

Introducing a LPG Cylinder Distributor Service Level Recognition Scheme in Hong Kong

Purpose

1. The purpose of this paper is to inform Members the overall approach of introducing a Service Level Recognition Scheme for LPG Cylinder Distributors (the scheme) in Hong Kong.

Background

2. At the 23rd GSAC Meeting held on 26 October 2006, the Members discussed a stalemate in the implementation of the Code of Practice for LPG Cylinder Distributors (the COP). After deliberation, the Committee endorsed that a voluntary "service level recognition scheme" for the gas distributors would serve as a means of encouragement to the voluntary compliance with the COP.

3. The share of the LPG cylinder market in Hong Kong accounts for about 12% of the fuel gas supply to the domestic, commercial and industrial sectors excluding the transport sector. The 5 registered LPG supply companies (RGSC's) in Hong Kong have authorized about 240 LPG cylinder distributors (distributors) serving about 400,000 domestic households and 10,000 commercial customers, including laundry and restaurant operators.

Scheme Objectives

4. Recognition under the scheme can serve as a positive encouragement for distributors to comply with the COP rather than negative punishment, and provide incentive for them to upgrade their service level, enhancing their safety performance. It can be seen as a breakthrough in the implementation of the COP and can enhance the public image of the trade. To individual distributors, recognition can be a good publicity tool for promoting business as well.

Scheme Outline

5. Since the 23rd GSAC meeting, EMSD has been in continuous dialogue with the industry to discuss the way forward. EMSD and the industry worked together to draft a proposed recognition scheme outline. The latest version of the scheme framework is attached in Annex 1.

6. The current annual audit of their distributors carried out by the RGSC, which has been an established practice since 2002, is the framework of assessment.

7. The distributors will be recognised in one of three levels of recognition, viz. Bronze, Silver and Gold based on the scores attained in the audit, any disciplinary action or prosecution records in the preceding 12 months, etc. (please refer to Annex 1 for details).

8. Mechanism for downgrading and withdrawing the recognition will also be introduced. Furthermore, an appeal mechanism will be initiated which is outlined in paragraph 5 of the Annex 1. The LPG Liaison Group will be the platform to resolve the appeal cases as the scheme is owned by the industry and EMSD would be the mediator.

Action Plan

Consultation

9. As mentioned, the industry has been in the picture. Agreement in principle on the framework was reached among EMSD, the industry and the trade at the coordination meeting held on 28 February 2008. The industry continued to consult their distributors.

10. It is therefore anticipated that the scheme framework can be finalized in the second quarter of 2008, after which voluntary applications from distributors to participate in the scheme can be accepted by the industry.

Application

11. Since the recognition scheme is based on reports of audit visits to distributors by the industry, auditing and analysis of audit results to establish ranking will take place in the second half of 2008. The final results and recognition level ranking should be ready within 2008.

12. We aim at soliciting 95% of the LPG distributors (about 230 in numbers) to join the scheme.

Publicity

13. In late 2008 and early 2009, wide publicity is warranted to increase the likelihood of success. The joint and committed efforts of industry and government to improve gas safety will be an important milestone in the eyes of the public.

Recommendations

14. Members are welcome to offer comments.

Electrical & Mechanical Services Department
11th April 2008

LPG Cylinder Distributor Service Level Recognition Scheme (Draft)

1. Purpose

The LPG Cylinder Distributor Service Level Recognition Scheme (hereinafter referred to as the Scheme) aims to help the public identify LPG cylinder distributors (hereinafter referred to as distributors) who offer quality services.

2. Implementation Method

To achieve the above aim, the Scheme is based on the *Code of Practice for LPG Cylinder Distributors* (hereinafter referred to as the *COP*). Distributors are classified into three categories, namely gold, silver and bronze, according to distributor audits.

3. Coverage

The Scheme covers all distributors who are approved by registered gas supply companies and audited in accordance to the *COP* and who pledge to strive for continuous improvement.

4. Administration

The Scheme is initiated by gas supply companies and endorsed by the Electrical & Mechanical Services Department.

4.1 Gas supply companies audit and grade their distributors according to the *COP*. The grading results are submitted to the Electrical & Mechanical Services Department for endorsement.

4.2 The Electrical & Mechanical Services Department will assess audit results to ensure that the methods adopted by the gas supply companies are reasonable and consistent.

5. Performance Level of Each Grade (a draft proposal only)

Grade	Proposed performance level
Bronze	After the first <i>COP</i> audit, a distributor who pledges to strive for continuous

	<p>improvement may attain at least a bronze grade, irrespective of the audit result.</p> <p>If in subsequent audits, the distributor is confirmed to have made continuous improvements and meet the following <i>COP</i> basic conditions, he may retain the bronze grade:</p> <ul style="list-style-type: none"> (a) he registers as a gas contractor with the Gas Standards Office (the same name must be used); (b) he is in possession of premises for non-domestic use for undertaking business; (c) he is in possession of at least one LPG cylinder wagon or compound (notifiable gas installation) with a valid permit; (d) he is in possession of a computerized customer database and updates it regularly; and (e) he pledges to conduct regular safety inspections at least every 18 months for domestic customers.
Silver	<p>A distributor fulfilling the conditions below may attain a silver grade:</p> <ul style="list-style-type: none"> (a) he registers as a gas contractor with the Gas Standards Office (the same name must be used); (b) he is in possession of premises for non-domestic use for undertaking business; (c) he is in possession of at least one LPG cylinder wagon or compound (notifiable gas installation) with a valid permit; (d) he is in possession of a computerized customer database and updates it regularly; (e) he pledges to conduct regular safety inspections at least every 18 months for domestic customers and has successfully conducted these inspections for 30% of his customers*; and (f) he received 20 demerit points or below in the last regular distributor audit.
Gold	<p>A distributor fulfilling the conditions below may attain a gold grade:</p> <ul style="list-style-type: none"> (a) he registers as a gas contractor with the Gas Standards Office (the same name must be used); (b) he is in possession of premises for non-domestic use for undertaking business; (c) he is in possession of at least one LPG cylinder wagon or compound (notifiable gas installation) with a valid permit, and the owner(s) of the LPG cylinder wagon(s) with valid permit(s) must be the distributor or the proprietor/partner/shareholder; (d) he is in possession of a computerized customer database and updates it regularly; (e) he pledges to conduct regular safety inspections at least every 18 months for domestic customers and has successfully conducted these inspections for 40% of his customers*; (f) he received 10 demerit points or below in the last regular distributor audit; and (g) the distributor, his employee(s) or his LPG cylinder wagon(s) was/were not convicted of any offence under the <i>Gas Safety Ordinance</i> (Cap.51) or subjected to disciplinary action twice or more in the last 12 months.

* Only active customers are included. Inactive customers are those customers who have not placed any order within a year.

Registered gas supply companies audit their distributors once every year, but distributors who have a gold grade may be audited once every two years. Registered gas supply companies will conduct audits at the end of each year to determine the service level of their distributors and their corresponding grades in the coming year. If a distributor operating at one address is under more than one gas supply companies, the grade he gets will be the lowest one among the grades awarded by all gas supply companies. In case of disputes or discrepancies, the LPG Liaison Group will be the platform to resolve them.

6. Safe Service Emblem and Grade Certificate

6.1 Distributors may be awarded safe service emblems corresponding to their grades.

The emblem, which is expected to state the distributor's name, grade, the year of validity (1 year) and a unique identification number, will be renewed annually. The distributors are welcome to display their emblems at their shop-fronts, or on their company stationery or promotional leaflets (if any). However, they must ensure that their emblems are used for relevant purposes only, for example, in relation to packaging, advertising and sale.

6.2 Distributors may be awarded grade certificates, which show the logos of the gas supply companies and the Electrical & Mechanical Services Department. The information therein is the same as that provided on the safe service emblem.

7. Revocation of Recognition or Downgrading

7.1 The grade awarded to a distributor is valid for one year.

7.2 If the distributor gains recognition by false statement or misrepresentation, the grade he attains will be revoked.

7.3 If the distributor, his employee(s) or his LPG cylinder wagon(s) was/were convicted of any offence under the *Gas Safety Ordinance* (Cap.51) or was/were subjected to disciplinary action (e.g. for supplying gas to non-approved notifiable gas installation) twice or more in the last 12 months, the distributor may be downgraded.

8. Advantages

The Scheme, which classifies distributors into three categories in accordance with their service level, enables the public to find easily distributors offering quality services. The safe service emblem provides a quick and convenient way for the public to identify approved distributors and the services which they may offer. The Scheme also provides an incentive for distributors to continue offering quality services to meet public expectations.

The Electrical & Mechanical Services Department and gas supply companies will promote the Scheme to encourage the public to identify and use the services provided by distributors with safe service emblems.