachtas, from 1894 to 2010 and other maritime safety legislation that substantially meets the requirements of Ireland's international obligations. Relevant Acts also confer powers on individual Officers of the MSO who are warranted in order to exercise these powers.

2.1.3   International conventions

Flag State Implementation, Marine Safety Inspection and Port and Ship Security regulation are all undertaken on the basis of legal powers, including powers of enforcement. The requirement to undertake these activities stems from International Conventions (principally those of the IMO but also of the International Labour Organisation, International Hydrographic Organisation and International Telecommunications Union), and EU Legislation and Directives.

International Conventions and EU Legislation must be transposed into Irish national legislation to give them effect. EU Legislation includes 66 Acts relating to maritime safety, which are transposed through Statutory Instruments under the general powers of the European Communities Act 1972. Ireland is signatory to 33 IMO Conventions and primary and secondary legislation is required to make these applicable and enforceable in Ireland. Maritime safety matters not covered by Conventions or EU Legislation are the subject of purely domestic legislation.

2.1.4   Audit obligations and responsibilities

The MSO is subject to audit by national, European and international organisations, both to confirm compliance with International Conventions and EU Legislation, and to assess the effectiveness of this compliance. National audits are to ensure proper systems and procedures are used by the MSO in the conduct of its activities.

FISHER

The bodies undertaking these audits are the:

- Internal Audit Unit (IAU)

- International Maritime Organisation (IMO)

- European Maritime Safety Agency (EMSA)

- European Commission (EC)

In addition the MSO will be subject to external audit in respect of its Quality Management System. The audits undertaken by EMSA and IMO are stringent Technical Audits. IMO audit reports are sent to the Department and identify any corrective action required by the Department. The IMO audit process and reports provide valuable feedback to the Department and the MSO. EMSA audit reports, however, are sent to the European Commission in the first instance and then are forwarded to the Department. Any compliance shortcomings are therefore alerted to the European Commission who can consider legal action on the basis of these reports.

The MSO has audit responsibilities in its own right. It audits the work of the Panel of Fishing Vessel Surveyors and the activities of the Recognised Organisations that conduct surveys of Irish flagged vessels, and also undertakes maritime security audits.

2.2 Summary of service

2.2.1 Overview

It is the purpose and policy of the Marine Survey Office (MSO) of the Department of Transport, Tourism and Sport to administer and regulate maritime transport, recreational craft and commercial fishing vessels both at sea and inland in relation to the following:

- Safety

- Security

- Ship sourced pollution prevention

- Living and Working Conditions onboard vessels

- Accessibility

… with respect to:

- Irish Ships

- Irish Seafarers including fishers and recreational craft users

- Irish Ports (security, waste and bulk terminals)

- Foreign Ships in Irish Ports

The MSO delivers five main functions:

- Flag State Implementation, with responsibilities for Irish-flag commercial vessels whether engaged in international or domestic trade, inspection and survey of Irish-owned and Irish-flagged fishing vessels and domestic passenger vessels.

- Marine Safety Inspection, including Port State Control in line with IMO and EU Directives.

FISHER

- Enforcing Ship and Port Security in line with the ISPS Code and EU Directives.

- Seafarer certification.

- Operating SafeSeasIreland.

Among its other activities it also promotes safety awareness for the community, producing for example a Code of Safety for marine leisure users.

The activities of the MSO are governed by 50 primary acts of legislation based around the 1894 Merchant Shipping Act and international conventions. There will be an increasing burden on the MSO with forthcoming international conventions and further EU Directives. This will require improved efficiencies within MSO to accommodate these extra duties.

2.2.2 Flag State implementation

Ireland administers a fleet mainly composed of passenger, cargo, fishing and recreational vessels. There are a total of 140 merchant ships of over 100GT, with a combined tonnage of 185,000 GT. The Irish flag fleet consists of 37 convention ships including chemical tankers and general cargo ships. The Administration registers and/or regulates over 2000 fishing vessels, over 100 domestic passenger ships, 800 passenger boats as well as thousands of recreational craft.

There is provision in EU and Irish law for the delegation of Flag State Control Inspections to Classification Societies, which are termed Recognised Organisations. In addition, the inspection of non-convention vessels such as small fishing vessels is delegated to a Panel of private Surveyors.

Irish-flag vessels over 500GT engaged in international trade, SOLAS and MARPOL compliance inspection and certification is delegated to Recognised Organisations (ROs). This includes delegation of approval for Safety Management Systems (as defined in the ISM Code).

Flag State and new building surveys do not necessarily take place within the State - not all Irish-flag vessels trade into the country - and this means that Surveyors may be absent from their respective offices visiting vessels abroad. This is particularly the case for one of the major Irish ship-owners who builds vessels in the Far East.

The inspection and survey of fishing vessels is partly delegated to the ROs (for vessels >24m) and to a Panel of private Surveyors (for vessels <15m). The MSO has responsibility for the inspection and surveys fishing vessels between 15m and 24m.

There are a large number of domestic passenger vessels in Ireland, notably on the south and west coasts, and the inspection and survey of these vessels are carried out by MSO Surveyors, principally from the Cork and Ballyshannon regional offices. Irish legislation defines these vessels as *"passenger ships"* when certified to carry more than 12 passengers and *"passenger boats"* when certified to carry not more than 12 passengers. These vessels require annual and biennial inspections.

2.2.3 Marine safety and environmental inspection

In respect of Port State Control, Ireland is a member of the Paris Memorandum of Understanding for Port State Control (the Paris MoU). The Paris MoU sets standards and targets for Port State Control inspections based on the performance record of the various national flags of vessels visiting member ports. In addition the Irish Port State Control system is subject to EU Directive 2009/16/EC. These together prescribe standards of performance and inspections which are audited by EMSA on review

FISHER

visits. Approximately 20 - 24 Surveyors are regularly engaged in these inspections in order to maintain their skills, with 3 - 4 Surveyors actively undertaking inspections at any one time.

Inspections are also undertaken in respect of port waste reception facilities under the provisions of EU Directive 2000/59/EC.

Many of the MSO activities are dictated by EU Directives, including the EU Directive on Ferry Inspections, which requires regular inspections on ro-ro / passenger ferries operating into and from the State and recreational craft under the Recreational Craft Directive. In addition there is the regulation of Marine Fuels in respect of sulphur content, and the inspection of fishing vessels over 15 metres, and passenger ships.

2.2.4   Radio surveys

The MSO incorporates the former Marine Radio Affairs Unit, which was amalgamated with the MSO in 2000. Radio surveys form an important part of MSO's activities. The effectiveness of this activity was highlighted during the consultation process.

2.2.5   Port and ship security

The MSO is responsible for the enforcement of the IMO International Ship and Port Facility Security Code and a significant number EU Regulations and Directives, in particular Directive 2005/65/EC. The MSO delegates the work entailed in respect of Ship Security Plans to Recognised Security Organisations (RSOs), usually the same as ROs. Port Security Plans are subject to the approval of the MSO, although Recognised Security Organisations for ports prepare the Port Security Assessment.

2.2.6   Certification of seafarers

The MSO examines and issues Certificates of Competency to approximately 1,200 seafarers. Ireland fulfils the obligations for STCW 1978, as amended and as required by Directive 2008/106/EC, with the exception of having to put in place a certified quality standards system. The forthcoming "Manila amendments" to STCW will place additional demands on the work of the MSO, as do the certification requirements defined by STCW-F for Fishing Vessel Personnel, and the oversight of the certification regime for recreational craft users.

2.2.7   SafeSeasIreland

Ireland is required under the terms of the EU Directive 2002/59/EC to have a vessel reporting system. The MSO set up a web based system, SafeSeasIreland, establishing a national vessel traffic monitoring and information system. It initially instituted a vessel arrival reporting system, and has been progressively expanded to cover Hazardous Substances reporting, ISPS reporting, Port State Control, Waste Reception reporting and FAL (Facilitation) reporting.

FISHER

2.2.8 Enforcement

The effectiveness of the enforcement system depends on the resources that can be provided for prosecutions by the Chief State Solicitor's Office, and the adequacy of legislation.

Resources for enforcement are in short supply. Enforcement is a valuable tool in promoting maritime safety in that successful prosecutions have a significant deterrent effect and encourages others to comply with safety regulations. The MSO considers that it is not provided with sufficient prosecution resources to address breaches in safety regulations.

The lack of legal powers to enforce the IMO Conventions has created major difficulties for the MSO, which is required by international law to enforce regulations for which the Oireachtas has not given it the right to do so. This has led to litigation that the MSO is acting *ultra vires*. There are currently three cases before the Supreme Court for decision on this issue. The financial cost is a cost to the State. The management time required by this is a cost to the MSO. There is a requirement for primary legislation to ensure that the MSO can properly enforce Ireland's obligations.

2.2 Management structure overview

2.3.1 Structure

The MSO has offices in Dublin (HQ), Cork and Ballyshannon staffed by various Surveyors, plus administrative support. The management structure is as follows:

- The MSO is headed by the Chief Surveyor who reports to the Assistant Secretary, Maritime Safety Directorate. Upward reporting is through the Secretary General of the Department to the Minister.

- The Deputy Chief Surveyor and the Radio Surveyors report to the Chief Surveyor.

- The offices at Cork and Ballyshannon are both led by a Surveyor in Charge, who report to the Deputy Chief Surveyor, as do the other Engineer & Ship Surveyors, Ship Surveyors, and Nautical Surveyors in Dublin.

Dublin is both the major port and centre of Government, and is the location of central resources for MSO. Cork requires an MSO presence because it is the second largest port, and also because of the number of fishing and passenger vessels in the South West of Ireland. The MSO office in Ballyshannon was established in recent years due to the proximity to Killybegs, the largest fishing port in Ireland. Port State Control inspections in the Shannon are undertaken primarily by Surveyors from the Ballyshannon Office.

MSO is a regulatory organisation whose operational activities are required to comply with national, EU and IMO requirements. Its strategy and planning requires it to anticipate regulatory developments. Its effective delivery requires a significant level of technical competence and knowledge. In principle there should be a single identity for all the technical services provided by MSO, and the administration of these should also be fully integrated.

Radio Surveyors reporting to the Chief Surveyor is a legacy from the amalgamation of the former Marine Radio Affairs Unit. This represents an anomaly, as all other Dublin based Surveyors report to the Deputy Chief Surveyor. The Radio Surveyors are an integral part of the maritime safety establishment, and we recommend that they should in future report to the Deputy Chief Surveyor.

FISHER

2.3.2 Governance

MSO is a constituent part of DTTAS, which has a Management Board comprised of the Secretary General and five Assistant Secretaries from within the Department. The Management Board has responsibility for the management of resources applied both to the service provision of the Department, and the regulatory and compliance responsibilities of the Department. The Board allocates resources within DTTAS in the light of the budget allocation from the Ministry of Finance. The Management Board must therefore determine the priority for expenditure. The budget allocation process is to some extent separate from (rather than driven by) the Strategy and Business Planning process, and does not necessarily reflect the needs identified in Divisional business plans.

2.3.3 Strategy

The priorities and goals of the MSO are generated on a top-down basis. The strategic direction, high level goals and work programmes that the Department wishes to undertake are defined through a process of consultation and included in a Departmental Statement of Strategy. A Divisional Statement of Strategy produced annually by the MSO and amended if necessary in the light of Departmental strategy informs this high level strategy. The Divisional Statement of Strategy will detail the regulatory changes that are programmed to come into force and identifies the actions necessary to prepare for new regulations.

This Divisional Statement of Strategy is part of the strategic planning process, and is used to generate an Annual Business Plan that details the activities to be undertaken in each year, and the goals to be achieved and the resources to be deployed in achieving these goals. These business plans are subject to monitoring and review and serve as the basis of management and planning of resources within the Division.

This is a process that aligns the priorities of Government with the activities of the executive and also provides a transparency and auditability to the activities of the MSO. This is a requirement of both EMSA and IMO to ensure compliance with relevant EU Directives and IMO Conventions.

2.3.4 Resources

The MSO is reliant on the provision of services from elsewhere in the Department or from other Government Departments. Services provided from within the Department are principally in respect of Human Resources and ICT support. The MSO relies on the State Solicitor's Office for prosecutions and parliamentary draughtsmen for the preparation of legislation. The timeliness of these services impacts directly on the operational efficiency of the MSO.

2.3 Activity

MSO collects data on its activities, which it uses to assess performance against the Key Performance Indicators contained in its annual Business Plan. This data is operational in character. MSO is a Division within a Government Department, and the financial systems do not provide the MSO with financial or resource data to drive financial or productivity based KPIs. It would be helpful to develop additional financial / productivity focused KPIs in the future.

FISHER

The bulk of the MSO's activity is in respect of ensuring Ireland's compliance with EU, international and national maritime safety laws and regulations. The MSO also undertakes activities within Government in respect of advice to Ministers and other Departments and technical assistance in the drafting of maritime safety legislation. The MSO also represents the Irish Government at EU and IMO level in respect of maritime safety issues as well as at other multilateral agencies. The current breakdown of its responsibilities is shown in the Table 2-1 below.

Table 2-1: Application of resources

MSO Activity	Resources (%)
Flag State Implementation	32%
Inspections & Investigations, including Port State Control and Port Waste	20%
Legislation, Advisory & International representation	16.5%
Mercantile Marine Office	9.5%
Ship and Port Security	4%
Auditing by EC, EMSA, IMO and IAU and of ROs	4%
Vessel Information Services and Hydrography	3%
Training, Administration & Development	11%
Total	100%

Detailed statistics are kept on Flag State Implementation and Inspection and Port State Control activities and sections 2.4.2 to 2.4.3 examine the activity levels in these areas over the period 2002 to 2010.

2.4.1 The Irish fleet

Figure 2-1 illustrates the data provided by MSO on its demand base. These numbers are "approximate figures". Nonetheless this illustrates that fishing vessels account for nearly half of the total number of vessels and is declining, whereas the number of passenger boats account for about 30% of the total and is increasing.

FISHER

Figure 2-1: MSO Fleet

|	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2102
FVs	350	1850	1850	1850	1800	1800	1750	1700	1700	1650	1600
Pax Boats	500	550	600	650	700	750	800	850	900	950	1000
Pax Ships	120	130	112	114	99	79	85	90	108	108	120
Merchant	40	45	50	50	40	28	32	35	35	40	40
Total No.	3000	3000	3000	3000	3000	3000	3200	3200	3300	3300	3400
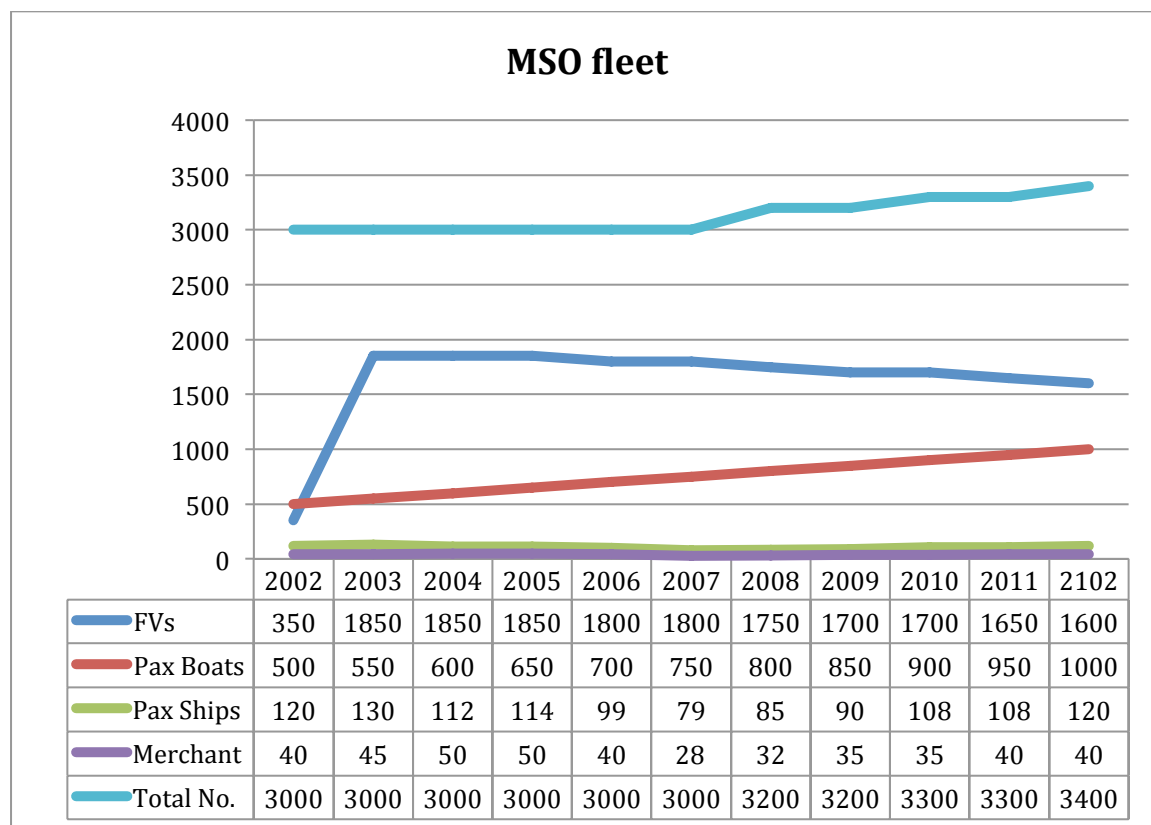
2.4.2 SUR6 application activity

Various statistics for activities carried out by the MSO have been provided.

MSO received 603 applications for surveys (SUR6) in 2010. The inspections pursuant to these were distributed as indicated in Figure 2-2. It is notable that Cork handles approaching half of surveys / activities.

Figure 2-2: MSO SUR6 applications

FISHER
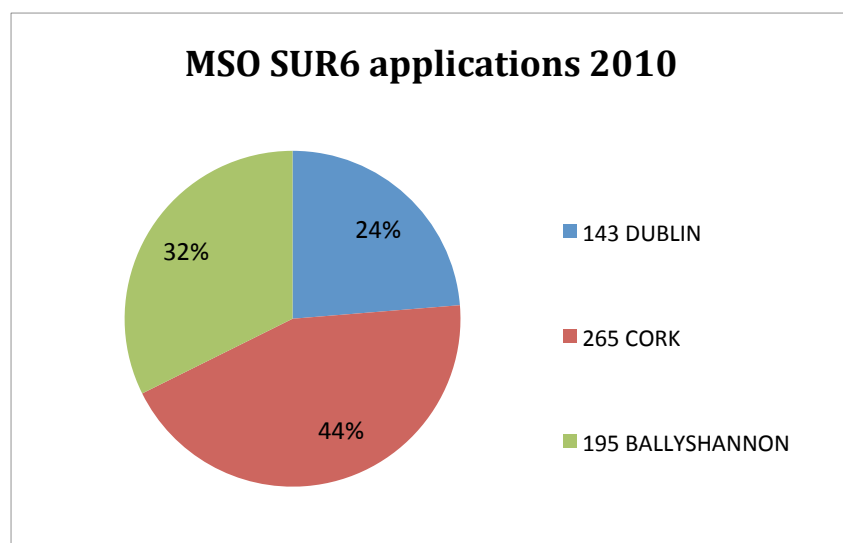
It appears that fishing vessels generated about 135 activities of some kind (see Figure 2-3). These have been increasingly been brought under regulatory regimes in recent years, and it is evident that activity has increased significantly since 2007, primarily due to fishing vessels in the 15-24m range that are subject to MSO survey and inspection.

Figure 2-3: MSO inspection of fishing vessels
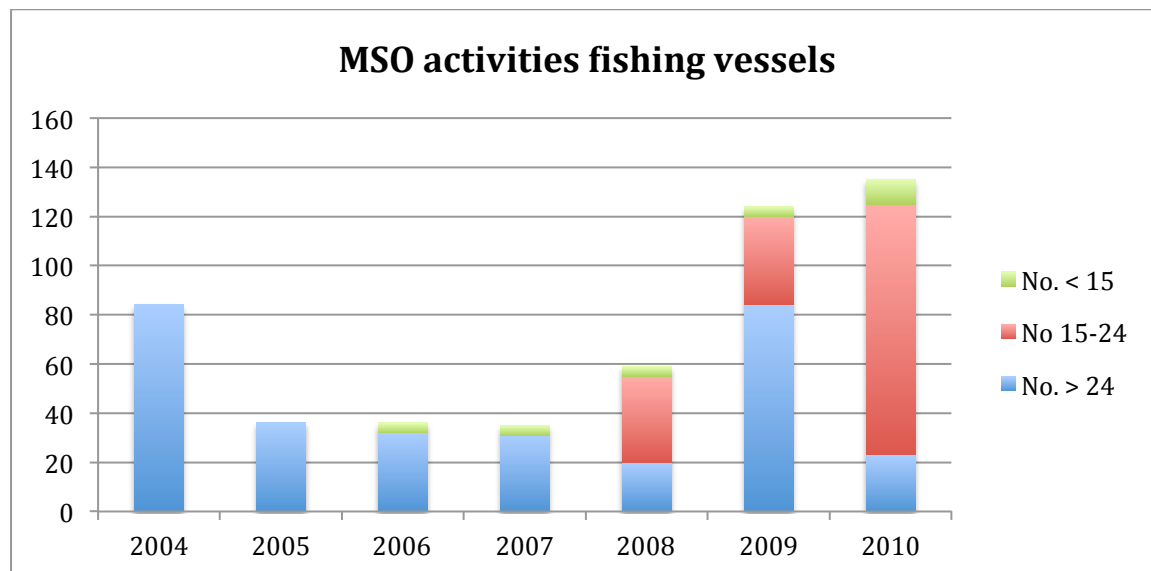
Passenger vessels generated about 398 activities in 2010, and this has also shown a rising trend in recent years (see Figure 2-4), presumably due to growth in numbers of passenger boats.

Figure 2-4: MSO activities passenger ships and boats
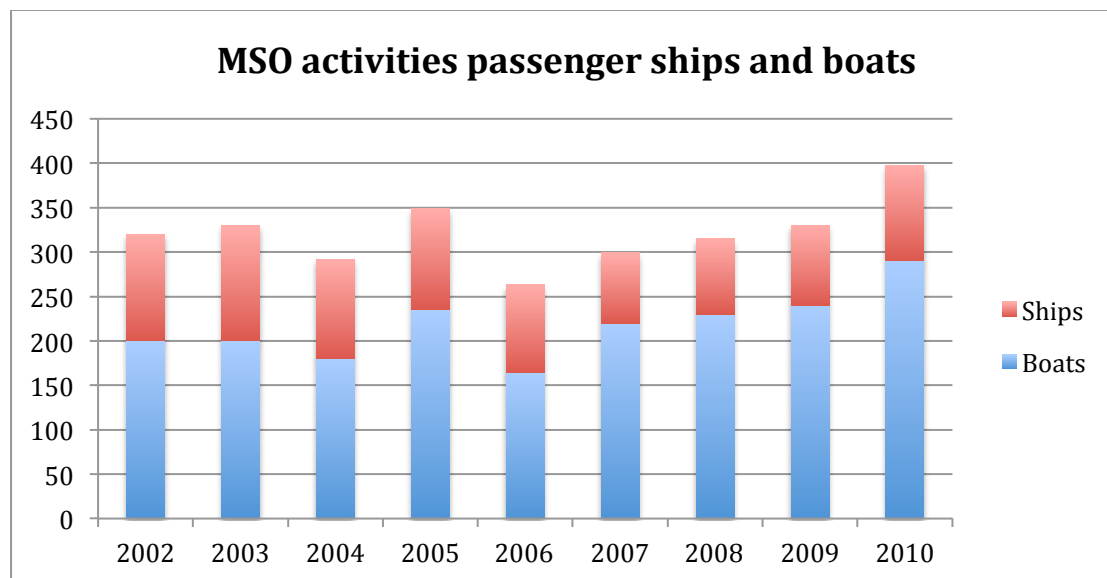
The remaining 70 activities in 2010 (603 – 398 – 135) are presumed to relate to mainly to Flag State Control duties.

FISHER

2.4.3 Port State Control activity

MSO undertook 423 PSC inspections, plus a further 12 inspections after detention in 2010. These were distributed as indicated in Figure 2-5. In this case, Cork handles the fewest inspections.

Figure 2-5: MSO PSC inspections 2010
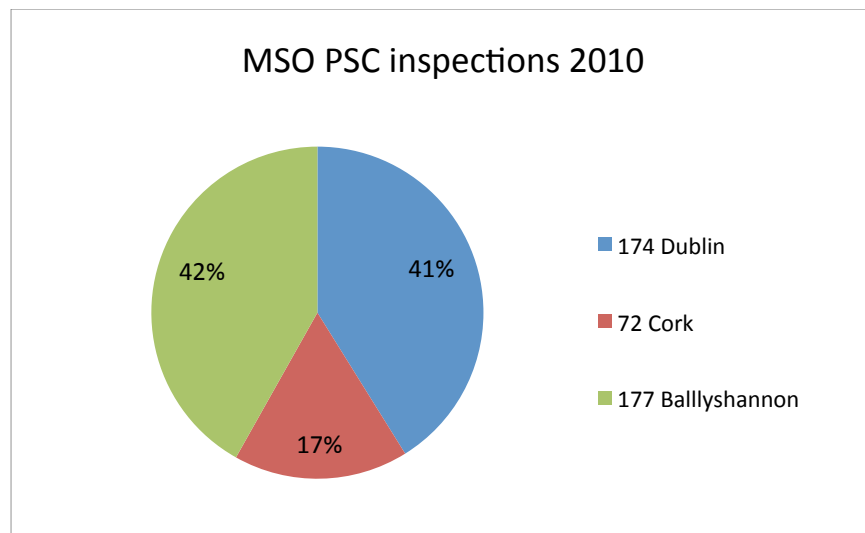
In addition to these PSC inspections, 39 RoPax inspections were undertaken in 2010, mostly by Dublin staff (36 of the 39).

Figure 2-6 shows that the number of PSC inspections and detentions has remained broadly the same over recent years. We understand that in future the number of PSC inspections will reduce, although their thoroughness may increase, as PSC targets become driven more by risk than by quotas.

Figure 2-6: MSO trend in PSC inspections

FISHER
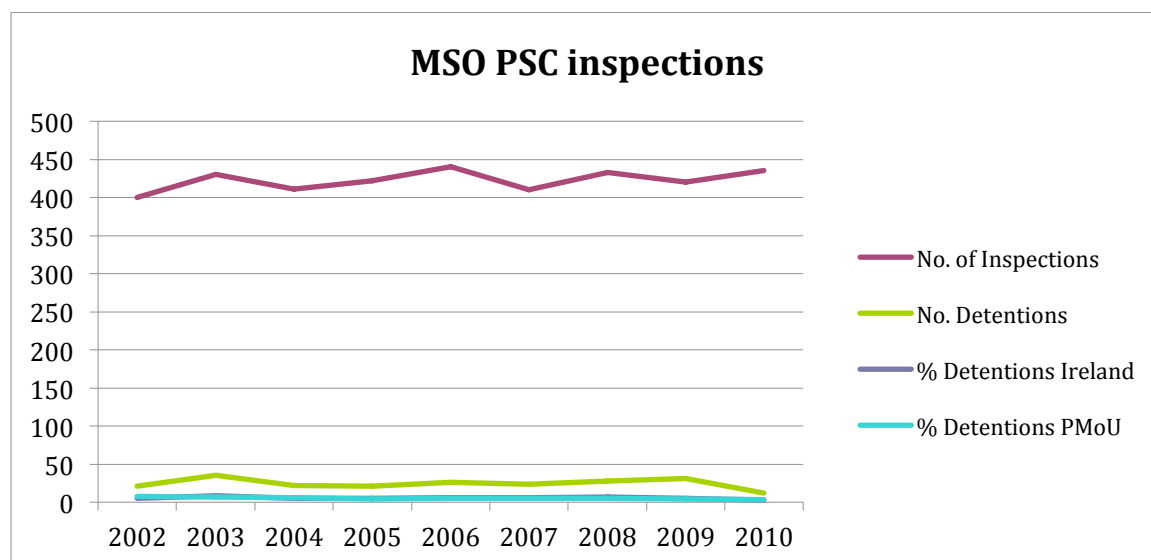
2.4.4 Certification and other activity

MSO provides numerous certification services. In the first six months of 2011 it issued 1,908 certificates. Radio surveys / examinations / licences accounted for 55% of these. Other key generators for certification activity include passenger boat / ship licences / safety certificates (10%), and issuing certificates of competency (9%).

2.4.5 Delegation of authority

Flag State activities are the responsibility of the MSO and some activities are delegated to eight Recognised Organisations (RO) through written agreements in accordance with the provisions the EC (Ship Inspection and Survey Organisations) Regulations 1998 and 2003. The MSO monitors the activities of the ROs through the Irish Committee of ROs (ICRO).

The ROs principally undertake the annual surveys and inspections of Irish vessels for the purposes of certificate renewal. ROs are delegated only a few responsibilities with regard to New Buildings. For these, MSO undertakes most inspections and approvals – and particularly the most important. These include vessel stability, life saving appliances and systems, fire protection and radio communication – all of which are requirements of the SOLAS Convention and are therefore fundamental safety matters. The MSO is also solely responsible for the tonnage measurement of a new vessel.

Ireland has a programme of supplementary surveys of ships to ensure that ships entitled to fly the Irish flag comply with the appropriate mandatory IMO instruments. MSO conducts these surveys as a part of monitoring ROs.

The ROs will only undertake surveys and inspections of vessels over 500GT, which are known as "Convention Vessels", as this is the general lower limit of cargo vessels covered by IMO Conventions. In view of this, and the activities that ROs already undertake, the balance of activity undertaken by ROs and MSO seems to be appropriate.

With regard to fishing vessels under 15m, which are subject to national safety regulations, the MSO has delegated authority for their inspection and survey to a Panel of private Surveyors. This arrangement, under the aegis of the former Panel, was not as effective as hoped and it is being reconstituted at time of writing. If the reconstituted Panel proves effective, it represents potential to delegate further authority for inspections and surveys of small vessels covered by national maritime safety legislation.

2.4.6 Gaps in activity

Regulating the safety of Ghillie Boats is a requirement of Statutory Instrument 274 of 2002. This requires the development of an ICT system to permit recording of self-declarations, and compliance in respect of these vessels.

The inspections and surveys of fishing vessels under 15m did not meet the required levels in 2011. The Panel of Fishing Vessel Surveyors is being reconstituted, and it is anticipated that this will help to address this situation.

The resource analysis for 2011 also shows that no resources were allocated to Bulk Terminal Inspections, which are a requirement of EU regulations.

FISHER

The shortfall in inspections of fishing vessels and Bulk Terminals are due to resource constraints both in the MSO and the private sector. There is a need to rectify these deficiencies and relieve the constraints.

The Paris MoU on Port State Control requires Port State Control inspections to be carried out on a 7 day per week basis. The MSO does not as a general rule undertake PSC or other inspections at weekends or on Public Holidays, as the Surveyors are employed on civil service conditions which do not accommodate the flexibility required by the responsibilities of the MSO. The Surveyors are willing to, and do undertake duties at weekends when circumstances allow no alternative, and always attend in cases of emergency at whatever time required. However, this is not recognised in their terms of employment, which act as a disincentive to provide services on a 7 day per week basis. This issue should be addressed.

2.4.7 Impact of the MSO on the development of the Irish maritime sector

The MSO is central to the success of the Irish maritime sector in that, as the recognised Maritime Safety Administration, it facilitates Irish vessels to operate on an international basis, as well as ensuring recognition of Ireland as a maritime nation. In the national context, the importance of regulatory regime to the overall health of the Irish maritime sector was evidenced in the consultation exercise, where external stakeholders highlighted issues related to the MSO's service provision, but also a range of other regulatory maritime issues mistakenly attributed to the MSO. The fact that consultees laid various charges at MSO's door (whether justified or not), illustrates its central role.

There is also the broader question of the value that the MSO provides Ireland. This is twofold; first there is the value in ensuring compliance with EU and International standards and avoiding the reputational loss, or even infringement proceedings, that come from non-compliance. Second, the MSO, as part of the MSA, has an important role in driving up standards and thus improving the maritime sector as a whole. International evidence shows that an effective MSA is a key component of a successful maritime sector, and encourages professionalism through its regulatory activity.

FISHER

2.5   Cost of service

2.5.1   Divisional costs

The best estimate is that MSO has operating costs of about €4.4 million pa broken down as illustrated in Figure 2-7. Direct salaries, plus indirect salaries for DTTAS HQ admin support, account for 85% of operating costs (72% + 13%).

Figure 2-7: MSO structure of operating costs
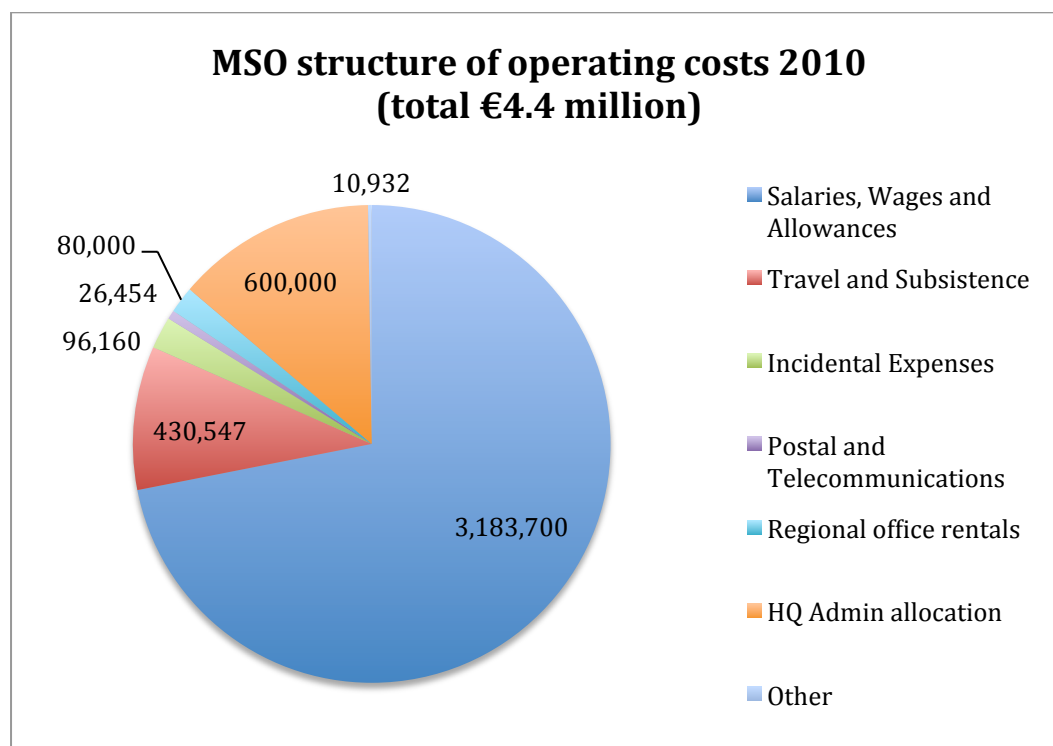
MSO is run by a mix of technical (Surveyors) and administrative staff. Administration accounts for 20% of salaries (see Figure 2-8).   Travel and subsistence includes payments for use of staff's own vehicles, and a proposal to reduce the costs of this is under investigation.

Figure 2-1-8: MSO direct salaries by role

FISHER
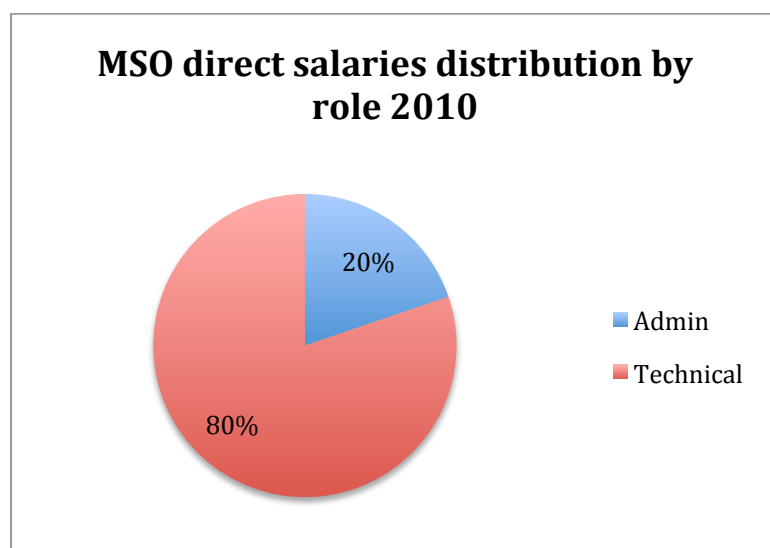
MSO receives just under €0.6 million in revenues (see Figure 2-9). Survey fees account for 78% of these. We note however that MSO does not keep these revenues – they are appropriated to another Government account.

Figure 2-9: MSO structure of revenues
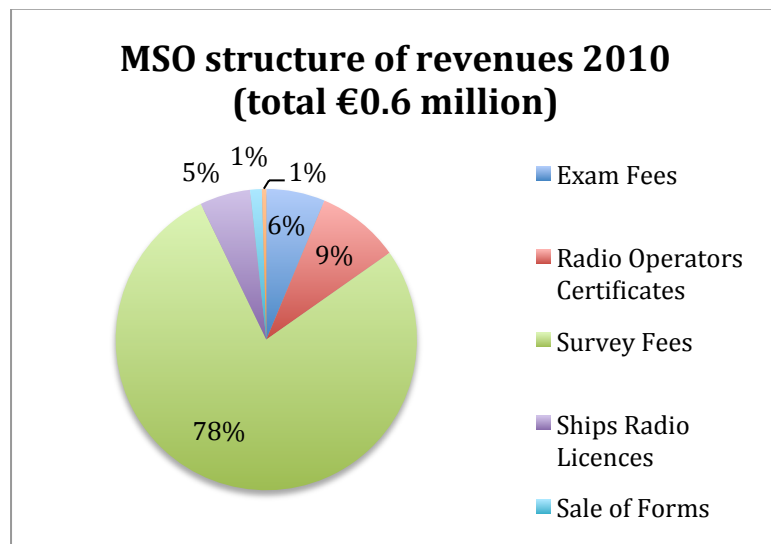
The best estimate of the net cost of running MSO is therefore €3.8 million pa.

2.5.2 Regional view

Figure 2-10 shows the breakdown of salaries for each office. Dublin accounts for about 2/3 of costs.

Figure 2-10: MSO direct salaries regional distribution
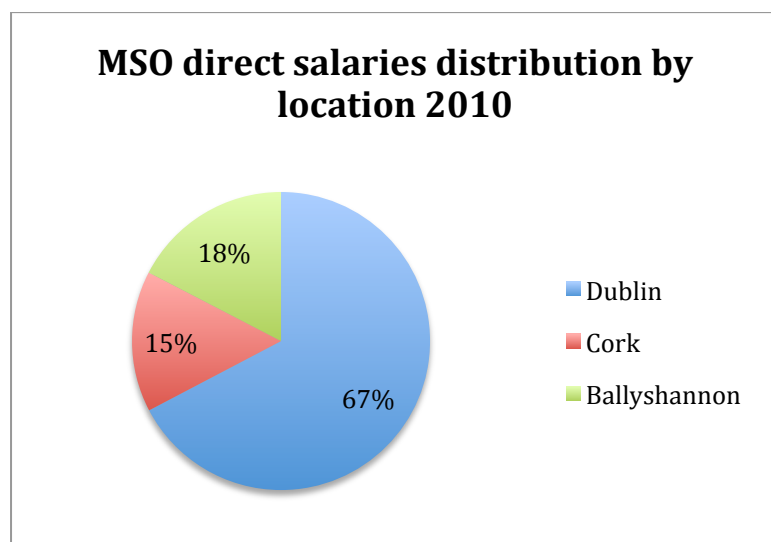
2.5.3 Trends

The trend in operating costs (before allocation of rentals for regional offices and HQ admin) is shown in Figure 2-11. Costs in 2010 remain similar to 2007. There is little doubt that MSO's workload has increased over this period, and this indicates that productivity has been improving.

FISHER

Figure 2-11: MSO trends in operating costs

	2007	2008	2009	2010
■ Maritime Safety and Irish Coast Guard - LRIT	-	-	-	3,435.86
■ Consultancy Services	90,764.23	-	61,035.53	7,496.47
■ Office Premises Expenses	-	84.27	1,028.48	
■ Postal and Telecommunications	23,023.10	24,916.67	26,448.32	26,453.76
■ Incidental Expenses	173,236.44	131,827.70	81,973.36	96,159.69
■ Travel and Subsistence	576,618.62	562,149.57	372,827.92	430,547.08
■ Salaries, Wages and Allowances	2,913,385.57	2,910,997.43	3,449,942.85	3,183,699.53

MSO's staffing levels have stayed commendably stable, and the trend to regionalisation is evident, with significant reductions in Dublin based Surveyors (see Figure 2-12).

Figure 2-12: MSO trend in staffing

FISHER
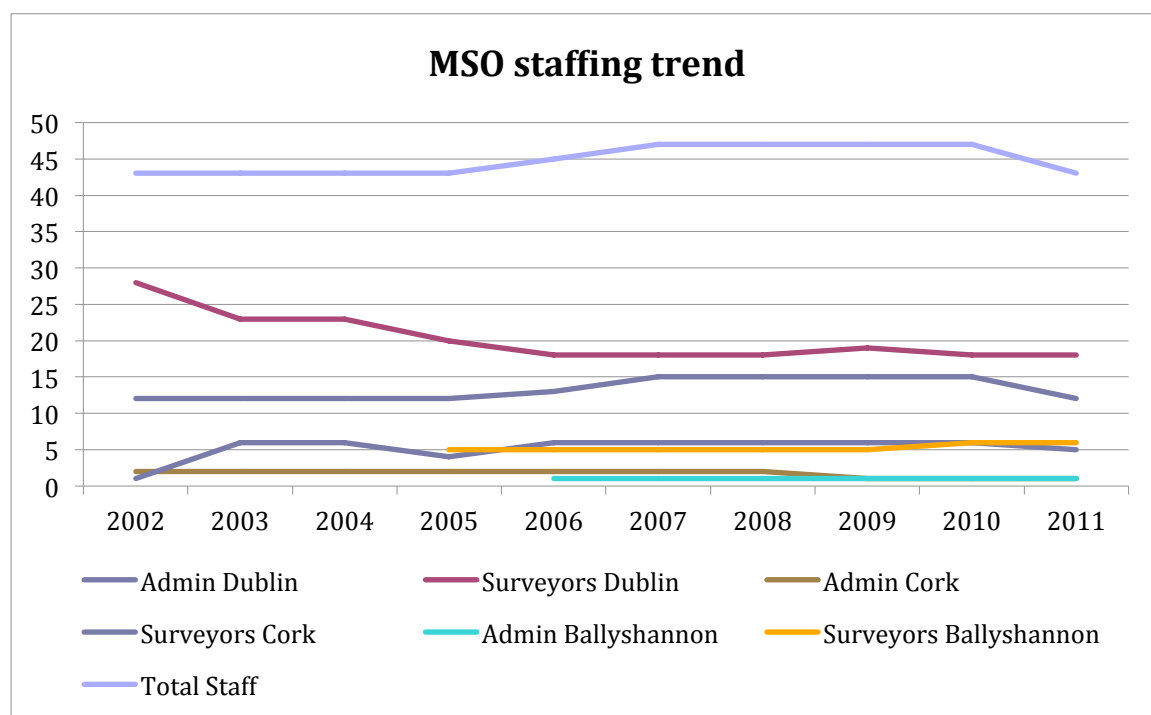
The trend in net costs (before allocation of rentals for regional offices and HQ admin) is shown in Figure 2-13. Revenues have shown some increase over the period, and net cost in 2010 was less than 2 of the previous 3 years. This is a positive trend.

Figure 2-13: MSO trend in net cost

MSO net cost trend 2007 - 2010 €
(pre allocation of rental and HQ admin)

FISHER
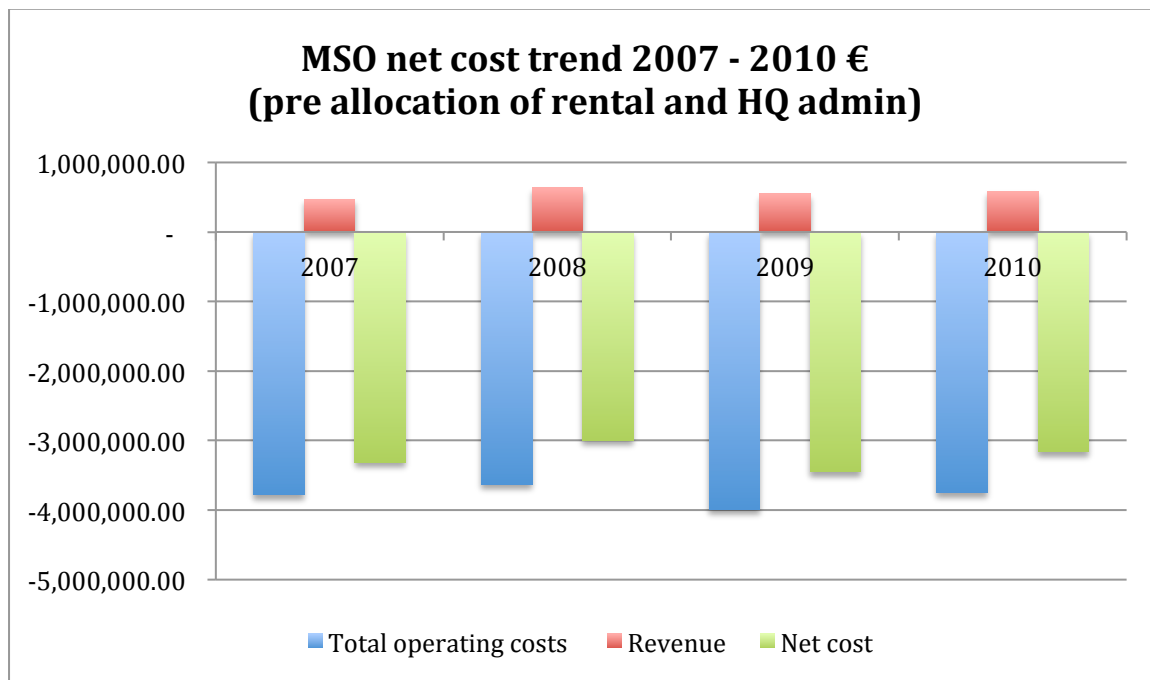
3   Consultation

3.1   Consultees

3.1.1   Internal consultation - MSO

As a part of this review, discussions were held with the Chief Surveyor and the Deputy Chief Surveyor, as well as other members of the organisation. These meetings principally concentrated on strategic issues affecting the operations of the MSO as an organisation, as well as looking at the support functions offered by the Administrative services. There were also exchanges of emails on a number of relevant topics.

We should like to record our thanks to the Chief Surveyor and Deputy Chief Surveyor for their willingness to share information and opinions with Fisher Associates.

It was also important to seek the views of the technical staff, and group consultation meetings were held with the MSO Surveyors at all three locations. Inevitably, a number of the Surveyors were unable to attend these meetings due to professional commitments.   These meetings were most worthwhile and provided a very good insight into the operation of the organisation - both the positive and what could be improved - and we have attempted to address some of the issues raised in this Report.

We should also like to record our thanks to the Surveyors and other MSO staff for their input, especially to those who attended these meetings even though they were rostered to be on leave at the relevant time.

3.1.2   Internal consultation - DTTAS

The opportunity was taken to consult with members of the Management Board at DTTAS who have long-standing experience of the operation of the organisation. This included the current and former Assistant Secretaries with direct responsibility for MSO (and the IRCG).

3.1.3   External consultation

Following discussions with the Chief Surveyor and others, a series of meetings with external stakeholders and customers were planned and held at the Dublin (HQ) offices.

These stakeholders ranged from ship-owners to private Surveyors, from trade organisations to individual members of the public. It became clear at an early stage that relationships between the MSO and some stakeholders could be better, and in some cases this was reflected by a reluctance to engage with Fisher Associates.

Not all external stakeholders and interested parties were able to attend the face-to-face meetings, either because of their availability or because of their location. Many of these stakeholders are busy operating small passenger vessels or fishing vessels on the west coast of Ireland, and it was impractical for them to attend. For those people, contact was made either by telephone, by e-mail or by letter. The level of response to this consultation was low. It is perhaps of interest to note that there was no response to the questionnaire from any of the ROs. Given that these organisations make a fundamental contribution to the work of the MSO, this is considered to be a little surprising.

FISHER

We should like to record our thanks to all stakeholders who took part in the external consultation process for their willingness to share information and opinions with Fisher Associates.

Paying particular regard to the VFM "3Es" approach, interviews were based on a semi-structured format to permit discussion of the following topics:

- **Strengths:** What does MSO do well?

- **Weaknesses:** What should they be doing better?

- **Opportunities for Improvement?**

  ⇒ Costs

  ⇒ Saving money (or making money)

- **Efficiency:**

  ⇒ Doing more with the same

- **Effectiveness:**

  ⇒ What other things should they be doing?

  ⇒ What are they doing that they should NOT be doing?

In most of the consultation meetings, the discussions were quite wide ranging around these basic topics.

3.2 Feedback

3.2.1 General perception

From our consultations, it became clear that the general perception of the MSO's performance and effectiveness differed considerably in terms of the internal and external view. Internal stakeholders were primarily concerned with issues of resources and organisation to enable MSO to deliver the required regulatory services.

External stakeholders were equally concerned as to the delivery of services but were also concerned about the nature of the regulation. In particular, a frequent expressed comment was in respect of the timeliness of service and the ability to get through to the MSO by telephone. This was particularly the case with the Dublin office. Another frequently expressed opinion was that the interpretation of any legislation was "to the letter of the law", without consideration for its commercial impact or for the benefit of the industry as a whole.

There was also a view that there should be a "one stop shop" for all maritime sectors. Forthcoming changes to legislation, for example the implementation of the Maritime Labour Convention, will require the involvement of numerous Government Departments and Agencies, which will require stakeholder involvement with each of these bodies.

FISHER

3.2.2 Internal views

Internal consultation highlighted four main issues of concern.

Adequacy of HR and ICT support: This was a major concern of both Divisional management and the Surveyors. Unfilled vacancies, particularly in respect of Administration Staff, placed additional burdens on the management and severely and adversely affected service delivery. The lack of adequate support perceived by MSO from ISD for Divisional projects, that were required for compliance purposes, also had the effect of reducing efficiency and delaying the delivery of services.

Individual Surveyors also had frustrations with ISD support, particularly with regard to the repair and maintenance of their laptop computers. One particular complaint was that "six weeks worth of work was lost due to ICT failures". Management and staff of the MSO were also frustrated by the imposition of inflexible security measures with respect to departmental laptops, which precluded the transfer of information by means of USB devices, and limited connectivity in the field, with adverse impact on their efficiency and effectiveness.

Adequacy of legal powers: Both Divisional management and the Surveyors expressed repeated concern that they were required to enforce international maritime safety regulations for which they had no national powers to do so. Not only did this compromise their sense of professionalism, it also left them open to charges of acting *ultra vires*.

Adequacy of fee structure: It was generally held that many of the fees that could be charged for inspections and surveys did not reflect the time and effort of the input. In a related area, there was frustration with the process of approving stability books for small passenger and fishing vessels which often required several submissions and examinations before the necessary standards were achieved, all for a single fee.

Management: The Surveyors expressed concern that their effectiveness was impeded by the lack of management time that they could call upon. It was recognised that this was in part due to the fact that the Deputy Chief Surveyor had significant additional administrative duties due to the shortages of Administration Staff, but the view was also expressed that the technical staffing structure was too flat.

3.2.3 External views

"What does MSO do well?": The following points generated positive comments from external stakeholders:

* The return of the Irish flag to the Paris MoU on Port State Control "White list" is seen as a positive and beneficial opportunity for ship-owners and for Ireland as a whole. The Irish flag is well respected on an international basis.

* There was general praise for the local Surveyors and the operation of the local Marine Survey Offices. In many cases it was reported that there are good personal but professional relationships with individual Surveyors, and the flexible and co-operative approach of Radio Surveyors to carrying out surveys at a time to suit the customer was commented on.

* A minority of stakeholders considered that the MSO was easy to contact, had effective communication systems and that they would be involved in consultation on a number of issues.

FISHER

"What should MSO be doing better?": This question elicited numerous responses, and the following points are representative of concerns expressed by stakeholders:

- Level of service: Unable to get through to Dublin MSO by phone; Management of survey requests needs improving; Services should be provided more quickly; Inconsistent interpretation by Surveyors and/or offices - one says one thing, another something different in all sectors; Delegation of more responsibilities to Recognised Organisations might make the MSO more efficient and effective.

- Legislative process is a hindrance.

- Communications: Need for positive engagement with owners and more commercial awareness; Approach is not necessarily co-operative or collaborative; Lack of flexibility; Information on forthcoming legislation is not seen to be given in adequate time although the Marine Notice scheme is generally well regarded.

- Registration: Commercial process is unnecessarily complex and discourages owners from transferring to the Irish flag; Too complex arrangements for fishing vessel registration, licensing and safety certification.

- Apparent lack of co-ordinated vision to promote "maritime Ireland" and all associated activities - too many agencies involved.

"Could MSO offer greater economy/efficiency/effectiveness?": The responses to this question were in essence a repetition of those listed above. The main themes were the speed and efficiency of service and communication, and the demand for greater flexibility in the application of regulations. There were no significant comments regarding greater economy or the fees charges by the MSO.

3.3 Conclusion

Based upon the consultation, we can distil the stakeholders' concerns on MSO into three broad categories:

- The level of service provided.

- The way that MSO applies regulations and interacts / communicates with stakeholders.

- The perception of the role of the MSO.

Level of Service: The analysis of the Support Services in Section 4.1 identifies shortcomings in staffing levels, with unfilled vacancies, and business processes that are outdated. The responses of stakeholders confirm that these internal problems, which are well known to the MSO, are causing significant issues for stakeholders, and in consequence are giving rise to poor perceptions of the MSO. These issues should be addressed urgently.

Level of Regulation and Communication: The role of the MSO is to enable commercial maritime activities to be undertaken under the provision of proper certification for vessels and seafarers or, as a last resort, to stop activities that are a danger to life or the environment. *This is enablement by compliance.*

Many of the respondents considered that the application of maritime safety regulations was overly prescriptive, citing lack of flexibility in interpretation. As such they are seeking *enablement by compromise.*

FISHER

MSO contend that it is required to apply the regulations, not interpret them. This highlights the differing perceptions of regulation by MSO and its stakeholders:

- On the one hand, there are questions as to how well stakeholders understand the prescriptive nature of EU regulation, in comparison to regimes that may permit more leeway. The MSO must ensure consistency and high standards in the application of regulations, and it is audited by EMSA in respect of this.

- On the other hand, the question arises as to whether MSO can communicate better with stakeholders in its application of the regulations.

Regulators have to do their job, and this often makes them unpopular. Whilst this is regrettable but foreseeable, the situation in Ireland is that many stakeholders also exhibit little respect for MSO's role. It is essential that MSO carries the respect of the maritime community, and MSO should attempt to address these perceptions and issues by improving communication with stakeholders.

Perception of the role of the MSO: Stakeholders were consulted on issues specifically relating to the MSO, but voiced criticisms on matters that were not the responsibility of the MSO. These included particular criticism of the process for registering vessels under the Irish Flag, which is the responsibility of the Revenue Commissioners. The legislative process was also labelled as a hindrance, although MSO has no control over this, and similarly there was criticism that the MSO was not coordinating a vision to promote "maritime Ireland", which is not its role.

These responses indicate that there is not a proper understanding of the particular responsibilities of the MSO. It seems that lack of clarity on which organisations should be doing what, means that some complaints are mistakenly attributed to the MSO.

From MSO's perspective, this should be addressed by improving communications with stakeholders. From a wider perspective, we recommend that Government considers its overall approach to maritime safety, and whether the perceived confusion those stakeholders have described can be addressed.

FISHER

4 Key Issues

Five key issues that affect the economy, efficiency and effectiveness of the MSO were identified during the course of the Review. These are:

1. Support services and relations with other Departments

2. Adequacy of legal powers

3. Utilisation of ICT

4. Ability to recover costs

5. Relations with stakeholders

A review of each of these key issues follows.

4.1 Support services and relations with other Departments

It is clear that many of the perceived and actual problems with the current delivery of MSO services are directly related to the intricate and complex mechanisms by which one section of the Civil Service interacts with another. This raises a number of issues concerned with:

• Corporate governance

• Management of human resources

• Application of ICT

• Legal services

• Media services

4.1.1 Corporate governance

Corporate governance oversight is provided through civil service and ministerial processes and procedures and the Management Board of DTTAS. Direction is provided in the form of Government policy. DTTAS produces its own strategy, and MSO develops a Business Plan that sits below this. The plan includes numerous objectives and milestones, but few of these are focused on monitoring and improvement of value for money.

This reflects the normal structure and governance of the executive branch of Government, but governance of MSO could be improved from a VFM perspective. Policies applied from the centre have resulted in reduced effectiveness in the service provided by MSO due to withdrawn resources, and the consultation has revealed the extent of these problems. Furthermore, the Management Board does not demand information from management related to productivity and financial efficiency, which it should do if these were objectives – essentially by the use of KPI's specifically targeting improved economy / efficiency / effectiveness.

The separation of the Strategic and Business Planning process from the Budget process is a major issue. Whilst it is fully recognised that there are severe budgetary constraints on the Department, it is clear that the lack of linkage between the business planning process and budget allocation is having a major and adverse impact on the ability of the MSO to meet its obligations.

FISHER

4.1.2   Human resources

The MSO has no control over its own staffing levels, and has had administrative staff removed and not replaced. Administrative staff have an essential role as the line of first response, and in providing the necessary physical certificates required by vessels and seafarers under International Conventions and EU Law. During consultation, responses from stakeholders have highlighted difficulties and delays in these. There are current vacancies for one Higher Executive Officer, two Executive Officers and 2.6 FTE Clerical Officers. There is an immediate need to properly resource MSO.

4.1.3   ICT services

The situation is similar with ISD, where the MSO has no control over the level of external resources it can call upon for day-to-day support and ICT projects. The shortcomings in day-to-day support featured prominently in the internal consultation, and have already been noted.

The 2011 Divisional Business Plan lists 15 ICT projects that need to be undertaken by 2013, all of which will improve the efficiency of the Division, and nine of which are for compliance purposes. A number of these have yet to be started and are required under Directive 2009/21/EC. Specifically, the MSO was required to have a Flag State Management System by 17th June 2011, which has not been started, and is required to have in place a Quality Management System by 17th June 2012, which will not be completed by the specified date. The issue of support for ICT projects is fully discussed in Section 4.3.

4.1.4   Legal services

It is a requirement of International Conventions and EU Law that breaches of safety regulations can be effectively prosecuted. Prosecutions are a last resort but have the beneficial effect of serving as an example, and therefore encouraging compliance by others.

The MSO relies upon the Chief State Solicitor's Office and State Solicitors to undertake these prosecutions. The success rate in respect of prosecutions is poor due to the limited resources made available by the Chief State Solicitors' Office. This does not allow for the efficient operation of justice or for the benefits of the deterrence effect of successful prosecutions.

There are resource constraints on legal support within Government, thus the question as to whether State prosecutions should only be undertaken by State solicitors should be addressed. Successful prosecutions are at no cost to the State, as the costs are recovered by the courts. On this basis, there should be no impediment to the use of private sector solicitors to prosecute on behalf of the MSO.

4.1.5   Media services

We understand that staff within the media relations unit have little knowledge of the MSO's activities and its needs, and there is a need for a dedicated point of contact within the Government's media relations unit who has appropriate knowledge and experience of maritime matters.

There is a significant requirement to use the media in future, as explained in Section 4.5.

FISHER

4.1.6   Conclusion

The MSO is not sufficiently supported in its overall governance and resource management to enable it to provide cost-efficient and effective services to the maritime community, nor to properly fulfil Ireland's obligations with regard to EU Directives and International Conventions. This is evidenced by the following problems:

- Dissatisfaction among stakeholders due to a poor standard of service in some respects.

- Delays in efficiency improvements that can be achieved through implementing ICT projects.

- Failure to meet deadlines for implementation set by the EU with the risk of technical infringement.

- The inability to effectively promote successful prosecutions and achieve the resultant deterrence effect.

MSO's Managers do not control the resources needed to deal with these issues, and therefore cannot be held accountable. Who *is* accountable for these issues? In practice responsibility is spread throughout the machinery of Government, leading in effect to little accountability.

We recommend that Government should review the governance of the MSO and put more aspects of managing MSO into the hands of and control of Managers of the service. This is an important step if MSO is to be managed with a view to VFM in the longer term. Whilst recognising the current move in Ireland away from "Agencies", this may require an alternative institutional form such as an Agency or Executive Office.

We recommend that Government considers how improved accountability can be achieved, with or without such institutional changes.

4.2   Adequacy of legal powers

The MSO does not have a complete basis in law to fulfil its national, European Union and international obligations. The national legislation giving effect to the IMO Conventions is not complete. Legislation is required for a number of Conventions designated by the IMO as "mandatory instruments", including SOLAS and MARPOL. The MSO lacks the powers required in these essential areas of maritime safety, with the danger of domestic litigation, and MSO is rightly exercised by this issue and the potential problem of acting *ultra vires*.

EU directives can be readily translated into Irish law by Statutory Instrument under the European Communities Act 1972, whereas changes to IMO Conventions require, for constitutional reasons, primary legislation where existing powers are not adequate. The two, however, are not clearly separable as the European Commission has made it a requirement that all Member States fulfil the requirements of the IMO's Code for the Implementation of Mandatory IMO Instruments by 2012. It is therefore EU Law that IMO Conventions be implemented.

This issue was clearly identified in a "Voluntary IMO Member State Audit in September 2010". It was established that national legislation was not updated to give full effect to some amendments to mandatory IMO instruments to which the State is a Party (SOLAS 1974 Article I; LL66 Article I; COLREG 1972 Article I), Form A-NC-01. It concluded that there were several reasons for the delay including the level of staffing, large number of items to be processed, and lengthy national legislative procedures.

FISHER

The Conventions and Instruments that are required to be translated into Irish Law are:

- Convention on the International Regulations for Preventing Collisions at Sea (COLREG 1972) (International Maritime Organisation).

- International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW 1974) (International Maritime Organisation).

- International Convention on Standards of Training, Certification and Watchkeeping for Fishing Vessel Personnel (STCW-F 1995) (International Maritime Organisation).

- International Convention for the Safety of Life at Sea (SOLAS 1974) (International Maritime Organisation).

- International Convention for the Prevention of Pollution from Ships (MARPOL) (To complete legislation for Annexes I to VI) (International Maritime Organisation).

- Work In Fishing Convention 2007 (International Labour Organisation).

- Seafarers' Identity Documents Convention (Revised) 2003 (International Labour Organisation).

- Maritime Labour Convention 2006 (International Labour Organisation).

- Convention on the International Hydrographic Organisation 1970 (International Hydrographic Organisation).

MSO cannot be an effective regulator if it does not have the proper legislative base, and there are clearly external constraints that have caused this, and constrain remedying the situation. The failure of timely implementation exposes Ireland to potential infringement proceedings with possible reputational and financial costs. We recommend that the legislative base be brought up to date.

4.3   Utilisation of ICT

4.3.1   Requirement for ICT projects

The utilisation of ICT is a central feature of MSA and maritime security. Not only is it a requirement of compliance to EU Directives, it also offers considerable advantages in efficiency. Of the ICT applications that the MSO is running, are being developed, or are planned, two are central to its activities:

- SafeSeasIreland

- MSO Quality Management System

SafeSeasIreland is a web-based project with its basis in Directive 2002/59/EC, which requires a Community vessel traffic monitoring, and information system. It initially established a vessel arrival reporting system and was progressively expanded to cover Hazardous Substances reporting, ISPS reporting, Port State Control, Waste Reception reporting and FAL (Facilitation) reporting. It has an estimated 500 users, including Customs and the IRCG.

FISHER

Plans for further development of SafeSeasIreland include:

- A Flag State Management System (a requirement of EU Directive 2009/21/EC).

- A Seafarers Database (a requirement of the IMO "Manila" STCW Convention, in force from 1st January 2012, and EU Directives).

- A Survey Management System that includes provision for on-line payments facility (a major advantage to efficiency).

- SafeSeasIreland Core Support and implementation of the processes required for the IMO FAL Convention.

The development of SafeSeasIreland is being driven by the European Commission's requirement for a "single window" for all the regulatory requirements for the maritime community. The Flag State Management System is in effect a register of ships, and has potential to be used in connection with Ireland's Ship Register. Similarly, the Seafarers Database is in effect a register of seafarers, and has potential for other applications. Such possibilities offer the potential for wider efficiency savings, e.g. in development of the Ship Register.

The MSO Quality Management System is required for compliance purposes, but offers considerable potential to help support efficiency gains. MSO is taking a practical approach to developing this – essentially doing what it can in house.

The first benefit arises of the QMS from its *development*, which must codify all business processes, and in doing so provides a platform for understanding and simplifying these, with potential for improved economy and efficiency through the application of enabling ICT systems.

In *operation* the Quality Management System will provide Surveyors and Administrators with an effective management tool and information database. The potential for efficiency improvement is manifest, and should enable Surveyors to improve productivity and meet increasing regulatory demands.

The further development of SafeSeasIreland, and the implementation / "completion" of the MSO Quality Management System, can deliver considerable improvements to efficiency and lead to a measurable reduction in administration costs and staffing. However, implementation requires both the application of external ICT development resources, and appropriate internal MSO resources.

4.3.2 Efficiencies resulting from ICT projects

The major tasks to be undertaken by the MSO in the next two years include:

- Obtaining ISO Certification for the Quality Management System.

- Implementation of the Ballast Water Management Convention.

- Reviewing the Code of Practice for Fishing Vessels <15m.

- Implementing MARPOL Annex VI on sulphur levels in ships' fuels and ship emissions.

- The potential introduction of a replacement Registration Act.

- Implementation of the IMO STCW "Manila" Convention.

- Implementation of the IMO STCW/F Convention in respect of fishing vessel personnel.

FISHER

- Implementation of the ILO Work in Fishing Convention.

- Work associated with Ireland's Presidency of the EU.

There is a great degree of urgency in all these tasks, as they are subject to implementation deadlines that are fast approaching. A particular example is the Quality Management System, which should both be in place and have ISO Certification by 17th June 2012. This is a requirement of Directive 2009/21/EC.

These requirements will have a significant impact on the workload of MSO. Detailed discussions have taken place with MSO on the impact of these, and the role that ICT can play in increasing productivity, and thereby reducing the additional resources required to meet new commitments.

In response to these requirements, investment is required in the following four key ICT projects:

- Flag State Management System.

- Seafarers Database.

- Survey Management System including on-line payments facility.

- SafeSeasIreland Core Support and process implementation for the IMO FAL Convention.

These projects are required for compliance as well as efficiency purposes.

The projected number of **Administration Staff** required to support the MSO with these nine major tasks in 2014 is 19 without additional investment in ICT. This reflects the known Conventions and EU Directives that will have to be brought into force by then.

The implementation of the four ICT projects specified, plus the installation of a Telephone Call Management System, together with the use of flexible working arrangements at Clerical Officer level, can reduce this number to 12, a saving of 7 posts over the 2014 projected requirement without ICT enhancement. This is 5 posts below the authorised number for 2011, despite undertaking a greater number of duties. This proposal requires full integration of MMO and MSO Administration Staff to achieve the benefits in efficiency that these ICT projects offer.

The impact of these nine major tasks on **Technical Staff** is significant. Furthermore, a big additional workload in 2014 will come from legislation to implement four new Conventions requiring two Acts of the Oireachtas and associated Statutory Instruments and Marine Notices. While the MPSD is charged with preparing legislation, MSO is required to supply technical expertise in the relevant area. Ireland has no other source of this expertise at the level required. Ireland has little choice on enacting the required legislation and implementing the conventions, because the IMO Member State Audit will become mandatory after 2015 (in addition to the demands of the EC and EMSA).

Without the implementation of these four ICT projects, the projected number of Technical Staff required in 2014 would be 39. With the implementation of these ICT projects this number can be reduced to 35, a saving of 4 posts. This represents an increase over current authorised numbers of two Technical Staff, but it also represents a more efficient use of Technical Staff in managing a significantly increased workload.

FISHER

The effects of the efficiency arising from having the necessary ICT support are shown in Figure 4-1 below.

Figure 4-1: MSO staffing proposals

	Technical staff		Admin staff	
	Deployed / Required	Shortage	Deployed / Required	Shortage
Actual 2011	28		8*	
Authorised establishment 2011	33		17	
Required 2011	33	5	18	10
Required 2014 (No ICT Development)	39	11	19	11
Required 2014 (With ICT Development)	35	7	12	4
* accounting for long term sickness etc.				

The net effect on staffing numbers of MSO with the implementation of these four ICT projects would be:

- In comparison to the 58 staff that would be required in 2014 without ICT development, only 47 staff are needed. The potential savings in Administration Staff costs arising from the implementation of these ICT projects is €300,000 pa. The saving in Technical Staff costs is in the region of €550,000 pa (both at 2011 scales). This equates to total potential savings of €850,000 pa at 2011 employment costs.

- A reduction of 3 posts from a *current establishment* of 50 staff, to 47 staff in 2014. The additional two Technical Staff needed for legal and compliance requirements is compensated by a reduction of 5 Administration Staff. These savings in Administration Staff are predicated on the full integration of the MMO and MSO administration to enable both synergies and staff flexibility to achieve efficiency improvements.

Only the SafeSeasIreland Core Support project has been costed, and this would require external funding of €150,000. Costing of the other three projects is an essential requirement, but it seems highly likely that the payback for these will be short, and that they would offer strong value for money.

FISHER

4.4   Ability to recover costs

The MSO provides regulatory and certification services that are of value to commercial organisations. Its ability to recover the costs of services is limited by:

- Its inability to adjust charges levied.

- Its inability to charge for certain services (e.g. initial Port State inspections).

- The fact that its services have expanded due to increased regulatory requirements into areas where it might charge fees, but has no power to do so.

MSO's current ability to levy fees is contained in the following Orders and Regulations:

- Sea Pollution Act, 1991 (Survey Fees) Order 1994.

- Merchant Shipping (Fees) Regulations 2010, and Merchant Shipping (Fees) Order 2010.

- Fishing Vessel (Fees) Regulations 2007.

- Merchant Shipping Fees (Amendment) Order 2008.

- Wireless Telegraphy (Ship Station Radio Licence) Regulations 2006.

The MSO does not recover its relevant costs through the current fee schedules, as they do not reflect cost of services provided. Some examples:

- In 2011 the MSO devoted over 35% of its resources to Flag State Implementation activities, yet its expected fee income was only 13% of its costs.

- The renewal fee for Passenger Boat Licences, which is €29 does not in any way reflect the cost of the effort entailed in the renewal survey.

- The checking of design and stability calculations of boats and small vessels: a single fee only is chargeable no matter how many times these have to be sent back for correction, which is a frequent occurrence, taking a significant amount of Surveyors' time with no cost recovery.

Only the Fishing Vessel (Fees) Regulations 2007 are considered to be a fair reflection of the costs incurred by the MSO in providing a regulatory service.

The Fees Orders do not cover recently added responsibilities in respect of Ship and Port Security.

The impact of the inadequate charging regime is to make the MSO appear as a cost to the State, when the reality is that poor cost recovery is a hidden subsidy for the maritime sector. In principle and where appropriate, we recommend that MSO should recover the costs of its services in the same manner as other regulators, e.g. in the aviation industry. We recommend that there should be a tariff review to address this issue.

The fee income generated by MSO goes directly to the Department of Finance. We recommend that the amount of this income should feature in the MSO's Divisional Business Plan, according to its source. This can form part of the basis for KPIs of cost-efficiency, and inform management action both on efficiency of use of resources, and cost recovery of services.

FISHER

4.5 Relations with stakeholders

As noted previously, consultation with external stakeholders indicated several concerns. A particular theme was the perceived lack of flexibility of the MSO in applying safety regulations, which reflects a perception that regulations are negotiable – "enabling by compromise" rather than "enabling by compliance". This perception indicates a lack of awareness of the regulatory environment that MSO exists within.

A Maritime Safety Administration has to enforce rules for reasons that might not be readily apparent to those that have to comply with them. The majority of these rules and regulations are set at International and EC level, and leave little or no leeway in application by a national MSA. This is particularly the case within the EC where EMSA is energetically pursuing a strategy of constantly increasing safety and security regulatory standards.

Notwithstanding this, the effectiveness of implementation is directly linked to the relations between the regulator and those regulated. An MSA must be respected by its stakeholders, and have well established relations with them. Regulation is more readily accepted when those subject to it are informed and given good reason for the acts of the regulator. This is an area where MSO should increase effectiveness.

The MSO undertakes regular consultation with representatives of the fishing industry, with the Recognised Organisations, the Irish Ports Association, SafeSeasIreland users, the UK MCA Belfast and Arklow Shipping. It also used to hold annual seminars at the National Maritime College of Ireland until these were halted due to budget constraints. These meetings reached core stakeholders but not necessarily the broader maritime community. With regard to the development of Codes of Practice, the MSO undertakes consultation with industry representatives and their consultants, and also relevant stakeholders to ensure stakeholder views are considered.

Notwithstanding these activities, the poor perceptions identified represent a deficit of communications. The maritime community must gain a fuller appreciation of the role the MSO, in order to provide a basis for a relationship based upon trust and confidence between the MSO and the maritime community. A clear marketing / PR identity should be established and disseminated to achieve this. The MSO does not have a public profile beyond its core stakeholders, and has no relations with the press. This will need to change to facilitate dissemination of the message.

The MSO is first and foremost a preventative safety organisation. The maritime community and the public are made well aware of the costs when things go wrong, but it is not appreciated what savings can be made through effective preventative measures. A 2010 paper published by Erasmus University, Rotterdam, analysed the savings achieved through safety inspections, and found that that prevention offered strong value for money. The savings from preventative regulation are considerable, but not readily visible. This is the type of message that should be promoted.

The MSO does not have a website of its own, but a series of pages within the Marine Safety Directorate web pages which are a sub-section of the Maritime Section of the DTTAS website. It has no direct control over the content of this. The MSO pages offer an information resource coupled with basic explanations of the services provided. In essence they can be described as a passive repository of forms and related information.

FISHER

This is inadequate, and we recommend that significant effort should be put into a new website that informs a variety of stakeholders, and provides useful functionality such as information on up and coming regulations, as well as online applications for surveys etc. The MSO should be given direct control over the content of its pages in order to enhance them and use them to provide timely messages and a wider range of background information for the maritime community. The website should be linked as appropriate to SafeSeasIreland.

Furthermore, we recommend that there should be an open-minded review of how MSO interacts with its stakeholders. The management team should be at the core of this review, perhaps with external facilitation. The objective should be for MSO to embrace effective communication as one of its core values, and this needs to be evidenced both in spirit and in deeds.

FISHER

5   Recommendations and conclusions

The following summarises the recommendations and conclusions that are identified throughout the Review, with reference to the section that these are derived from where appropriate.

2.3.1   Management reporting

The fact that the Radio Surveyors report direct to the Chief Surveyor reflects the amalgamation of the former Marine Radio Affairs Unit back in 2000. This represents an anomaly, and we recommend that the Radio Surveyors should in future report to the Deputy Chief Surveyor.

2.4.5   Delegation of authority

Flag State activities are the responsibility of the MSO and some activities are delegated to eight Recognised Organisations (RO) through written agreements. The MSO monitors the activities of the ROs through the Irish Committee of ROs (ICRO). The ROs generally only undertake surveys and inspections of vessels over 500GT, which are known as "Convention Vessels". There is a balance to be struck between what MSO does itself, and what it delegates to ROs. We consider that the current balance seems to be appropriate.

The Panel of Fishing Vessel Surveyors is being reconstituted and, should it prove to have the necessary capacity and capability, consideration should be given to the delegation of additional small vessels inspections to this body. The MSO would continue oversight and would undertake regular audits in the same manner as the ICRO.

2.4.6   Gaps in activity

The MSO lacks the capability to regulate Ghillie Boats as required by national law. We recommend that the required systems be put in place to do this.

A shortfall in inspections of fishing vessels and Bulk Terminals are due to resource constraints both in the MSO and the private sector. There is a need to rectify these deficiencies and relieve the constraints.

Surveyors should be employed on conditions that allow them to fulfil Ireland's obligations under the Paris MoU on Port State Control, and Ireland's general obligation under EU Directives and International Conventions. It is recommended that the Surveyors' terms and conditions are amended to expressly state that they are employed on a 5 day over 7 day week, with days worked on weekends and bank holidays compensated by rostered days off during the normal week. This will allow greater flexibility in their deployment and contribute both to efficiency and to compliance with international obligations.

2.5   Cost of service

Surveyors generally use their own private vehicles for travel between their homes, their offices and the places of survey and inspection. Some of this travel will qualify for payment of travel expenses, although travel to and from home to their appointed office does not.

Most Surveyors travel significant distances during the year, and it is possible that there may be savings achieved through the use of leased and/or hire vehicles, as opposed to the use of private vehicles and the payment of travel and subsistence expenses.

It is understood that a proposal for realising savings is under development.

FISHER

3.3   Review of the maritime sector

It seems that lack of clarity on which organisations should be doing what in the maritime sector is resulting in some complaints being attributed mistakenly to the MSO. From a wider perspective, we recommend that Government considers its overall approach to maritime safety, and whether the perceived confusion that stakeholders have described can be addressed.

4.1   Support services and relations with other Departments

4.1.1   Governance

Governance of MSO could be improved from a VFM perspective. This should include the use of KPI's specifically targeting improved economy / efficiency / effectiveness.

A major issue is the separation of Strategic and Business Planning process from the Budget process. The lack of linkage between these is having an adverse impact on the ability of the MSO to meet its obligations. We recommend that this link should be restored.

Further recommendations related to governance are noted in Section 4.1.6.

4.1.2   Human resources

It is understood that a complete review of staffing in the Department was being undertaken in February 2012. This should include as a priority the establishment of criteria that recognise the importance of effective administration support of, *inter alia*, maritime safety and activities that relate to Ireland's compliance with EU obligations. Specifically, the following steps are recommended:

• Filling the vacant Higher Executive Officer post.

• Filling the vacant Executive Officer post.

• Reviewing the Clerical Officer establishment to fill critical vacancies.

These posts are required at present due to the level of technology used in the Division. Reductions in Administration staffing requirements can be achieved in the short to medium term as ICT projects come on line. This is explained in Section 4.3.2.

In addition, MSO requires bringing up to its proper establishment for Technical Staff, by filling the five vacant posts.

4.1.3   ICT support

In the short term, proper support is needed for MSO's ICT needs. The Chief Surveyor and Deputy Chief Surveyor provided information regarding a number of specific ICT support failures, and there were more anecdotal reports from Surveyors. These failures relate not only to networked computers within HQ, but also to laptop computers used by the Surveyors in the field, including security measures that restrict transfer of data by USB, and Wi-Fi connectivity. There are also failures associated with remote connection to the DTTAS network.

If failures were to be experienced in the field during a Port State inspection for example, the Surveyor's ability to complete the inspection and to deliver the appropriate reports to the Master of the vessel would be seriously compromised.

We recommend that ICT support should be improved, and that there should be dedicated case officers within the central DTTAS ICT Support unit with specific responsibility for MSO.

FISHER

ICT projects are funded via the process of an annual bidding procedure arising from the Divisional Business Plan, with projects implemented according to the resources subsequently allocated, rather than the resources required to meet business needs, and more importantly compliance needs.

We recommend that the criteria for allocating ICT resources should be reviewed in order to give proper priority to ICT projects that are i) required for compliance with EU Directives and International Conventions; ii) time-critical, e.g. linked with regulatory deadlines set by EU Directives; iii) those that deliver the quantifiable improvement to efficiency as summarised in Section 4.3.2.

If the Department cannot provide the required ICT project support due to capacity constraints, we recommend that MSO should be permitted to obtain support either from other areas of Government, or if this not practicable or available, private sector resources.

4.1.4   Legal services

The ability to prosecute breaches of regulations is a central feature of an MSA, and a requirement of both the EU and IMO. Should the Chief State Solicitor's Office and county-based State Solicitors not have the capacity, we recommend that MSO should utilise private sector solicitors to mount prosecutions. Section 44 of the Maritime Safety Act 2005 allows the recovery of costs on a successful conviction, and therefore the use of private solicitors should, in successful cases, be of no cost to the State. The use of private solicitors would also assist capacity building in the maritime sector through the development of skills in maritime law.

Additionally, Section 15 of the Maritime Safety Act 2005 allows for Fixed Payment Notices. Experience in other sectors, particularly road transport safety, shows these to be an effective deterrent and their use might be considered in the maritime sector, through including provision for this in the further legal powers that are referred to in Section 4.2.

4.1.5   Media services

There is a significant need to improve communications in many respects, and we recommend that there should be a dedicated point of contact within the Government's media relations unit who has appropriate knowledge and experience of maritime matters.

4.1.6   Improved accountability

The MSO is not sufficiently supported in its overall governance and resource management to enable it to provide cost-efficient and effective services to the maritime community, nor to properly fulfil Ireland's obligations with regard to EU Directives and International Conventions.

MSO's Managers do not control many of the resources needed to deal with these issues, and therefore cannot be held accountable.

We recommend that Government should put the control of more aspects of managing MSO into the hands of Managers of the service. This is an important step if MSO is to be managed with a view to VFM in the longer term.

Notwithstanding the current move in Ireland away from "Agencies", this may require an alternative institutional form such as an Agency or Executive Office.

We recommend that Government considers how improved accountability can be achieved, with or without such institutional changes.

FISHER

4.2   Adequacy of legal powers

MSO cannot be an effective regulator if it does not have the proper legislative base. There are clearly external constraints that have caused this, and constrain remedying the situation. The failure of timely implementation exposes Ireland to potential EU infringement proceedings, domestic litigation, and possible reputational and financial costs.

We recommend that Ireland must take urgent action to comply with the obligations entailed by being party to international conventions. This should be done by bringing forward primary legislation before the Oireachtas to transpose the provisions of International Conventions into Irish law. This can be done on a Convention by Convention basis, or by means of a General Act that can enable Ireland's obligations to be fulfilled through secondary legislation.

4.3   Utilisation of ICT

The principle underlying the following recommendations is that early investment in ICT systems can generate future savings in staffing costs of the order of €850,000 pa for 2014.

There are nine additional major tasks to be undertaken by MSO in the next two years (see Section 4.3.2). **There is a great degree of urgency in all these tasks, as they are subject to implementation deadlines that are fast approaching.** A particular example is the Quality Management System, which should both be in place and have ISO Certification by 17th June 2012. This is a requirement of Directive 2009/21/EC.

We recommend that MSO / the Government should prioritise ICT projects that will lead to compliance with these tasks, and increased productivity and future staff savings, including those related to the creation of databases (Registers) of Vessels and Seafarers, and those that improve transaction processing – particularly on-line applications and payments.

Four core ICT projects are required **as a minimum**:

• Flag State Management System.

• Seafarers Database.

• Survey Management System including on-line payments facility.

• SafeSeasIreland Core Support and process implementation for the IMO FAL Convention.

It is important to note that these projects are required for both compliance and efficiency purposes.

In addition, the Quality Management System needs to be supported to completion, and a new fit for purpose website is essential.

FISHER

The net effect of these projects is to reduce the number of staff required in 2014 from 58 to 47 (which is also 3 less than the current authorised establishment of 50), demonstrating significant improvements in productivity, as detailed in Figure 5.1.

Figure 5-1: MSO summary staffing proposals

	Technical Staff	Admin Staff	Total
Authorised establishment 2011	33	17	50
Required establishment 2014	39	19	58
Required 2014 (with ICT projects)	35	12	47
Benefit of ICT projects on 2014 requirement	-4	-7	-11

The requirement for an increased establishment in 2014 is due to the new obligations that MSO must fulfil by this date, as explained in Section 4.3.2. Detailed discussions have taken place concerning these, and Fisher Associates conclude that these are pressing obligations.

There are clear and measurable efficiency savings to be achieved, but an absolute requirement for their achievement is the investment in the ICT projects identified. Only the SafeSeasIreland Core Support project has been costed, and this would require external funding of €150,000. Costing of the other three projects is an essential requirement, but it seems highly likely that the payback for these will be short, and that they would offer strong value for money.

We recommend that this investment should be made in the context of an overarching management information system (MIS), to provide the information on which to understand and improve the performance of MSO. This should accommodate the use of additional KPIs, both cost and activity based.

4.4 Ability to recover costs

We recommend that MSO should undertake a tariff review including review of the range of services it provides, the fees that accrue from these services, and the costs of providing them. This tariff review should identify:

- The services that it provides that involve approval, audit, license or certification, including services outside of maritime safety, e.g. aquaculture permit applications.

- Services for which it cannot charge such as Port State inspections.

- The costs of providing these services, and the revenues received.

- Appropriate tariffs to cover costs where applicable.

- The adequacy of current powers to levy fees.

- The requirement for any additional powers.

We recommend that MSO should then promote the necessary legislative steps to enable it to levy appropriate fees.

FISHER

We note that MSO cannot become self-financing as it is required to undertake inspection duties, particularly initial Port State Control, for which no charge can be made. The key point is that it should recover costs that are in effect hidden subsidies, and that it should be in a position to manage its chargeable activities within these costs.

4.5   Relations with stakeholders

MSO's effectiveness in implementing regulations is directly linked to its relations with those being regulated. MSO must be respected by its stakeholders, and have well established relations with them. Regulation is more readily accepted when those subject to it are informed and given good reason for the acts of the regulator. This is an area where MSO should increase effectiveness.

The MSO needs to better communicate its role and purpose, and its safety message, to the maritime community:

•   A clear marketing / PR identity should be established and disseminated to achieve this. The MSO does not have a public profile beyond its core stakeholders, and has no relations with the press. Previous contacts between the MSO and the press are reported as having been discouraged. This will need to change to facilitate proactive and positive dissemination of the message.

•   MSO should have a dedicated website, and we recommend that significant effort should be put into a new website that informs a variety of stakeholders, and provides useful functionality such as information on up and coming regulations, as well as online applications for surveys etc.

Furthermore, we recommend that there should be an open-minded review of how MSO interacts with its stakeholders. The management team should be at the core of this review, perhaps with external facilitation. The objective should be for MSO to embrace effective communication as one of its core values, and this needs to be evidenced both in spirit and in deeds.

Restructuring of the MSO

Based upon the thrust of our recommendations, MSO will change character significantly in the short to medium term. It will respond to increasing future workloads, and the need to better communicate with stakeholders, with improved productivity supported by significant ICT improvements, and modern computer-enabled business processes. This has a number of implications for the management approach, and also for the management structure.

The current management approach is centralist, and based on "control by doing". Through the application of the new MIS and ICT capability, there is the opportunity to decentralise, with more "control by monitoring". Thus Surveyors can operate with somewhat more autonomy, and a system of risk based checks can be put in place to ensure the quality of work, based on scrutiny of a proportion of Surveyors' activities. Approached with an open mind, and carefully implemented, this could contribute to improved productivity without loss of quality. The implementation of the QMS will be a key contributor to this aim.

FISHER

There are three key opportunities to better structure MSO to cope with the challenges that lie ahead:

- A distinction within the Dublin HQ of the MSO, such that the survey function is operated as a defined operations Dublin Survey Office, in conjunction with the regional offices at Cork and Ballyshannon. All Dublin based Surveyors, including the Radio Surveyors, should report to the Deputy Chief Surveyor who would be re-designated Deputy Chief Surveyor, Operations. The Surveyors in Charge at Cork and Ballyshannon should continue to report to this person. There is no need for an additional Surveyor in Charge for Dublin because this role should be carried out by the re-designated Deputy Chief Surveyor, Operations who is already based in Dublin.

- Creation of a new "Projects" Department to house the broad regulatory / convention activities that MSO undertakes, the assimilation of further obligations, and the management of the various ICT projects that are needed. This should be led at Deputy Chief Surveyor level, to be created from within the establishment, and designated Deputy Chief Surveyor, Projects and located at Dublin HQ.

- Creation of a new Administration Unit designed around modern MIS and ICT systems, including integrating the current administrative structures of the MSO and MMO. A Higher Executive Officer should head this single Administration Unit for MSO.

- The two Deputy Chief Surveyors, and the HEO heading the Administration Unit should report to the Chief Surveyor.

This new structure reflects the principle that there should be a single identity for all the technical services provided by MSO, and that the administration of these should also be fully integrated.

Internal consultation has indicated that the Surveyors consider the current structure too flat, and their productivity would benefit from having more management resources devoted to operations. Thus creating a separate Projects team would allow the Deputy Chief Surveyor, Operations to concentrate on operational issues and improve efficiency in their delivery, whilst the dedicated Deputy Chief Surveyor, Projects would be applied to other tasks.

The Projects Department would be staffed on a rotating basis. Surveyors should work there for perhaps 2 to 3 years, and be rotated into / out of the Survey Offices.

Conclusion

The primary challenges facing MSO are to: i) improve the quality of the services that it provides; ii) improve its relations with stakeholders; and iii) absorb the ever-increasing workload which is being generated by dint of Ireland's status as a "first world" maritime nation. There is an **urgent** need to ensure that all of the State's obligations that fall to the MSO are met, and Government must provide MSO with a proper legislative base. Failure to meet such obligations may result in possible EU infringement proceedings, domestic litigation, and reputational damage and financial costs.

In the immediate future, there is little option other than to put the staff in place to deliver the services that MSO should be delivering, with the quality of service required. In the short term, however, there are significant opportunities to increase both efficiency and effectiveness through: i) investment in ICT to modernise business processes and deliver technical / compliance needs; and ii) restructuring the organisation. This should be supported by much improved cost recovery through revising charges.

FISHER

The principle underlying our recommendations is that early investment in ICT projects can generate future savings in staffing costs of the order of €850,000 pa by 2014. The net effect of these ICT projects is to reduce the number of staff required in 2014 from 58 to 47 (*which is also 3 less than the current authorised establishment of 50*), yet enable improved quality of service. With nine major obligations to accommodate by 2014, this demonstrates significant improvements in productivity.

Significant investment in ICT systems, supported by restructuring the organisation, is required if MSO is to meet its obligations against this complement. Failure to implement the required ICT projects will result in the need for significantly more staff.

FISHER